

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates
2017 - 2018

Division/Agency: Commonwealth-State Relations Division
Question No: 178
Topic: Budget Measure 17/18 - Analysis on Infrastructure Spending
Reference: Hansard page 68 (29 May 2017)
Senator: Whish-Wilson, Peter

Question:

Senator WHISH-WILSON: In terms of some of the key things that we spend infrastructure on, has there been any analysis done within Fiscal Group on the opportunity costs of spending tens of billions of dollars on defence—the military industrial complex—versus other forms of infrastructure?

Mr M Brennan: Not specifically, no.

Senator WHISH-WILSON: Would you classify it—

Mr M Brennan: Let me take it on notice. I am aware that various work has been done, not necessarily in Fiscal Group but in the Treasury, around what might be the productivity benefits associated with infrastructure, and whether it is drilled down into different types of spend I could not be definitive about. I will take that bit on notice, but I am not aware of any in recent times where we have really delved into that question.

Answer:

Public investment in infrastructure has the potential to improve long-run productivity, increasing long-run GDP, including through spillovers from public capital to private sector productivity. However, there is no consensus on the magnitude of the average impact on productivity from higher public infrastructure spending. As productivity improvements from such spending will vary from project to project, it is important to ensure that public infrastructure projects are selected based on a rigorous benefit-cost analysis.