

Who decides infrastructure priorities?

Federal funding for urban transport in the time of climate change

Prof E W Russell

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TABLE OF CONTENTS	
EXECUTIVE SUMMARY	1
RECOMMENDATIONS	3
INTRODUCTION AND BACKGROUND	5
The Scope of National Spending on Urban Transport	5
The Introduction of Auslink in 2004	6
The Next Five Years: Auslink 2 – 2009-2014	9
The Establishment of Need	10
Concepts of Infrastructure Gap and Capacity Constraints	10
Impact of Pre-Election Promises on Transport Funding	11
Improvements in transport project assessment in needed	12
FEDERAL TRANSPORT SPENDING IN VICTORIA	13
FEDERAL TRANSPORT SPENDING IN NEW SOUTH WALES	16
FEDERAL TRANSPORT SPENDING IN QUEENSLAND	17
FEDERAL TRANSPORT SPENDING IN WESTERN AUSTRALIA	18
FEDERAL TRANSPORT SPENDING IN SOUTH AUSTRALIA	
CONCLUDING OBSERVATIONS	21
APPENDIX 1	22
Victoria’s Auslink 2 Bid	22
APPENDIX 2	23
What is the Methodology for Establishing an “Infrastructure Backlog”?	23
APPENDIX 3	25
Freeways advocated by Infrastructure Partnerships Australia	25
APPENDIX 4	26
Media release announcing establishment of Infrastructure Australia (21 Jan 2008):	26
Rudd Government to dramatically overhaul national infrastructure policy	26
APPENDIX 5	27
Australian Greenhouse Office estimates of emissions from transport	27

Who decides infrastructure priorities?

Executive Summary

In January, the new Commonwealth Government announced, as a major plank in its “war on inflation”, its support for a multi-billion program of ‘public-private partnership’ construction projects to plug the so-called ‘infrastructure gap’ (see Appendix 4 for media release).

At the same time, the government announced the establishment of a statutory advisory council which would report directly to the new Minister for Infrastructure, Anthony Albanese, and would advise the government on the priorities for this construction program.

Decisions are currently being made on the membership of ‘Infrastructure Australia’ and its terms of reference.

The Minister’s Second Reading Speech on the Infrastructure Australia Bill on 21 February 2008 reflected the views of business groups such as the Business Council of Australia, Engineers Australia and Infrastructure Partnerships Australia, concerning a major “infrastructure gap” facing Australia.

Infrastructure Partnerships Australia is a consortium of major construction firms and banks led by former Kennett Government Minister, Mark Birrell, and endorsed by State Premiers, John Brumby and Morris Iemma. It has claimed that there is a \$90 billion ‘infrastructure gap’ and published a state by state list of projects that it considers should be constructed.

But how can we be sure this money would be well spent? There is reason for concern. Over the past decade or more there has been a progressive erosion of the assessment of major infrastructure projects before approval is given.

In the past, the processes of public scrutiny included:

- Development of policy proposals/alternatives
- Benefit Cost Analysis
- Planning Act assessment of Net Community Benefit
- Environment Effects Act assessment
- Parliamentary Committee scrutiny
- Public consultation processes
- Treasury assessment
- ERC and Cabinet Approval.

Today:

- Project lists are generated by private firms and consortia
- There is close government/consortia collaboration
- Traditional merit assessment is near invisible
- Most public environmental assessment is in retreat.

Who decides infrastructure priorities?

In transport, this climate of dwindling public scrutiny has allowed state road construction agencies to produce extensive lists of urban and rural freeway proposals, which are given standing through their inclusion in the *Auslink* funding programs of the previous Commonwealth Government. Road funding under *Auslink* 1 (2004-2009) amounted to nearly \$15 billion, and bids for *Auslink* 2 (planned by the previous government to commence in 2009) were for amounts many times greater than this: Queensland alone has bid for \$30 billion under *Auslink* 2.

The existence of the extensive *Auslink* lists allowed both the ALP and the Coalition to ‘cherry pick’ from these lists during the 2007 election campaign and to promise the construction of a variety of road projects in marginal electorates. The evaluation underlying these announcements was not always clear. But it is also of concern. Should Australia continue to pour billions into new freeways when the Government climate change advisory, Professor Garnaut, is advocating emissions reductions well beyond those previously envisaged? Surely it is time for emphasis to be placed on investment in transport options that are more sustainable than freeways – public transport, rail freight, cycling and walking?

The construction of urban freeways in particular is recognised as one of the major factors behind the rapid growth in car-use in Australian cities since 1970. This passenger travel accounts for around 50% of total transport greenhouse gas emissions. Emissions from transport are the second largest source of greenhouse pollution after energy generation, and Australian Greenhouse Office predicts that transport emissions will grow by 60% on 1990 levels by 2020.

As the imperatives for action on climate change intensify, it is vital that there be stringent and transparent processes for the evaluation and public scrutiny of infrastructure projects that may be given Commonwealth support.

It is essential that membership of the Infrastructure Australia “advisory council” include expertise in assessing the impacts of major transport infrastructure projects in relation to the:

- Likely impact (positive or negative) on Australian greenhouse gas emissions
- Maintaining economic and social resilience in the face of rapidly increasing oil prices
- Containment of the physical ‘footprint’ of transport infrastructure in the urban environment.

Who decides infrastructure priorities?

Recommendations

1. The establishment of Infrastructure Australia by the Commonwealth Government is a promising initiative, but it is important that the choice of the nine members is balanced, and includes members with expertise in transport responses to climate change.
2. The proposed Infrastructure Audit to be undertaken by the new Infrastructure Australia during 2008 is much preferable to asserting a wish list or “\$100 billion shortfall”. The Infrastructure Audit should not just prepare a project shopping list but also look at transport strategies and necessary policy steps.
3. The process of building up the Auslink program from state road authority bids should be replaced by a more strategic national programming process following the completion of the infrastructure audit.
4. The Commonwealth Government should provide funds for urban public transport projects, and end the Howard Government policy that forbade such funding.
5. The extensive freeway wish lists advanced by state governments through the Auslink 2 process should be rigorously scrutinised in the light of the negative impact of many such projects on climate change and urban amenity.

Who decides infrastructure priorities?

Who decides infrastructure priorities?

Introduction and Background

Historically, the provision of transport infrastructure such as roads, bridges and railways in the Australian Federal system was allocated to State Governments. Within each state, capital works budgets could be developed that reflected established local needs. Often these needs were subject to scrutiny by a committee of parliament such as the Parliamentary Public Works Committee. Major new works could be the subject of parliamentary debate and public consultation.

The Scope of National Spending on Urban Transport

In the past, the federal Government's role in transport funding was restricted to several specific areas:

- works within Commonwealth territories including the Northern Territory.
- defence related works, particularly naval and air force bases.
- provision of major airfields, after the advent of civil aviation.

