

# **Election 2016: will the infrastructure promises meet Australia's needs?**

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## 1 Infrastructure promises

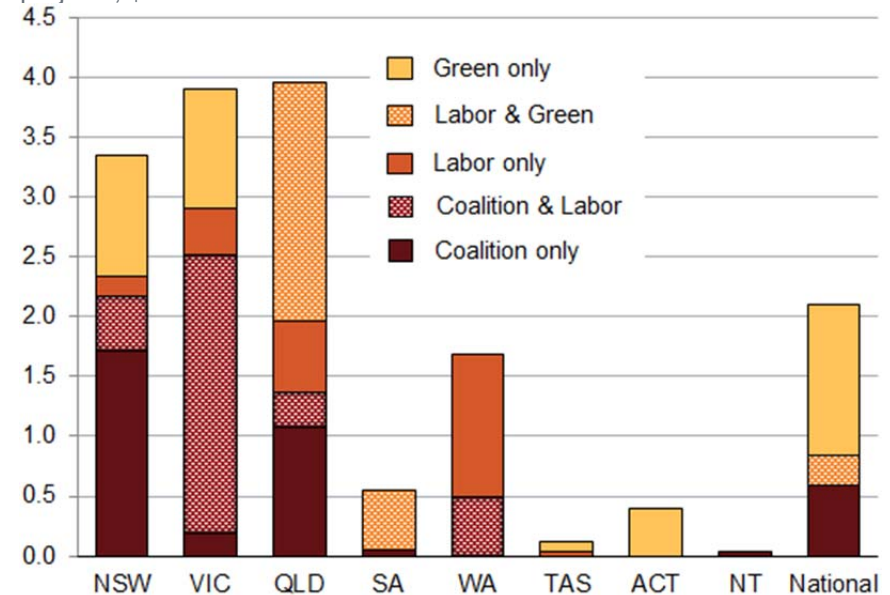
Come election time, voters could be forgiven for seeing transport infrastructure as a slush fund. Politicians insist they're all for sound economic management, but we might well be cynical about how much that really matters in the race to win votes.

The main parties have made big commitments to transport in this campaign. The Coalition has promised A\$5.4 billion<sup>1</sup>, Labor A\$6.7 billion<sup>2</sup> and the Greens A\$6.5 billion<sup>3</sup>.

The 2016 election follows the pattern of the past decade where more money is promised in Queensland than in any other state. Grattan Institute's recent report, [Roads to Riches](#), found that over the past decade Queensland received a disproportionate share of Commonwealth transport investment – in aggregate, per head, and compared to its relative need as a state.

**Figure 1.1: A large proportion of committed money from the 3 major parties is in Queensland**

Value of specific election commitments to transport infrastructure projects, \$billion



Notes: Includes projects where a specific dollar amount could be discerned from campaign material or, in the case of the coalition, from the 2016-17 budget papers. Excludes projects for which construction has already commenced. Where a project has different dollar amounts committed by two parties, the higher amount is shown.

Source: Liberal Party (2016); Australian Labor Party (2016); Australian Greens (2016); Treasury (2016); Treasury (2014); Grattan analysis

<sup>1</sup> Liberal Party (2016)

<sup>2</sup> Australian Labor Party (2016)

<sup>3</sup> Australian Greens (2016)

### 1.1 A lack of consensus

Line up the parties' election promises against the others, though, and it's remarkable how little consensus there is.

In New South Wales, only about 15% of the promised money has been pledged by more than one party.

There is not one project that all three parties have promised to build, and not one project that both the Coalition and the Greens have committed to.

We once had no way of knowing a good project from a bad one, but that was before the federal government set up Infrastructure Australia. It is charged with assuring the quality of government investment by assessing business cases against a national significance test. Generally, these business cases are for projects where state governments want a Commonwealth funding contribution.

Sometimes Infrastructure Australia identifies gaps on its own initiative. It is only involved in projects that are both nationally significant and worth more than \$100 million.

