

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 111

Topic: **Transport Investment & Government Policy**

Hansard Page: E56-57 (03/06/2010)

Senator BUSHBY asked:

Senator BUSHBY—I want to ask a few questions about a speech that Mr Jim Murphy delivered earlier this year entitled ‘An Overview of Transport Investment and Government Policy’. In that speech Mr Murphy stated:

... investment in Australia’s rail network has gone hand-in-hand, in the past, with higher aggregate output levels in comparison to other types of investment.

What research is Treasury drawing on here to make that point?

Mr Archer—I would have to take that on notice, if I could.

Senator BUSHBY—There is nobody here who assisted Mr Murphy in the preparation of that speech?

Mr Archer—Not directly, no.

Dr Kennedy—No, there isn’t. Sorry, Senator, would you mind repeating that?

Senator BUSHBY—I was just wondering what research basically underpinned that statement by Mr Murphy.

Dr Kennedy—I am sorry to ask you this, Senator, but could you repeat the quote?

Senator BUSHBY—Okay. It was:

... investment in Australia’s rail network has gone hand-in-hand, in the past, with higher aggregate output levels in comparison to other types of investment.

So the return on rail investment is higher than that from other forms of infrastructure.

Dr Kennedy—I did not prepare that aspect of the speech so I do not know that specific piece of research. We can take that on notice and find out for you.

Senator BUSHBY—Okay.

Answer:

Mr Murphy’s speech drew on the OECD’s 2009 *Going for Growth* report, which stated that “investment in rail track has gone hand-in-hand in the past with higher aggregate output levels than in the case of other types of investment in Australia” (OECD, p.167). The report draws on recent OECD empirical analysis on the impact of infrastructure on growth and the role of public policies across several countries, including Australia.

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The full reference for the report is:

OECD 2009, *Economic Policy Reforms: Going for Growth*, OECD, Paris

Further information can be found at the website:

www.oecd.org/economics/goingforgrowth.