Why more infrastructure is not enough

by Garry Bowditch

Australia spends more on infrastructure today than at any other time in its history. Yet governments are unable to meet demand and don’t expect ever to do so. What can governments do to keep up with escalating demand and community expectations for infrastructure?

Historically, Australia is a large investor in infrastructure with per capita spending currently at about $18,420 per annum. This means the nation has pulled ahead of the OECD, reflecting two mining booms and the post GFC nation building public spending.

Foremost of Australia’s challenges is the need to extract more value for each infrastructure dollar invested. This was the focus of the recent SMART (Simulation, Modelling, Analysis, Research and Teaching) Green Paper, titled Infrastructure Imperatives for Australia, setting out 18 best practice recommendations to inform the future reform agenda.

Meeting the expectations of the community by providing more infrastructure but with less financial resources is fundamentally important to Australia’s future. To do that means Australia must embrace, sooner, the significant benefit from improving the asset utilisation of existing infrastructure before prematurely rushing into commitments for more greenfield expansion.

Australia’s population will balloon to 70 million people by the end of the century and that means the growth in population of the last 100 years accounts for only 40 per cent of the growth that is about to take place.

The message for Australia is crystal clear. It must not only plan for its future, just like its forebears, but also extract much more from existing infrastructure to lift productivity and enhance value for money for taxpayers and private investors alike.

Gridlock frustrates

Governments trying to fix the infrastructure backlog face a number of constraints including money, suitable land access, securing community buy-in and setting proper user charges.

At the same time, congestion in Australia’s major cities continues to escalate with gridlock on roads impacting passenger and freight logistics. The persistence of this situation reflects poorly on project selection and asset management processes. Reform is urgently needed where there is less focus on ribbon cutting and more use of well targeted ‘pinch point’ interventions.

For example, decongesting and debottlenecking existing infrastructure along with shifting demand from the peak to the shoulder period can often have superior productivity impacts compared with building expensive greenfield assets. While Australia has a strong case to build more infrastructure, it must do
Prioritising projects with the highest cost benefit ratios is fundamental.

so with a great deal more discipline and transparency to life cycle performance of infrastructure assets and their networks.

Prioritising projects with the highest cost benefit ratios is fundamental. At the same time, we must recognise that Australia has erred on this front, which has come at a cost to the public. These projects are typically in the category 'too much, too late,' such as gold plating electricity distribution networks on the east coast and the southeast Queensland water grid.

If more road and public transport investment is to occur, governments should also focus on how they will service private capital during the long period of investment in infrastructure. This means a willingness to allow prices to reflect full cost recovery for the infrastructure provided, permit prices to reflect the incentive to invest and where appropriate use the government's balance sheet to fund shadow tolls where a user charge is not appropriate.

Productivity matters
Better infrastructure for Australia should be anchored by a clear objective of lifting national productivity. This clarity of objective has been missing, which has made it difficult for governments to be purposeful and consistent in their infrastructure decisions.

To that end, the regulatory system requires reform, as it must provide the right price signals and incentives to make the best use of existing infrastructure. Tolls and user charges can have a more fundamental role to play in shaping demand and helping to direct where investment is needed to lift productivity growth.

Of course, a toll should always be a fee for a defined level of service, and the community has the right to expect choice in the services available. The problem is that infrastructure often fails this test to the detriment of business and the community.

Tolls need to be justified
It is notable that the M1, M2, M4 and M5 toll roads in Sydney all originally demonstrated great benefit to commuters with faster travel time. But the reality is that now each of these toll roads has a peak hour exceeding 10h/day; slow speed and uncertain travel time as the norm.

To address this situation, state and federal infrastructure agencies need to enshrine customer service benchmarks that govern lifetime performance of major assets and networks. Government and the private sector concession holders will then require a framework to sustain these benchmarks over the course of that lifetime.

Australians living in our global cities expect globally competitive transit times during the peak hour. Using tolls to help fund transport infrastructure is reasonable but without service benchmarks commuters are not assured of value for money; a toll becomes just another tax.

Tolls and user charges are not a panacea without fundamental institutional reform. Infrastructure must perform a service to the community that is relevant and compelling in order to justify a user charge in the first place. This is one of the missing ingredients to a better infrastructure future for Australia.

Garry Bowditch is the inaugural CEO, SMART Infrastructure Facility, University of Wollongong. The Green Paper is available at wwwsmart.uow.edu.au

- Qui Cutter can be applied to Diaphragm Walls and Piles with diameter of between 450mm and 3000mm.
- Qui Cutter can result in financial and programme savings.
- Qui Cutter can reduce potential health and safety issues.

Email: info@silentech.com.au
Web: www.silentech.com.au
Phone: 0421 128 066

“LOW NOISE, LOW VIBRATION”
“PILE HEAD REMOVAL”

Set up of Qui Cutter
Lifting the Pile Head
After the Removal