The funding proposals are sorted into three categories:

- If there is a full business case and the proposal is worth doing, it is classed as a "project". An example is the [WestConnex motorway](#) in Sydney.<sup>4</sup>

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<sup>4</sup> Infrastructure Australia (2016)

- If there is a full business case but the project is not worth doing, it is not classified but Infrastructure Australia publishes the evaluation on its website. An example is the [Winchelsea to Colac road duplication](#), with an extraordinarily low benefit-cost ratio of 0.08 – that is, only eight cents worth of value for every dollar spent.<sup>5</sup>
- If there is not yet a full assessed business case, the proposal is classed as an "initiative"; the [Melbourne Metro Rail](#) proposal, for example.<sup>6</sup>

It should be simple. All parties should commit to the "project" list – in part or in full – and then stop spending. These "projects" have been properly assessed and found to be worth doing, and specifically worth doing by the federal government because they have some national significance.

But that is not what is happening. The Coalition, Labor and the Greens are making substantial commitments to projects that not only lack proper business cases, but are not even on the Infrastructure Australia priority list at all. This includes projects like:

- the Walkerston Bypass in Queensland (\$150 million from Labor)<sup>7</sup> and the Townsville Ring Road and related infrastructure (\$900 million from the Coalition)<sup>8</sup>, which could not even under the most charitable definition be described as nationally significant;

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<sup>5</sup> Infrastructure Australia (2015)

<sup>6</sup> Infrastructure Australia (2016)

<sup>7</sup> Australian Labor Party (2016)

<sup>8</sup> Liberal Party (2016)

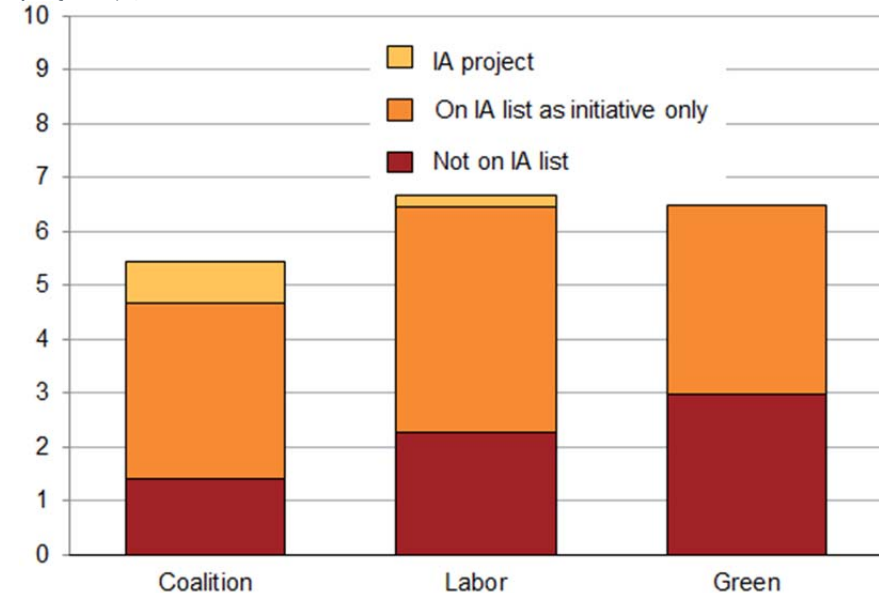
- the duplication of the Princes Highway from Winchelsea to Colac in Victoria (to which the Coalition has promised \$185 million)<sup>9</sup>, which Infrastructure Australia has rejected as not worth doing<sup>10</sup>; and
- small projects, such as a \$32 million roundabout upgrade at Hobart Airport promised by Labor, that are not subject to the Infrastructure Australia assessment, or often to any other evaluation either.<sup>11</sup>

Almost all the funding promised by all parties is for proposals that lack a proper business case. Some of this spending may turn out to be worth doing; much will not. Only a small share of it is for projects that we know to be worth doing.

The Coalition's spending is more aligned with the projects we know to be worth doing than the other parties', and Labor's is slightly better aligned than the Greens'.