Following the widespread entry of the Australian Commonwealth government into new fields of activity occasioned by the centralization of taxation powers in 1942, the centralization of approval for state borrowings under the gentleman's agreement of the Loan Council after that, and subsequent entry of the Commonwealth into transport funding through centralist national governments, Commonwealth decisions now play a central role in determining what major road and rail investment projects will occur in the states.

In this circumstance, transport funding in the Australian federation has become difficult to interpret. State and territory governments now propose annually road (and to a lesser extent rail freight) projects: and these are then the subject of subsequent Commonwealth government funding announcements.

In this process, a project may proceed with limited prior evaluation. The former state parliamentary public works committees no longer play a significant role. While the Commonwealth *Land Transport Act* nominally requires assessment, such assessment is not always transparent or comprehensive. For some projects, a formal Environmental Effects Statement is required although this is not uniformly the case.

This paper examines transport funding since the advent of Auslink in 2004 and identifies the following features:

Who decides infrastructure priorities?

The Introduction of Auslink in 2004

In June 2004, the federal government released the *Auslink White Paper*, which proposed significant increases in federal funding for transport projects, especially freeways and freight routes. The paper also proposed that Auslink could extend to the enhancement of railways used for national freight movements, but stopped short of including funding for urban public transport or port developments other than transport links to ports.¹

Subsequently, Bilateral Agreements were entered into between the Commonwealth Government and the State and Territory Governments for the payment of Section 96 Grants from the Commonwealth to the States subject to the Commonwealth's *Auslink (National Land Transport) Act* and the *Australian Land Transport Development Act 1988*.

The agreements set out the Commonwealth Government contribution for the five years of Auslink 1, from 2004-05 to 2008-09. For this period, the Commonwealth has allocated some \$15.763 billion of national funding to state and territory governments for major road and railway projects, just over \$12 billion being identified as Auslink funding.

State bids for Auslink 2, to cover the next five year period, were submitted to the commonwealth during mid 2007. An example of one such bid – from Victoria - is reproduced at Appendix 1². Several of the projects listed in this bid were announced as “promises” during the 2007 election campaign by both the Liberal party and the ALP³.

Table 1 below shows Commonwealth Land Transport Funding Allocations for the period 2004-05 to 2008-09., i.e. under Auslink 1⁴.

¹ Implementation of the Auslink National Land Transport Plan: Bilateral Agreement the Commonwealth of Australia and the State of Victoria. 2005.

² See pp 18-19 below.

³ See pp 10-11 below.

⁴ Commonwealth Department of Transport and Regional Services, Auslink website.

Who decides infrastructure priorities?

	NSW \$million	VIC \$million	QLD \$million	WA \$million	SA \$million	TAS \$million	NT \$million	ACT \$million	Other \$million	Total \$million
AusLink Program										
National Projects ¹	3,506.3	1,475.1	2,563.4	997.2	571.1	224.7	186.1	2.7	132.2	9,658.8
Transport Development & Innovation Projects									34.2	34.2
Land Transport Research Entities Projects									20.1	20.1
Roads to Recovery	414.4	308.6	294.9	220.2	131.7	47.4	38.9	26.2	0.8	1,483.1
Improving Local Roads ⁴	85.6	62.5	62.5	45.0	27.7	10.0	9.0	5.0	0.2	307.5
Strategic Regional	78.8	34.9	40.7	22.5	8.6	23.9	9.7		0.9	220.0
Supplementary funding - Strategic Regional ³									250.0	250.0
Black Spot	71.9	52.0	44.4	23.9	17.5	6.1	3.4	3.3		222.5
Total AusLink	4,157.0	1,933.1	3,005.9	1,308.8	756.6	312.1	247.1	37.2	438.4	12,196.2
Other										
Whitehorse and Springvale Roads intersection upgrade		25.0								25.0
Untied Local Road Grants ⁴	750.9	533.6	484.9	395.7	142.2	137.2	60.6	83.0		2,588.1
Additional funding to SA					53.7					53.7
Upgrade of the Mainline Interstate Railway Track		20.0								20.0
Eyre Peninsula Rail Upgrade					15.0					15.0
Federation Fund	20.5	15.0	9.9							45.4
Other Total	771.4	593.6	494.8	395.7	210.9	137.2	60.6	83.0		2,747.2
Grants to Australian Rail Track Corporation									820.0	820.0
Total Land Transport	4,928.4	2,526.7	3,500.7	1,704.5	967.5	449.3	307.7	120.2	1,258.4	15,763.4

TABLE 1: COMMONWEALTH LAND TRANSPORT FUNDING ALLOCATIONS FROM 2004-05 TO 2008-09, UNDER AUSLINK 1

Who decides infrastructure priorities?

It will be noted that these figures published by the Commonwealth Department of Transport and Regional Services (DOTARS) exceed in some instances those that were originally contained in the various bilateral agreements. The following table, based on the Bilateral Agreements between the Commonwealth and the various states and territories, identifies some \$7.68 billion of expenditure originally agreed to by Ministers under Auslink in 2004;⁵ reference to the Table 1 shows the other categories of transport funding (notably \$2.7 billion of untied local road funding) that goes to making up the \$15.7 billion DOTARS total.

Additionally, several states have had their original Auslink allocations augmented during the life of the agreement. Table 3 identifies the scope of this additional funding, e.g. \$907.68M additional funding provided to NSW during the agreement.

	Auslink		(Including:-)
	Road	(\$M)	Auslink
	Funding		Rail
	<i>Construction</i>	<i>Maintenance</i>	Funding
NSW	1946.41	542.21	110
VIC	1484.65	212.03	85
QLD	1524.07	329.03	0
WA	472.02	159.76	14
SA	331.28	130.98	0
TAS	114.27	29.72	37
NT	74.77	79.88	0
ACT	2.66	0.62	0
Total	5950.13	1484.23	246

TABLE 2: COMMONWEALTH FUNDS ALLOCATED TO STATES AND TERRITORIES FOR TRANSPORT PROJECTS UNDER AUSLINK 1 2004-09

	Auslink		Auslink		DOTARS	Difference
	Road	(\$M)	Rail	Total	2007	
	Funding		Funding		Figures	
	<i>Construction</i>	<i>Maintenance</i>				
NSW	1946.41	542.21	110	2598.62	3506.3	907.68
VIC	1484.65	212.03	85	1781.68	1475.1	-306.58
QLD	1524.07	329.03	0	1853.1	2563.4	710.3
WA	472.02	159.76	14	645.78	997.2	351.42
SA	331.28	130.98	0	462.26	571.1	108.84
TAS	114.27	29.72	37	180.99	224.7	43.71
NT	74.77	79.88	0	154.65	186.1	31.45
ACT	2.66	0.62	0	3.28	2.7	-0.58
Total	5950.13	1484.23	246	7680.36	9526.6	1846.24

TABLE 3: COMPARISON OF ORIGINAL AUSLINK FUNDING LEVELS AND THOSE CURRENTLY QUOTED BY DOTARS

⁵ Victoria and Tasmania both amended their Auslink 1 agreements in 2006, Victoria to redistribute \$542M of federal funds originally allocated to the Scoresby Freeway to other roads, and Tasmania to reallocate \$37M of funds originally earmarked for a new road bridge across the Derwent to a "Tasmanian rail rescue package".

