Get focus on infrastructure right: Henry

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Former Treasury secretary Ken Henry has accused governments of lacking courage to make infrastructure investment decisions based on rigorous financial analysis, claiming they instead pander to special interests.

Ken Henry, who is chair of the University of Wollongong's SMART infrastructure group, told The Australian Financial Review governments were not undertaking stringent cost-benefit analyses when planning projects.

"Governments are making decisions based on short-term political benefits rather than looking long term at what's in the national interest," he said, adding they needed to make "brutal assessments" of high priority projects.

Governments were too reluctant to finance projects using public debt, he said. "In many cases, it makes perfectly good sense for public debt to be raised to invest in public infrastructure." Dr Henry's comments come amid debate over Australia's high infrastructure costs, with academic Henry Ergas telling SMART's infrastructure symposium in Sydney that poor project analysis and too much emphasis on tunnelling underground had created "extraordinarily" costly projects in Australia.

"Often there are real problems in the quality of appraisals," said Professor Ergas, professor of infrastructure economics at SMART and who was also at the university's Business and Policy Dialogue in Sydney on Monday.

Professor Ergas said that while spending on infrastructure remained relatively high, at around $950 per person in recent years, Australia was not choosing the right projects to invest in. "Our problem is not that we spend too little," Professor Ergas said. "It's that we don't spend well." As well as having an expensive process for project approvals, including environmental approvals, Australia spent too much money on "extreme solutions" such as underground road tunnels to minimise community opposition to infrastructure projects and because projects were not planned far enough in advance, he said. US cities spent far less on building tunnels.

Dr Henry said Australia could solve some of its growing congestion problems by charging for access to existing infrastructure. He pointed out NSW truck drivers were not allowed to drive across wooden bridges in rural areas. "I would like to see a system in which a truck driver pays a fee and that fee automatically goes into the account of the local government," Dr Henry said. "That would free up a lot of the road network in NSW that is presently just not there for road transport. We need to have these things openly discussed so people get used to the idea of costs and benefits."

But Gordon Noble, director of investments at the Association of Superannuation Funds, said asking the electorate to pay for roads was difficult. "We need to recognise the limitations of user- pricing models that charge, for instance, road users to use a toll road," he said. "Support is not trans- hibitable and it is subject to the budget constraints that families face."