**Figure 1.2: The vast majority of committed money from all 3 major parties is not for IA approved projects**

Value of specific election commitments to transport infrastructure projects, \$billion



Notes: Includes projects where a specific dollar amount could be discerned from campaign material or, in the case of the coalition, from the 2016-17 budget papers. Excludes projects for which construction has already commenced.

Source: Liberal Party (2016); Australian Labor Party (2016); Australian Greens (2016); Treasury (2016); Treasury (2014); Infrastructure Australia (2016); Grattan analysis

If the parties were to commit to the whole list of projects that we know to be worth doing, it wouldn't send us broke. Only six items have been classified as "projects".<sup>12</sup> These are the WestConnex motorway and the M4 motorway upgrade in NSW, the Ipswich

<sup>9</sup> Treasury (2014)

<sup>10</sup> Infrastructure Australia (2015)

<sup>11</sup> Australian Labor Party (2016)

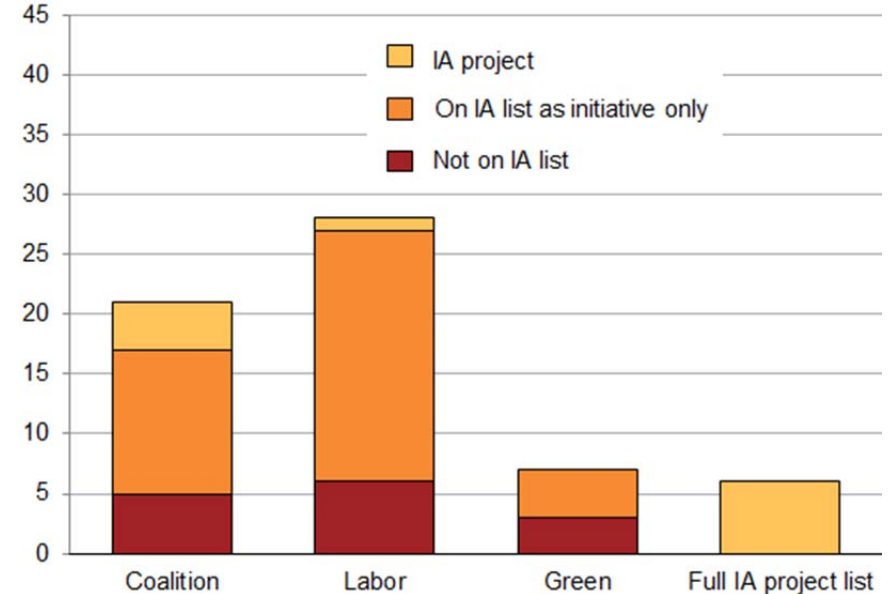
<sup>12</sup> Infrastructure Australia (2016)

Motorway and the M1 Pacific Motorway in Queensland, the Perth Freight link in Western Australia, and Brisbane-to-Melbourne inland rail.

Some are certainly expensive, but so too are many other proposals of uncertain value that parties have committed to anyway.

It turns out that all parties have ignored or shunned projects that we know to be worth doing. One of the six worthwhile “projects”, the M4 motorway upgrade, has no support from any party in this campaign.

**Figure 1.3: The vast majority of large projects cited in election materials from the 3 major parties are not IA approved projects**  
 Number of specific election commitments to transport infrastructure projects – projects over \$100m



*Notes: Includes all projects specifically cited in campaign material or, in the case of the coalition, in the 2016-17 budget papers. Excludes projects for which construction has already commenced. Includes projects with total project cost over \$100m, as these projects are eligible to be assessed by Infrastructure Australia.*  
 Source: Liberal Party (2016); Australian Labor Party (2016); Australian Greens (2016); Treasury (2016); Treasury (2014); Infrastructure Australia (2016); Grattan analysis