Who decides infrastructure priorities?

The Next Five Years: Auslink 2 – 2009-2014

Auslink 2 is to cover the next five years, from 2009-10 to 2014-5. Bids from state governments to the federal government for this funding were made in July 2007, and in general greatly exceeded the funds likely to be available. For example, whereas total funding under Auslink 1 was around \$16 billion, Queensland alone bid for \$30 billion under Auslink 2, while Victoria bid for \$11.5 billion. (compared with 1.25 billion which it actually received for the previous 5 year period).

What is to be spent?

The vast majority of Auslink 1 funding has been applied to road projects, but there have been some significant specific rail freight projects, including the allocation of \$270 million to the Australian Rail Track Corporation in June 2006, funding for rail port access in Sydney and Melbourne and rail freight upgrades in the Hunter Valley (NSW) and Eyre Peninsula (SA). The total expenditure on rail freight projects is approximately \$1.17BN.⁶

Victoria was allocated \$1254M for the period 2004/5 to 2008/9, of which none is allocated to urban rail projects.

Victoria has signalled its intention to seek \$11.5 billion under Auslink 2, which will cover the period 2009/10 to 2014/5 – none for urban rail projects.

New South Wales was allocated a total of \$1466M for the same period.

The New South Wales allocation comprises \$781M – its Auslink 2 allocation, to be spent entirely on roads, and a further \$685M for rail upgrading, particularly in the Hunter region.

In Queensland, some \$766M is to be allocated under Auslink 1, of which virtually all is to be spent on three urban freeway projects in Brisbane.

State by State Variations

- There are considerable variations in how Auslink money is spent: in Queensland money has primarily been used for urban freeways; in New South Wales, it has been spent on rural freeways and on freight rail development; and in Victoria it has been committed to urban and rural freeways with a small allocation for rail, mainly related to rail port access. No Auslink funds have so far been allocated for urban passenger rail or tram projects in any state.
- There are also significant differences in funding sources from state to state. In Queensland, the Brisbane City Council contributes over \$400 million annually to urban transport (mainly to freeway and tunnel developments), while in New South Wales and Victoria there is no equivalent contribution. In these states public private partnerships inject substantial annual funds into freeway construction, releasing state funds for other transport projects.

⁶ Hunter Valley \$685M+ARTC \$270M +\$195M Victorian rail port access and Mildura line + \$20M Eyre Peninsula: total \$1.17 BN.

Who decides infrastructure priorities?

The Establishment of Need

Concepts of Infrastructure Gap and Capacity Constraints

An important force in establishing the economic case for transport (and other infrastructure) investment has been the promotion of concepts of an “infrastructure gap” or short fall, and the proposition that “infrastructure bottlenecks” are reducing economic productivity.

These concepts are advanced by a number of interest groups in the economy who generally stand to benefit by large scale projects, especially road projects, occurring.

Some notable organizations arguing from the position of an “infrastructure gap” include:

- The Australian Local Government Association, which in 2006 retained Price Waterhouse Coopers to report that local government faced an “infrastructure gap” of some \$14.5 billion:

The Local Government and Shires Associations of NSW welcomed the release today of a national report which confirmed 10-30% of Australian councils have significant sustainability issues together with a backlog of \$14.5 billion in infrastructure renewal work.

The study was undertaken for the Australian Local Government Association by PricewaterhouseCoopers.

A similar independent inquiry in NSW headed by Professor Percy Allan reported last May that NSW had a \$6.3 billion infrastructure backlog, growing at the rate of more than \$500 million annually. [December 2006]

This amounted to a request for additional funding for local governments and local government road projects, since the question of whether or not there is a “gap” or a “backlog” depends entirely on the standards or definitions adopted. Whether there is in reality a \$14.5 billion gap in local government infrastructure funding is a question of the standards of assessment used and the extent to which data provided by local governments was accurate.⁷

- The Australian Council for Infrastructure Development, which has merged with Infrastructure Partnerships Australia, is a lobby group representing a variety of companies providing roads, water supply etc.⁸ Its Chairman is former Kennett Minister Mark Birrell and its publications include *Australia’s Infrastructure Priorities*⁹ and a number of papers promoting Public Private Partnerships. These papers are one-sided and rather breathless accounts of the positives of the projects described – they provide no balanced analysis of positive and negative features.

⁷ See Appendix 2 for a note on the methodology adopted by PwC

⁸ IPA does not disclose on its website the names of the companies it represents, although the website carries an endorsement by Victorian Premier John Brumby.

⁹ Infrastructure Partnerships Australia, *Australia’s Infrastructure Priorities: Saving Our Prosperity*.

Who decides infrastructure priorities?

Infrastructure Partnerships Australia argued in *Australia's Infrastructure Priorities* that there should be a Commonwealth Minister for Infrastructure, and they claimed that the overall magnitude of the “backlog” is \$93 billion. IPA advocated a number of freeway projects, including in its Victoria listings, the connection of the metropolitan ring road to the Eastlink freeway; the triplication of the Dandenong line, and the refranchising of private public transport contracts.¹⁰ All of these are highly contentious proposals. The major technical reference cited in this advocacy document is a report by the Allen Consulting Group entitled *Infrastructure Investment for a More Prosperous Australia*.¹¹

The then federal Labor opposition appointed Anthony Albanese as its spokesman on infrastructure and on 7 August 2007 he addressed Infrastructure Partnerships Australia. Albanese announced at this speech that Labor would establish a new Commonwealth statutory authority called Infrastructure Australia, which would undertake an audit and “identify where the gaps lie”.¹² In this speech Albanese stated that Australia has an infrastructure deficit of \$90 billion and that the new authority will operate at arm’s length from Ministers. He also restated the commitment made in December 2006 by Kevin Rudd to a major cities program of Commonwealth involvement in city development, and quoted the Business Council of Australia in relation to “the need for investment to overcome bottlenecks”, endorsed public private partnerships and referred to a paper presented to the ALP National Conference in Financing and Provision of Australian Infrastructure, released in April 2006.

Legislation to establish Infrastructure Australia had its Second Reading in the House of Representatives on 21 February 2008.

Impact of Pre-Election Promises on Transport Funding

During the campaign periods prior to Federal elections, both Liberal and Labor contenders habitually made large promises in relation to new roads projects that will be built. To some extent, these promises were drawn from priority lists established by state road authorities and contained in Auslink bids.

