

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2014 - 2015

Department/Agency: Treasury

Question: AET 237-243

Topic: Infrastructure return to Budgets

Reference: written - 06 March 2015

Senator: Dastyari, Sam

Question:

237. What modelling has Treasury done on the benefits of increased investment in infrastructure on federal government revenues over time?
238. What are the short term fiscal effects on federal government revenues from the increased activity?
239. What are the longer term fiscal effects on federal government revenues from expanded capacity?
240. What modelling has Treasury done on the benefits of increased investment in infrastructure on state government revenues over time?
241. What are the short term fiscal effects on state government revenues from the increased activity?
242. What are the longer term fiscal effects on state government revenues from expanded capacity?
243. What external research or modelling hat has been done on this in an Australian context?

Answer:

Answer 237-242:

The 2014-15 Budget estimates that when the \$125 billion of total infrastructure investment supported by the Government's infrastructure initiatives is completed, it will add around 1 percentage point to the level of GDP. No specific modelling of federal or state government revenues has been undertaken on the benefits of increased investment in infrastructure.

Answer 243:

A range of literature has considered the macroeconomic effects of infrastructure investment. The IMF World Economic Outlook October 2014 notes that increased public investment raises output, and during periods of economic slack and monetary accommodation, it may also result in a lower public-debt-to-GDP ratio. The research did not explicitly estimate the impacts on Australian government revenue.