

Coalition Senators' Dissenting Report

The Coalition Government does not disagree that public infrastructure can deliver productivity outcomes.

While the Government agrees with the majority of the report, it disagrees with the underlying assumption that current government policies do not support the development of public transport infrastructure and notes that many Government initiatives underway have not been taken into account in the drafting of the report.

The Coalition's infrastructure policy is designed to ensure all levels of government are in a better position to focus on their core responsibilities in infrastructure investment.

There is no doubt that all levels of government are facing considerable fiscal constraints. This has become a significant impediment to the provision of the infrastructure Australia needs. Years of economic mismanagement by the former Federal Labor Government has meant the Coalition Government has had to make difficult decisions in its first term. The right decision under trying economic circumstances is for all levels of government to focus on their core responsibilities and work collaboratively to deliver on them. That is what the Coalition Government is doing.

The Government is specifically responding to the needs of the economy by building infrastructure that will drive economic growth, create jobs and improve productivity.

It is incumbent on a Federal Government to look at the big picture. No state or territory government is going to value the interstate road and rail freight networks as much as the Commonwealth will from its unique perspective. These networks are not just important for interstate private and freight transport but for moving Australian products efficiently to port and, in doing so, increasing our global competitiveness as an export market. This is an important economic outcome for all Australians. The Government's 2014-15 Budget has therefore unashamedly focussed on interstate networks and those significant urban and regional projects that will unlock productivity for the benefit of the whole country, not just those that dwell in our cities.

The Government decided to invest in the right infrastructure, not just any infrastructure. The right infrastructure increases productivity, eases congestion and delivers freight and logistics networks into our capital cities, our major regional centres and the outback. This has been done to ensure all Australians can reap the benefit of trade - to ensure industry has the infrastructure necessary to get their products to market and to ensure all Australians have access to the networks they need to receive goods and services.

Infrastructure is not cheap. Despite its historic commitment to infrastructure investment, and despite focusing on its core responsibilities, the Federal Government would welcome the opportunity to be in a position to fund more economic infrastructure, including those public transport projects that unlock the economic potential of our cities. The current economic circumstances however dictate otherwise. Australia currently faces a monthly interest bill of over \$1 billion and is burdened with a debt rising to \$667 billion if left unchecked. In this fiscal and economic context it would be irresponsible to borrow yet more money to undertake projects that states should be funding themselves.

The former federal Labor government's confused infrastructure policy interfered directly in the responsibilities of states and territories. States have - and should be held responsible for - many functions. Public intra-state transport, for example, is one of them yet the former government insisted on dictating inner city planning to states and then offered to fund such plans, leaving interstate freight and logistics road and rail networks to languish and turning its back on the needs of regional and rural Australia.

The Coalition's plan for infrastructure investment logically and responsibly considers the needs and responsibilities of all levels of government. This Government is about constructive federalism. For state and territory governments we have re-introduced the 80:20 funding split for new road and rail projects on the national network outside of metropolitan areas. Under Labor these networks were

effectively abandoned. For example, the Coalition committed to pay 80 per cent of the cost to complete the four-laning of the Pacific Highway by 2020. Labor made no credible commitment to complete the task, offered funding that was inadequate for the job and demanded that New South Wales increase its contribution to 50 per cent.

Likewise the Coalition committed \$6.7 billion to the Bruce Highway whereas Labor offered just \$4.1 billion and again demanded Queensland pay 50 per cent toward each project.

The Coalition's unprecedented infrastructure investment programme frees up state and territory governments to spend their money on areas of infrastructure where they have particular expertise and responsibility, including public transport.

Notwithstanding this fact, Labor is now insisting we abandon projects important for interstate freight and logistics and for global trade to spend more money on urban public transport.

The Federal Government's decision to focus on core responsibilities and bring infrastructure funding back on course has resulted in states responding positively to their own responsibility for public transport infrastructure. States are now spending record amounts on public transport. Since the federal election, State Governments have announced \$36 billion in public transport projects including:

- The Bus and Train Tunnel in Queensland (\$5b);
- In New South Wales: The North West Rail Link (\$8.3b); CBD and South East Light Rail (\$1.6b); Sydney Rapid Transit Network (includes a second harbour rail crossing) (\$7b); Parramatta Light Rail (\$1b committed); Western Sydney Rail upgrade program (\$1b);
- The Melbourne Rail Link (\$8.5-11b) and Cranbourne Pakenham Rail Corridor (\$2-2.5b) in Victoria; and
- Forrestfield Airport Link (\$2b) in Western Australia.