In the 2007 Federal elections, the scope of such promises was extremely large, raising the question of whether “pork-barrel” or politically based priorities could distort result in projects proceeding without it being clear that priorities for the project are established.

Nearly all such promises related to new roads and freeways. Analysis of the pre-2007 election promise discloses no commitments of funds to rail or urban transport projects, despite requests from transport deprived municipalities that this should be done. Also, analysis of these requests indicates that those states critical to election outcomes receive a disproportionate share of funds promised. Such decisions can involve “moral hazard”: for example, the excess federal funds provided to New South Wales for the upgrading of the Pacific Highway, which entail rewarding a government for its past neglect of its core responsibilities.

¹⁰ *Australia's Infrastructure Priorities*, op cit, passim

¹¹ The Allen Consulting Group, *Infrastructure Investment for a More prosperous Australia*.

¹² Anthony Albanese, Address to Infrastructure Partnerships Australia.

Who decides infrastructure priorities?

Improvements in transport project assessment in needed

Significant improvements are needed in the way Federal transport funds are evaluated and used in the future. Hopefully the proposed Infrastructure Audit to be undertaken in 2008 will not just identify transport strategies and desirable projects, but also allow a number of important issues to be addressed in relation to the prior appraisal of such projects before they proceed:

- The need for Auslink funds to become available for urban passenger rail projects, which were ruled out by previous Howard government policies;
- The need for all major transport projects to be routinely subjected to independent scrutiny as to their economic, social and environmental impacts before approval;
- Particular attention should be paid as to whether state government plans for burgeoning freeway expansion are consistent with the need to reduce greenhouse emissions in the context of climate change;
- Studies should be undertaken at a systemic level as to the overall consequences of such projects in regions on the pattern and efficiency of urban development; particular attention should be paid to the value of the many hectares of potential housing land that is being taken up by freeway developments and interchanges
- The need for greater transparency as to the appraisal undertaken before transport projects are approved, and the extent to which the widespread use of PPPs is reducing the extent to which transparency and public accountability for such decisions. The 2008 infrastructure audit is set to review “standard principles for PPPs”; it is essential that these include principles as to the transparency and adequacy of the appraisal process prior to projects commencing.

Who decides infrastructure priorities?

Federal Transport Spending in Victoria

Federally Funded Projects in Victoria under Auslink 1

A Bilateral Agreement was entered into between the Commonwealth Government and the Victorian Government for the payment of Section 96 Grants from the Commonwealth to the State subject to the Commonwealth's *Auslink (National Land Transport) Act* and the *Australian Land Transport Development Act 1988*, pursuant to the *Auslink White Paper*, released in June 2004.¹³

The agreement set the Commonwealth Government contribution for the five years from 2004-05 to 2008-09 at \$943.12M, with an additional \$543M to be made available for the construction of the Scoresby Freeway as a toll free road.

A Schedule to the agreement set out six “continuing projects”, that had commenced prior to the agreement, namely the Albury/Wodonga freeway upgrade; the Craigieburn bypass; the Donnybrook Rd grade separation; the Murchison East Deviation; Goulburn Valley Highway upgrading and the Pakenham bypass. Australian government funding up to 2003-04 on these six projects totalled \$309.18M, with planned Australian Government expenditure on them 2004-05 to 2008-9 estimated at \$368.15.72. The two largest projects – the Craigieburn and Pakenham bypasses – accounted for \$548M in project cost with an intended Commonwealth contribution of \$448 million on both projects. Both these projects perform significant functions in supporting car access to new outer suburban housing developments, although in each case these is a national highway involved.

The Schedule then listed a further eight projects, namely, are the Geelong Bypass, the Calder Highway between Kyneton and Faraday; the Calder Highway between Faraday and Ravenswood; the Deer Park bypass; the Footscray road grade separation; a bi-directional rail line between Tottenham Junction and West Footscray; the standardization of the second rail track between Melbourne and Albury Wodonga; and the upgrading and standardization of the railway from Geelong to Mildura. No significant¹⁴ funding had been provided by the Australian Government for these projects prior to the Commonwealth State agreement. Planned Australian Government spending on these projects in the five years of the agreement have been \$574.97M. The aggregate \$943.12M comprised this sum plus the \$368.15M referred to in the previous paragraph.

The eight projects included \$195M for rail projects, of which the largest was the Footscray Rd grade separation wherein the Commonwealth Government contribution was to be \$110M of a total project cost of \$120M. The remaining \$85M related to projects that had not been undertaken by late 2007.

¹³ Implementation of the Auslink National Land Transport Plan: Bilateral Agreement the Commonwealth of Australia and the State of Victoria. 2005.

¹⁴ \$4.23M had been provided to the two Calder Highway projects. See Agreement, Schedule A “Projects in Victoria being funded as part of the AusLink investment program 2004-05 to 2008-09

Who decides infrastructure priorities?

In May 2006 the Commonwealth Minister varied this agreement¹⁵ by reallocating \$310.7M of Commonwealth monies earmarked for an untolled Scoresby Freeway to four alternative projects, namely the Deer Park bypass; the Calder Highway (Faraday to Ravenswood section); the Goulburn Valley Highway and the Albury-Wodonga Hume Freeway upgrade. The Commonwealth Minister proposed substituting \$1253.82M as the proposed value of the Agreement.

In 2007-08 federal government transport spending in Victoria was announced in May 2007 by the Federal Minister as \$556 million dollars, including \$331.5 million of Auslink spending. (Based on a July 2007 population of 5091666, this is \$109.2 per head.)

The \$331.5 million of Auslink spending includes \$50 million on freight rail links, namely, \$30 million for the Dynon port rail line and \$20 million to upgrade the Tottenham to Dynon standard gauge freight links. 15.08% of Auslink funding in Victoria was devoted to rail; none to urban passenger rail.

No federal government funding is assigned to urban passenger rail projects, although \$152 million is devoted to urban freeway projects - \$76 million for the Deer Park bypass, which services the Caroline Springs housing development and others in the areas; \$60 million for the Geelong bypass; \$13 million for the Donnybrook interchange and \$3 million for the Pakenham bypass.

Auslink 2

Victoria bid for \$11.5 billion of these funds for 30 defined projects; these projects are listed in a Table in Appendix 2.

2007 Federal Election Promises

The major Federal political parties “cherry-picked” the Auslink 2 wish list to make road funding promises during September-November 2007. Notably:

- On September 28 2009, News Limited media stated that Victoria had received a “6 billion dollar snub” when the federal government announced the commitment of \$5 billion for the Pacific Highway in New South Wales and Queensland. The News Limited media asserted that:

*Victoria has a number of high-priority roads projects crying out for federal funding. The West Gate Bridge needs strengthening to cope with traffic volumes, and the Western Ring Rd needs improving. The Federal Government is yet to commit to the next stage of the Geelong Ring Road. And town bypasses on the Goulburn Valley and Western Highways are needed.*¹⁶

- The Liberal Party promised to duplicate the Princes Highway in Gippsland. This is item 31 on the Victorian Government’s Auslink 2 wish list.
- The Labor Party promised on 18 October \$600 million for the Western highway, viz, \$160M for the upgrading of Anthony’s cutting at Bacchus Marsh; \$404 million for duplicating the Western Highway to freeway standard from Ballarat to

¹⁵ Letter, Warren Truss, Commonwealth Minister for Transport and Regional Services to Peter Bachelor, Victorian Minister for Transport 9 May 2006.

