Infrastructure debate gains traction

The infrastructure debate is a deeply personal issue for many Australians, particularly those who embark on the arduous journey of trying to drive around Sydney in rush hour. Everyone likes to complain about expensive tollroads, traffic congestion and poor public transport, but politicians are too afraid of the public backlash if they do nothing radical to fix it.

The sale process for the financially challenged Cross City Tunnel and the Abbott government’s promise to fast-track infrastructure projects have put the spotlight back onto an issue, which has been on the back burner for too long.

The presence of corporate and political heavyweights Ken Henry, Rod Sims, Tony Shepherd and Nick Greiner at a Wollongong University infrastructure symposium this week is a sign the infrastructure debate is gaining momentum. Their comments highlight a growing consensus that privatisation is a good thing. They argue more needs to be done to make the public understand prices do not necessarily go up if things are sold, as well as finding smarter ways to fund roads, rail and ports.

The obstacle hurdle for state and federal governments is that they do not have the surplus cash to build anything. This looks particularly challenging if the Coalition is to get the budget back on surplus, even though it might not happen in the first term of government. High costs and poor land planning by state governments also pose challenges.

Sims, the Australian Competition and Consumer Commission chairman, is keen to wash the debate given his role overseeing infrastructure regulation. He told Chanticleer improving infrastructure does not necessarily involve spending money but can be achieved through regulation.

His most controversial idea solution is a concession charge. Most people understand the concept given its success in London. Commuters who are unwilling to pay a charge to drive into the central business districts can now take the car at home and take public transport.

While Sydney does not have London’s vast public transport alternatives to fall back on, Sims says the money raised from a concession charge would be recycled into public transport and fixing roads.

Another idea is to get heavy vehicles to pay road charges based on what they will use in the future. This already happens in rail and energy, and at the moment trucks are charged based on what they used in the past.

He says the problem is governments will not prioritise unpopular projects, such as a road to a port, when it could spend on vote-winners like schools and hospitals. Sims would also like an end to archaic shipping arrangements which inflate freight costs by favouring local providers against foreign ships. This would never happen in the airline industry.

Despite the logic of some of Sims’s proposals, the prospect of regulatory change will not be welcomed by those investing in infrastructure, particularly super funds, which treasure certainty.

But the Association of Superannuation Funds of Australia welcomes the debate. It says when it comes to infrastructure, there is no shortage of capital, just a well-structured deal. The debate around toll roads highlights this. Governments are being forced to look on more of the financial risk, as shown by the planned $10 billion WestConnex toll road in Sydney. The Victorian government, which disagrees that more roads will not fix the problem, is looking for private investors in its $6 billion to $8 billion East West Link tunnel. Former Infrastructure NSW chair- man Greiner says the public-private partnership model is not a failure but he acknowledges the public sector has made some mistakes and there are problems with the system itself. The highly competitive nature of tender processes means there is a bias for patronising familiar contractors on toll roads to be a little on the higher side.

He says there is a risk of underestimating the cost of public debt. Governments’ ability to coercively require payers to pay off that debt can disguise the real resource costs of a project.

The issues around infrastructure and how it is funded are not new. When John Bradfield engineered the Sydney Harbour Bridge he concluded increases in land values and a “betterment tax” on adjacent land- holders would help fund the expensive project. Politicians got in the way further down the track as future governments came under pressure to unwind the tax. The same thing happened to infrastructure projects in Melbourne in the 1940s.

Stoked with Ferguson appointment

Kerry Stokes has scored a coup with the appointment of former resources minister Martin Ferguson to a new position in his mining services/wood conglomerate Seven Group Holdings.

Ferguson had been sought after by the mining sector since he resigned from Parliament in March. Unlike many of his colleagues, he had a detailed understanding of the industry and was now regarded by the industry despite the falling with business on the mining front. While Woodside Petroleum Rio Tinto and BHP Billiton were still singing Ferguson’s praise when he resigned, it was Stokes who lured him to the corporate sector. In his newly created role of group executive, natural resources, he will report to chief executive Des Veuve and help grow Seven’s West Pac Caterpillar business.

Seven is one of the few companies left in the sector with the capital to fund growth. It will be interesting to see how the former Australian Council of Trade Unions presi- dent fits in with Veuve’s plans to tackle over- heads and review the company’s cost base. Expect to hear more at the company’s annual general meeting in November.

MICHAEL SMITH

---

**CHANTICLEER LUNCH**

**FINANCIAL REVIEW**

J.P.Morgan

Following a highly charged federal election, the Financial Review and J.P.Morgan Chanticleer Lunch provides the perfect opportunity to check the state of the business landscape and gamer insights into three big issues: restoring productivity growth, critical decisions for infrastructure, and confronting Australia’s high cost of doing business.

Moderated by Chanticleer columnist, Tony Boyd, this is the must attend business lunch of the year.

**THURS 10 OCTOBER 2013**

12.00pm - 2.30pm

**MURAL HALL**

Level 6, Myer

314 - 336 Bourke Street

Melbourne 3000

**TICKETS**

Single ticket $250 or
tables of 10 $2,250

BOOK TICKETS AT AFR.COM/EVENTS OR CALL 1800 032 577

A 20% subscriber benefit offer is available. Call 1800 032 577 for more information.