State budgets across Australia provide evidence that the states are prepared to invest in urban rail projects without a co-investment from the Australian Government.

Furthermore, public transport projects contracted prior to the election that have formal Australian Government approval are continuing such as the Moreton Bay Rail Link Project due for completion in 2016. The Coalition Government does not rip up contracts.

In addition the states benefit from this Government's Asset Recycling Initiative.

The 2014-15 Budget included \$5 billion to establish the Asset Recycling Initiative to provide incentive payments to states and territories that sell assets and reinvest the sale proceeds to fund world-class infrastructure across Australia.

Under this historic partnership, states and territories are encouraged to unlock capital in their balance sheets to fund new investment in productive infrastructure across the country. This includes public transport projects.

The Asset Recycling Initiative will create opportunities for investors, including Australian superannuation funds, to invest in quality infrastructure assets around Australia. This Initiative will leverage a significant increase in private sector investment by putting assets previously owned by the government in private hands. Over time these investors are likely to increase capital investment in the newly privatised entities to improve market share and to grow their businesses.

All governments signed the National Partnership Agreement on Asset Recycling at the Council of Australian Governments meeting on 2 May 2014. This unanimous support for the agreement demonstrates constructive and cooperative federalism at work.

The Coalition Government is not road-centric. It has needed to bring road infrastructure funding to the fore in this term of government because of the lack of investment provided by the previous

government to tackle congestion in our cities. Trucks need to be moved off local roads. The Coalition's policies also support the movement of freight onto rail through targeted investments in major rail freight corridors. The importance that an effective rail network has on national productivity cannot be underestimated. For this reason we are delivering the Melbourne to Brisbane Inland Rail project to cater for the freight needs of the future. It will also encourage movement of freight from roads to rail, improving safety and efficiency of the road networks.

Building, maintaining and improving the corridors that drive the nation's economic prosperity is of paramount importance to the Government. Safe, efficient, connected and comprehensive transport now and into the future is a vital concern as we accept that by 2030 Australia's population will grow to \$30 million, our freight task is expected to double – and treble along the eastern seaboard – and based on current trends, congestion costs the economy \$15 billion each year.

The Government's policies do not preclude public transport infrastructure being considered nationally significant. It is within the mandate of Infrastructure Australia (IA) to assess public transport infrastructure projects if they deem them to be nationally significant. The Government will not dictate to IA what it should or shouldn't consider to be nationally significant.

Similarly IA has an existing role in causing the method of cost benefit analyses to be reviewed. In addition to, and to support the reforms the Government committed to and made to the governance arrangements for Infrastructure Australia, the Government is committed to undertaking further reforms to promote good governance and robust project selection.

The best practice transport planning and appraisal framework in Australia is defined jointly by the *National guidelines for transport system management in Australia* (NGTSM 2006) and Infrastructure Australia's *Better infrastructure decision-making*. What the committee may not have been aware of at the time of drafting this report is the work the Government has undertaken to make more sense of the myriad of views put by interested parties as to what factors a cost benefit analyses should include.

The Government, in conjunction with the states and territories and in consultation industry and the public has published a national best practice framework for evaluating projects. This framework provides for a nationally consistent approach to the use of benefit cost analysis, as well as providing a framework for considering broader benefit and cost assessments, including assessing productivity gains and wider economic impacts. The project appraisal framework was released last month. This work will underpin key elements of the updated National Guidelines on Transport System Management (the NGTSM) to be finalised in 2015. It is anticipated that IA will use the NGTSM as part of its method for evaluating infrastructure projects. An overview of project appraisal for land transport is available on the Department of Infrastructure and Regional Development's website: www.infrastructure.gov.au. Information about the review of the NGTSM can be found at: www.austroads.com.au.

The Government also acts as a catalyst for reform of urban planning through COAG. Through this forum the Government encourages infrastructure and transport planning policies that are productivity enhancing. Specifically, the Transport and Infrastructure Council aims to achieve a co-ordinated and integrated national transport and infrastructure system that is efficient, safe, sustainable, accessible and competitive. Achieving this objective will support and enhance Australia's economic development and social and environmental well-being.

The Council considers and undertakes critical reforms for Australia that will drive future prosperity.

Improved transport and infrastructure across Australia will help to create a more liveable Australia, with transport and infrastructure integrated into urban and regional planning to foster an inclusive Australia. Further information on the work of the Transport Infrastructure Council, including is available at: www.transportinfrastructurecouncil.gov.au/about/

The Government looks forward to providing a full response to the report.

Senator Bill Heffernan

Senator John Williams