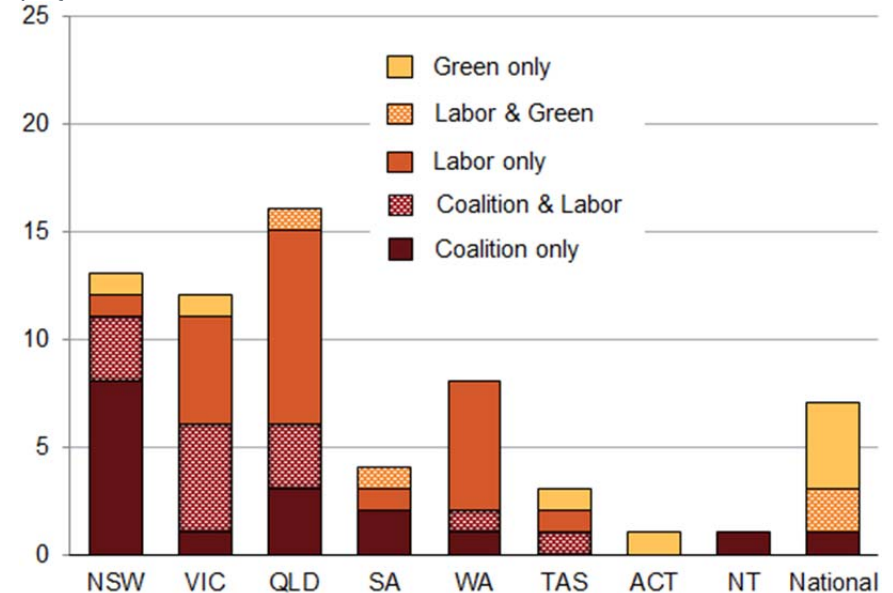
### 1.2 Why parties pick the wrong projects

Failing to choose these projects seems like not bothering to pick up \$50 notes from the floor. Why do parties do this?

A big clue lies in the state breakdowns. All parties want to spread their spending around, unless the state or territory in question offers no electoral advantage. But the projects known to be worth doing are spread unevenly – two are in NSW, two in Queensland, one in Western Australia and one is national.

**Figure 1.4: A large proportion of projects cited in election materials from the 3 major parties are in Queensland**

Number of specific election commitments to transport infrastructure projects



Notes: Includes all projects specifically cited in campaign material or, in the case of the coalition, in the 2016-17 budget papers. Excludes projects for which construction has already commenced.

Source: Liberal Party (2016); Australian Labor Party (2016); Australian Greens (2016); Treasury (2016); Treasury (2014); Grattan analysis

Another clue is that parties want to spend in the regions, but most proposals that stack up are based in major cities, improving commuting and connections with ports and airports.

Most of Infrastructure Australia’s “project” assessments are urban. The NSW projects are both in Sydney. The Queensland projects

are in Brisbane and a link between Brisbane and the Gold Coast. The Western Australian project is in northern Perth. The sole non-urban project is rail, running from Brisbane to Melbourne via inland NSW.

A third clue lies in the mode of transport that the parties favour. Prime Minister Malcolm Turnbull's enthusiasm for public transport notwithstanding, the Coalition tends to choose road over rail more than Labor does.

The Greens have taken the approach of committing to one major public transport project in every capital city – none of which have been classified as “projects” by Infrastructure Australia, and most of which are not even on its initiative list.

A fourth clue lies in project size. The Coalition and Labor have both promised a large number of small projects on top of their big commitments. By contrast, the Greens have only their major capital city public transport proposals, although they would probably support a government seeking to advance proposals such as the Gold Coast light rail.

### 1.3 It doesn't have to be this way

All three major parties exhibit a big gap between what they say and what they do. All claim to support proper process, both to get the infrastructure needed and to spend money wisely.

The parties may well excuse their bad habits by saying the voters seem to like them. On one level this is true – if you are the direct beneficiary of a new road-widening project on a country highway, or if you travel to the airport regularly but don't like buses, you

may understandably support the candidate offering the big new road or the airport rail link.

By contrast, the losers are dispersed, and the boondoggles are paid for by worthwhile projects that are never built.

Australia doesn't have to guess what transport infrastructure to build – it has a process that determines the answer. Cost-benefit analysis, with all its imperfections, remains the one way we can compare projects on a like-for-like basis.

## 2 References

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