¹⁶ News Limited website 28 9 2007 based on article from Daily Telegraph.

Who decides infrastructure priorities?

Stawell, and \$40 million for overtaking lanes between Stawell and the South Australian border.¹⁷ These are items 7, 8, and 12 on the Victorian Government's Auslink 2 wish list (see Appendix 1).

- Labor also committed \$62.5M on 27 September for Stage 4A of the Geelong Ring Rd, and just 21 days later on 18 October a further 107.5M for Stage 4B of the same road.¹⁸ These are items 17 and 18 of Victoria's AusLink 2 bid.
- On 23 October 2007, then Opposition Leader Kevin Rudd committed a further \$1 billion to freeway funding, nominating strengthening of the Westgate Bridge and widening of the Western Ring Road as his objectives, these are Items 1 and 2 of Victoria's Auslink 2 Bid. The choice of these items for announcement by the Opposition Leader on his visit to Melbourne electorates indicates that in Victoria at least, listing on the Auslink 2 list seems to have been sufficient for the then federal opposition to include an item among its election promises.¹⁹

Announcements of this kind can be defended on the basis that some analysis and priority setting process must underlie the Auslink 2 wish list. However the substitution of priorities based on the electoral benefit rather than the rationally assessed priority of the project is questionable. Inevitably, political parties state that these projects will contribute to the movement of freight and economic growth and/or make roads safer. Since almost any transport project could be defended on equally general grounds, concern must be raised when projects are adopted as election promises rather than through a transparent process of objective appraisal.

¹⁷ The Age, 19 October 2007

¹⁸ Martin Ferguson Press Releases

¹⁹ See Auslink 2 Bid list at Appendix 1

Who decides infrastructure priorities?

Federal Transport Spending in New South Wales

New South Wales in the same period will receive \$781.8 million dollars (Based on its population of 6768941). This amounts to \$115.50 per head of population. If New South Wales were to be funded on the same basis as Victoria it would receive \$739.2 million.

However, the whole of the \$781 million to be spent in NSW is to be spent on roads. A further \$685 million is to be spent on rail upgrading in New South Wales via the Australian Rail Track Corporation, making the total Commonwealth land transport spend in NSW in 2007-08 \$1466 million or \$216.6 per head.

Unlike Victoria, there is very little spending on urban freeways within the Commonwealth land transport allocation in New South Wales. This reflects in part the high proportion of funds directed to interstate highway upgrades.

The urban freeway component in the New South Wales allocation under Auslink 1 is significant. It includes \$106M of continued funding for the Westlink project in Sydney (part of a total of \$392M of Commonwealth funds provided for this project), as well as some contributions to new urban freeway projects under Auslink 1 such as \$22M toward the \$1700M cost of a link from the F3 Freeway to the Sydney orbital, and \$18 million for works on the F5 freeway at Ingleburn. However urban freeway works form a relatively minor part of the use of Auslink 1 funds in New South Wales.

Rail spending amounts to a much higher proportion of the total Commonwealth land transport spend in NSW (about 47%). This reflects a 2004 deal under which NSW arranged for the Commonwealth owned ARTC to maintain most of its rail track. The vast majority of this spending is on rail freight corridors. There are some incidental benefits to passenger rail but little that is clearly of benefit to urban rail in Sydney or Newcastle.

Who decides infrastructure priorities?

Federal Transport Spending in Queensland

A Bilateral Agreement was entered into between the Commonwealth Government and the Queensland Government for the payment of Section 96 Grants from the Commonwealth to the State subject to the Commonwealth's *Auslink (National Land Transport) Act* and the *Australian Land Transport Development Act 1988*, pursuant to the *Auslink White Paper*, released in June 2004.²⁰

The agreement set the Commonwealth Government contribution for the five years from 2004-05 to 2008-09 at \$1524.07M.²¹

A Schedule to the agreement set out a list of 19 continuing projects, and 13 new projects to be funded by the Australian Government, mostly under \$50 million in cost. However, a notable large project listed is some \$2500 million for Brisbane urban connectors. The total sum of \$2500 million is not included in the total of \$1524 million, but that total does include a contribution to this project, namely \$391.7M, against which appears the note "Specific projects to be identified, following assessment of project priorities".²²

Total Federal transport spending in Queensland is planned to be \$766.2 million, including at least \$353 million for urban freeways in Brisbane in 2007-08 and nothing for rail.

The urban freeways to be funded by the Commonwealth in Brisbane are the first \$100M of the Goodna bypass (with a further \$300 million committed for 2008). The Goodna bypass is to be of 10 lanes and is to solve transport congestion by separating long distance trucks from car traffic. The whole of the \$2.3 billion for the construction by 2012 of the Goodna bypass is to be provided by the federal government, and is additional to \$320 million being provided by the Federal Government for widening the Ipswich motorway and \$255 million being provided for the Logan interchange.

Federal Criticism of Queensland Government Freeway Cost Estimates

On 20 July 2007 the Commonwealth Minister released a report by independent consultants Evans and Peck showing that Queensland Department of Main Roads had significantly underestimated the costs of these projects:

- The Logan interchange on the Ipswich motorway was originally estimated to cost \$148M but the consultants consider it will cost \$238M; (a 60% cost blow out)
- The widening of the Ipswich motorway will cost \$468M not 320M (a 46% increase)
- The Neilsons road interchange will cost \$33,4M not \$25.9M.²³

Then Federal Transport Minister Mark Vaile stated that the QDMR had:

picked low numbers, crossed their fingers, and hoped that nothing would go wrong ... One of the reasons they felt able to do this was because they knew that someone else – Australian taxpayers – would have to pick up any cost overruns.

²⁰ Implementation of the Auslink National Land Transport Plan: Bilateral Agreement the Commonwealth of Australia and the State of Victoria. 2005.

²¹ Bilateral Agreement between the Commonwealth of Australia and the State of Queensland 2004-05-2008-09

²² Schedule A to the Bilateral Agreement between the Commonwealth of Australia and the State of Queensland.

²³ Supply Chain Logistics, 20 July 2007

Who decides infrastructure priorities?

Federal Transport Spending in Western Australia

Total Auslink 1 funding for Western Australia amounted to \$1.308.7 billion, plus an additional \$395 million of untied federal road grants, totaling \$1.708 billion, all being allocated to roads²⁴. National highways (including former Roads of National Importance and National highways, received the bulk of this funding, at \$997 million, with an additional \$220 million being allocated to Roads to Recovery.

