ONLINE ARTICLE

Title:	“Here's a way to get $700bn of infrastructure we need”
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Date:	Tuesday, 17 July 2012
Publication:	The Age
Copyright:	Fairfax Media
Address:	<http://www.theage.com.au/opinion/politics/heres-a-way-to-get-700bn-of-infrastructure-we-need-20120716-226gi.html>
Accessed:	Monday, 23 July 2012

It's time for the community to debate how we finance essential transport projects.

WHAT would you think if the state decided to sell the Eastern Freeway, West Gate Bridge, or the Western Ring Road to become privately owned toll roads - and invest the revenue from the sales to build better road and rail links?

How would you react if, in future, there were no new freeways, only toll roads, so that the cost of building them falls entirely on users, rather than on taxpayers?

Would you agree if the state decided to give up its AAA credit rating and pay higher interest rates so that it could borrow more money and build the really big projects, such as giving Melbourne an east-west link or a metro rail network like that of Paris or London?

And would you object if the government built a smaller toll road to the port for trucks and commercial vehicles only, with the rest of us banned so that we don't clog it up?

If you haven't thought about all this, better start now. These radical ideas are proposed by federal Treasury, Infrastructure Australia and the private sector to solve the problem of how to finance the $700 billion of infrastructure Australia will need over the next generation.

These ideas are not Baillieu government policy; far from it. Treasurer Kim Wells says the state is considering all options (toll roads) for funding future freeways, but has no plans to sell existing freeways.

Still, that doesn't rule it out. And while the Kennett government took a bit of flak when CityLink turned existing freeways into toll roads, that didn't cost it any seats.

The Gillard government too hasn't endorsed these ideas. Infrastructure Australia chairman Sir Rod Eddington wants governments to start a community debate, but Treasurer Wayne Swan and Infrastructure Minister Anthony Albanese have been too shy to say a word about them.

Some think governments would rather sell off assets remote from our daily lives: ports, for example, although that has its own problems. And you can understand why any politician would be reluctant to suggest that we pay to drive on roads that we now use free of charge.

Similarly, it would take a brave politician to argue that Victoria should double its debt to build the infrastructure we need, rather than accept congestion and poor services as the price of a AAA credit rating.

But Infrastructure Australia, and their advisers on the infrastructure finance working group, are right: this is a debate we have to have. These are issues that touch on our daily lives: the taxes and charges we pay, and the efficiency and convenience of the cities we live in.

Yet our knee-jerk reaction is to oppose all this. Yes, we want better infrastructure, but we're against having to pay for it through higher taxes. We're against governments taking on higher debt to pay for it. And we're against having to pay for it through user charges such as tolls.

The debate needs to move beyond these prejudices. If we don't, our politicians will remain trapped within them, and we will not get the new infrastructure we need. Anyone who wants Melbourne to have better roads, or a metro rail system, needs to start thinking about how they should be paid for.

A good place to start is the refreshingly frank report of the infrastructure finance working group, *Infrastructure Finance and Funding Reform,* at www.infrastructure.gov.au. Chaired by Jim Murphy, deputy secretary of federal Treasury, the group brought together infrastructure and finance experts from the federal government and the private sector - but no one from the states, which allowed it to be very candid about the options.

It argues that the states have no more room to borrow without losing their AAA credit ratings. In Victoria, John Brumby and Ted Baillieu have pushed state debt almost to the limit for AAA-rated borrowers. Even to keep up existing infrastructure spending after 2012-13, Baillieu would have to tax more, or cut spending on other priorities, or bust the AAA limit and accept a downgrade and higher interest rates.

Clearly, none of those are politically palatable options, but the working group urges governments to think hard about the last one. If the benefits of having the infrastructure outweigh the benefits of having a AAA rating, then it makes sense to borrow and build. The group notes that federal government transport economists estimate that its current infrastructure projects will deliver a return of $2.65 on every $1 invested.

In the past, roads such as CityLink were built as private toll roads, but will ultimately revert to state ownership. The report suggests this be reversed. After new toll roads in Sydney and Brisbane fell far short of targets, superannuation funds see the privatisation of existing roads as much safer investments. The report argues that the states should sell them, use the money to build new toll roads, preferably as joint ventures, then once they're running smoothly, sell them and build more.

The report makes one ugly call. Believing the states will be reluctant to embrace toll roads and asset sales, it wants the federal government to coerce them into doing so, by funding new road projects only if they are built as toll roads. To me, giving Canberra more power is not progress.

Another concern is that its blueprint envisages a road network with multiple private sector owners, yet operating as one flowing entity. This suggests serious challenges that the report does not explore.

But the working group and Infrastructure Australia have put this on the table, as one of the big issues Australia must face up to. If the politicians are reluctant to do so, it's our job as a community to take it up, to think past the stereotypes and simplicities, and face those hard decisions. If it were our choice, what would we do?