Auslink 1 funding in Western Australia, included funding for the new Perth to Bunbury Highway, as well as upgrading the Great Northern, Great Eastern and Eyre highways.

In addition, then Federal Transport Minister Mark Vaile approved \$28.1 million of funding to carry out major works on the national rail network between Perth and Kalgoorlie. The funding will help replace the sleepers on about 76 kilometres of track between Koolyanobbing and Kalgoorlie, and will help extend six passing loops between Kewdale and Kalgoorlie. These two projects will allow 1800 metre trains to run more consistently, and increase train speeds to up to 115 kilometres per hour.

²⁴ DOTARS Website “Auslink Funding for Western Australia”

Who decides infrastructure priorities?

Federal Transport Spending in South Australia

Auslink 1

On 24 June 2005, the Deputy Prime Minister and the South Australian Transport Minister announced an agreement between the Commonwealth and South Australian Governments for the provision of \$462.3 million under Auslink 1, covering the period 2005 to 2008-9.

Of the \$462.3 million, \$226 million was for new freeways, \$87 million was for road upgrades, \$131 million was for road maintenance, while \$15 million (being 3%) was allocated to rail upgrading.

The major new freeways funded under Auslink 1 were the Port River Expressway (in which the Commonwealth funds were for road and rail bridges), and a “new northern gateway to Adelaide”, including developing the Sturt Highway and Port Wakefield road.

The rail upgrading was for the Eyre Peninsula rail system, an isolated section of the South Australian rail system that had fallen into disrepair. The Eyre Peninsula system mainly serves grain farmers in the area. The Eyre Peninsula rail investment was subject to a matching contribution from the South Australian Government and local governments in the area.²⁵

Auslink 2 and the 2007 Federal Election campaign

The Commonwealth’s commitments to South Australia under Auslink 2 were announced by the then Treasurer, Peter Costello, during the federal election campaign, on 5 November 2007. The announcement was made at a Press Conference in suburban Adelaide, and involved liberal references to the energy applied by the local member to securing the funding. This illustrates the tendency for freeway allocations to be presented strategically by government as election gifts. The then Treasurer’s announcements were paralleled by comparable promises from the Shadow Minister, indicating that both national parties saw it as appropriate to make freeway promises part of the national election campaign.

Martin Ferguson, then Shadow Minister for Transport, Roads and Tourism also made freeway promises in South Australia during the federal elections, on 23 October 2007 offering \$7 million for highly detailed traffic work on Adelaide’s south road. For example, Ferguson promised to:

- widen and upgrade the existing intersection, including installing traffic lights and upgrading Main South Road at the Seaford Road intersection.
- Provide:
 - three northbound right turn lanes on Victor Harbor Road instead of one
 - three northbound lanes on Main South Road, to the D.V. Fleming Bridge

²⁵ Deputy Prime Minister and SA Minister for Transport, Joint Press Release 24 June 2005.

Who decides infrastructure priorities?

- two southbound lanes into Victor Harbor Road
- two southbound lanes between Seaford Road and Victor Harbor Road
- two right turn lanes into Seaford Road
- A left turn acceleration lane out of Seaford Road.

Ferguson said the planned works would get traffic flowing freely on these major roads, easing the frustration of commuters, parents trying to get kids to school, tradespeople travelling to worksites across the city, and couriers and truck drivers under pressure to deliver goods on time.²⁶

Four days after Treasurer Costello's announcement of Auslink funding for South Australian freeways, Martin, Ferguson on 9 November 2007 increased his offer for funding the South Road freeway to \$500 million during the Auslink timeframe of 2009-14, stating that this was double the \$250 million offered by the Coalition, and that it would form "the first stage of a non-stop motorway from the Southern Expressway to the Port River Expressway".²⁷

Treasurer Costello in his Auslink 2 promise offered \$1.56 billion, covering the period 2009-14.

The vast majority of this sum was committed to a range of large freeway projects, notably:

- A further \$279 million for the Northern Expressway, bringing total funding for the Northern Expressway to \$425 million
- more funding for the Dukes Highway, for the Sturt Highway, for the Stuart Highway, for the Eyre Highway and also for Port Wakefield to Port Augusta.
- Upgrade of the South Road in Adelaide, the Southern Expressway, Port Wakefield Road, Port Wakefield to Adelaide upgrade and Gepps Cross.

The rail component of the package this time was \$165 million including upgrading from Adelaide to Kalgoorlie, grade separation on the Stuart Highway and an Adelaide Hills Rail Study. Compared to Auslink 1, the rail component of the package had increased from 3 to 10 %, although the most notable component (the Adelaide to Kalgoorlie upgrade) really amounted to maintenance on the Trans Australian railway, which has been an ongoing Commonwealth responsibility since its inception in 1917.

²⁶ Media Release 23 October 2007, Martin Ferguson and Amanda Rishworth. These are extremely detailed promises from a national government during a national election

²⁷ Media Release 9 November 2007, Martin Ferguson.

Who decides infrastructure priorities?

Concluding Observations

The establishment of Infrastructure Australia by the Commonwealth Government is a promising initiative, but it is important that the choice of the 9 members is balanced, and includes members with expertise in transport responses to climate change;

The proposed Infrastructure Audit to be undertaken by the new Infrastructure Australia during 2008 is much preferable to asserting a wish list or a “\$100 billion shortfall”. The Infrastructure Audit should not just prepare a project shopping list but also look at transport strategies and necessary policy steps;

The process of building up the Auslink program from state road authority bids should be replaced by a more strategic national programming process following the completion of the infrastructure audit;

The Commonwealth Government should provide funds for urban public transport projects, and end the Howard Government policy that forbade such funding;

The extensive freeway wish lists advanced by state governments through the Auslink 2 process should be rigorously scrutinised in the light of the negative impact of many such projects on climate change and urban amenity.

Who decides infrastructure priorities?

Appendix 1

Victoria's Auslink 2 Bid

PROJECT
Western Ring Road
West Gate Bridge
Dynon Port Rail Access
Webb Dock Rail Access
Dynon Intermodal Terminal
Metro Intermodal Terminals Altona/Dandenong
Port Hastings Freight Link Stage 1
Western Highway Duplication Ballarat-Stawell
Western Freeway Melton to Bacchus Marsh
Western Highway Access Control Ballarat
East West Rail Line Melb to SA Border
Horsham Intermodal Terminal
Western Freeway Rockbank to Melton
Western Hwy Stawell to SA Border
Calder Freeway Western Ring Rd to Diggers Rest
Calder Alternate Interchange Ravenswood
Geelong Ring Rd Stage 4A
Geelong Ring Rd Stage 4B
Geelong Ring Rd Stage 4C
Geelong Intermodal Terminal
Princes Hwy Duplication Waurin Ponds to Colac
Melb-Wodonga Rail Line
Wodonga Intermodal Terminal
Somerton Intermodal Terminal
Hume Hwy Kalkallo to Beveridge
Shepparton Bypass
Nagambie Bypass
Strathmerton Deviation
Shepparton Intermodal Terminal
Mildura Truck Bypass
Princes Hwy Duplication Traralgon to Sale
Princes Hwy Upgrade Nar Nar Goon to Longwarry North

Appendix 2

What is the Methodology for Establishing an “Infrastructure Backlog”?

In December 2006, the Australian Local Government Association announced that it had received a report from Price Waterhouse Coopers stating that local government faced a 14-15 billion dollar infrastructure backlog.²⁸

Inside the PwC report, it is disclosed that this figure was achieved by extrapolating estimates by Access Economics and the Municipal Association of Victoria. The extrapolation included assuming that figures provided by Access Economics for NSW SA and WA could be added to figures proposed by MAV for Victoria and then “applied” to local government in Queensland, Tasmania and Northern Territory (see below).

The following table summarises the extrapolation.

Table E.1: Infrastructure backlog estimate, extrapolated from Access Economics and MAV results

Access Economics & MAV Financial Sustainability Summary Results	Backlog in infrastructure renewals (\$m)	Underspend on existing infrastructure renewals per annum (\$m)	Est. funding gap per annum (\$m) (to cover backlog & annual underspend) to be generated via savings or extra revenue/grants	Est. funding gap per council per annum (\$m)	% of councils unsustainable
NSW (152 LGBs - Access)	\$6,300	\$500	\$900	\$5.9	25%
SA (68 LGBs - Access)	\$300 ¹	\$20	\$40	\$0.6	38%
WA (142 LGBs - Access)	\$1,750	\$110	\$220	\$1.5	58%
Vic (79 LGBs - MAV)	\$806 ²	\$81	\$203	\$2.6	10%
Total NSW/WA/SA/Vic (441 LBGs: 63% of LGBs, 76% population & 73% of local road km)	\$9,156	\$711	\$1,362	\$3.1	35%
Low Case National Estimate (700 LGBs) (apply WA, Vic and SA average result per council to 259 councils in Qld, Tas & NT)	\$12,012	\$922	\$1,826	\$2.6	
Mid Case National Estimate (700 LGBs) (apply WA, Vic, SA and NSW average result per council to 259 councils in Qld, Tas & NT)	\$14,533	\$1,129	\$2,163	\$3.1	35%
High Case National Estimate (700 LGBs) (apply NSW, WA, Vic average result per council to other 259 councils in Qld, Tas & NT)	\$15,305	\$1,190	\$2,281	\$3.3	

²⁸ Price Waterhouse Coopers, National Financial Sustainability Study of Local Government, prepared for Australian Local Government Association 2006

Who decides infrastructure priorities?

PwC made the following comment as to their methodology:

Extrapolation from state based sustainability results: from the three Access based inquiries (NSW, SA and WA) and MAV study in Victoria, PwC has extrapolated to provide an indicative estimate of the national sustainability gap and infrastructure backlog. The Access approach used a more sophisticated method to defining financial sustainability based on forward looking renewals and own-source revenue capacity. Similarly, MAV was able to obtain a better breakdown of capital expenditure directly from councils so as to estimate the likely infrastructure backlog and has examined the trends in Victorian financial viability over the medium term. Extrapolation is required as this PwC Study has a strategic or national focus and the scope does not encompass detailed individual council analysis as utilised by the state based studies to evaluate sustainability.

However, a speech by Rob Spence, the Executive Officer of the MAV at the 2007 National Local Government Asset Management Conference places this paper in a sequence of advocacy actions by local government. Rob Spence states that PwC were commissioned: “to examine the financing of local government to build a case for further funding”.²⁹

The following appears to have been the methodology of the infrastructure gap analysis undertaken by MAV :

Two main methods appear to be used:

(1) Estimation by councils

In 2006 Councils were asked to respond to an MAV infrastructure gap survey. Under its “STEP” asset management program, councils were supplied with an infrastructure “gap management module”.

(2) Accounting Techniques

The Commonwealth Grants Commission in a background paper³⁰ estimated the “infrastructure gap” by accounting methods. The methodology can be illustrated by its use of the Victorian example, in which it takes the Victorian Auditor General’s estimate of the value of the road network (\$14 billion), extrapolates this by a growth factor to \$16 billion, notes the actual provision for depreciation made by local governments (\$596 million), compares the actual spending by local governments on local road construction and maintenance, (\$529 million), and concludes that there is an “infrastructure gap” therefore of \$67 million.

²⁹ Rob Spence, “Local Government Financial Sustainability: Future Directions and Challenges”, Speech to the National Local Government Asset Management Conference 2007

³⁰ Commonwealth Grants Commission, Background Paper on Local Roads, 16 January 2006

Appendix 3

Freeways advocated by Infrastructure Partnerships Australia

AUSTRALIA'S CRITICAL ROAD PROJECTS

1 M4 East & M4- Botany

Tunnel (NSW)

Construction of a link from the Anzac Bridge to the start of the M4 at North Strathfield, together with a 13 kilometer link to Port Botany.

2 Hume and Pacific Highway Upgrades

Expedite the construction of a two lane dual carriage way from Melbourne to Sydney and Brisbane by 2017.

3 F3-M2/M7 Connection (NSW)

Construction of a link between the F3 Freeway and the Western Sydney Orbital (M7).

4 East-West Growth Corridor Integration (Vic)

Integration of East and West growth corridors through road, passenger and freight links (in part tunnel) between Eastern Freeway, Western Freeway and Metropolitan Ring Road.

5 South East Queensland Road Upgrades (Qld)

Upgrades to road infrastructure including the Ipswich, Gateway and Logan motorways and the Gateway Bridge crossing.

6 Airport/Northern Link (Qld)

Construction of a link from northern arterial roads to the inner city bypass and North-South bypass.

7 F6 Freeway Extension (NSW)

Completion of the northern section of the F6 freeway, completing the missing link on Sydney's radial freeway network.

Who decides infrastructure priorities?

Appendix 4

Media release announcing establishment of Infrastructure Australia (21 Jan 2008):

Rudd Government to dramatically overhaul national infrastructure policy

Federal Cabinet today formally approved the establishment of Infrastructure Australia, a key driver in the Rudd Government's plan to fight inflation.

Infrastructure Australia will help fight inflation by boosting the economy's productive capacity, unlocking infrastructure bottlenecks like clogged ports and congested roads.

Infrastructure Australia represents a dramatic shift in national economic policy, bringing national leadership to infrastructure development for the first time since Federation.

Legislation establishing Infrastructure Australia will be introduced during the first session of the new Parliament.

The Rudd Government will develop a strategic blueprint for Australia's infrastructure needs and ensure future projects are determined by economic, social, and environmental needs – not short-term political interests.

Infrastructure Australia will be a statutory advisory council with twelve members drawn from industry, government and local government. This will include five from the private sector, one of whom will be the chair. Infrastructure Australia will:

- Conduct audits to determine the adequacy, capacity and condition of nationally significant infrastructure, including transport, water, communications and energy.
- Develop an Infrastructure Priority List to guide billions of dollars of public and private investment.
- Provide advice to governments, investors and owners of infrastructure on regulatory reforms that can improve the utilisation of our infrastructure networks.

Infrastructure Australia's immediate task will be to audit the nation's infrastructure shortfalls and produce an Infrastructure Priority List to guide billions of dollars of public and private investment.

The first Infrastructure Priority List will be completed within 12 months. In developing the List, Infrastructure Australia will assess projects in terms of specific goals, such as:

- Meeting water and energy needs;
- Saving time for commuters battling traffic congestion in our major cities
- Efficiently moving freight from regional areas to our ports.
- Meeting the challenge of climate change

Infrastructure Australia will also review the extent to which governments can better facilitate infrastructure investment, including through public-private partnerships as well as better planning and approval processes.

The task ahead for Infrastructure Australia is considerable.

The OECD ranks Australia 20th out of 25 countries when it comes to investment in public infrastructure as a proportion of national income.

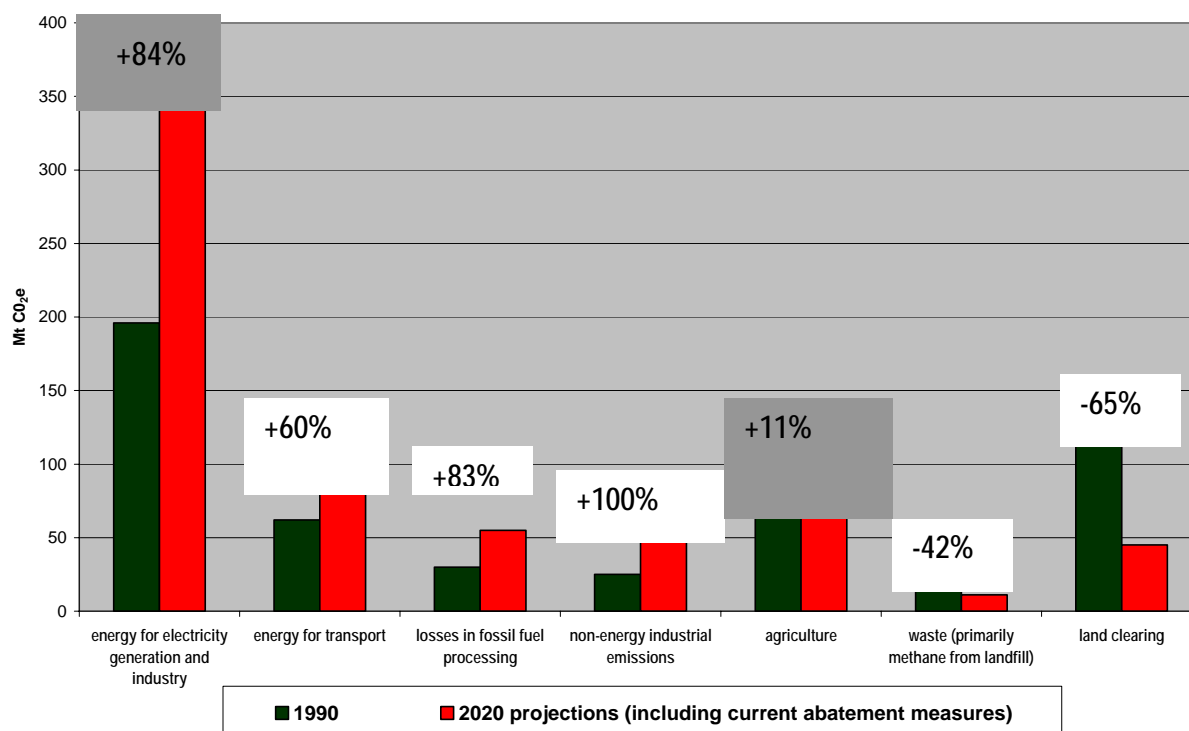
For 11 years the Howard-Costello Government failed to act on Australia's infrastructure needs.

The Rudd Government is committed to investing in Australia's future and addressing our nation's long-term infrastructure bottlenecks.

Appendix 5

Australian Greenhouse Office estimates of emissions from transport

After electricity generation, the transport sector makes the greatest single contribution to emissions growth in Australia. It contributes over 14% of the projected increase in emissions between 1990 and 2020. Almost all of this growth is from road transport. Passenger cars are the greatest single source of transport greenhouse emissions.



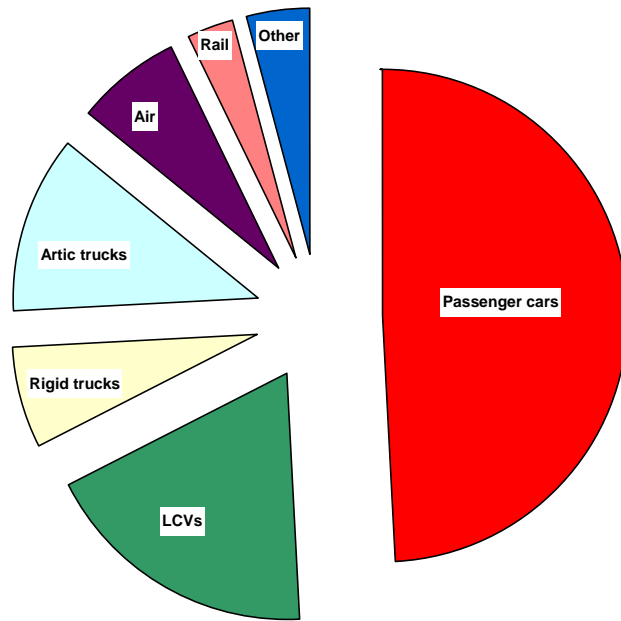
(Source: AGO (2006a): *Tracking to the Kyoto Targets: Australia's Greenhouse Emission Trends*, Dept of Environment and Heritage, Canberra)

Fig. 1: Projected growth in Australian greenhouse gas emissions

Current emission reduction programs are making little impact in the transport sector. The AGO says that current measures to cut transport emissions will be better than 'business as usual' by only 5%³¹. This includes current state government programs to improve public transport use.

³¹ AGO (2006b): *Transport Sector Greenhouse Gas Emissions Projections*, Dept of Environment and Heritage, Canberra.

Who decides infrastructure priorities?



(Source: AGO (2006b): Transport Sector Greenhouse Gas Emissions Projections)

Fig. 2: Projected sources of transport emissions in Australia in 2020