

20 year borrow and build plan gives affordable transport, jobs and growth *

Ian Spring - Page 1 of Substantial revision, 26 July 2017 *

The world is awash with cheap money. And this is a specific proposal for an ongoing 20 year federal borrow and build program, based on the sale of very long term Commonwealth bonds equivalent to 1% of GDP each year, to completely update Australia's transport infrastructure. As explained in the next column, this program would also give us affordable commuter transport.

With a federal borrow and build program commuters and other transport users would see major changes within five years, transformational changes within ten years. And they would get efficient comprehensive transport networks covering essentially all the nation's needs by 2037. Interstate high-speed rail could follow.

The program would bring these huge benefits, and with GDP growth in the mean time, would leave a surprisingly low level of infrastructure debt, only 11% of the then GDP in 2037. And for the 20 years add 150,000 new jobs, and increase in GDP of 2.7%, and a big drop in unemployment.

The unique advantage of full federal (public) funding is that tax feedbacks, first from construction, and later from the ongoing boost to the economy from the new works, would be an effective offset to bond interest costs - the major long-term cost of such projects.

With these tax feedbacks many more projects would be financially workable. And tolls and ticket prices on fully federally funded projects could be a fraction on those funded by unaffordable PPPs. Public funding could start with M4 WestConnex where tolls could be 75% lower than those currently proposed. This would be a huge relief for people on the West.

Affordable commuter transport will be a vital necessity in the new open competitive world of trade agreements, where low/no wage growth is inevitable, and high commuter costs are putting ever-growing pressures on lower income earners. Particularly those in the newer outer suburbs of Australia's major cities.

Many calls for action

Last year then Reserve Bank Governor Glenn Stevens strongly recommended a multi-year program of federal borrowing to fix Australia's deficient transport networks.

Glenn Stevens said that such a scheme, based on sale of long-term Commonwealth bonds, would benefit "millions of Australians in their daily lives". Stephens' successor Philip Lowe has supported this concept.

Many others have also advocated such major federal borrowing, including **Anthony Albanese**, Shadow Minister for Infrastructure, Transport, Cities and Regional Development, ex-Premier **Mike Baird** at COAG; Greens Senator **Di Natali**; the IMF; the G20; the **OECD**; **Ross Gittins** of the SMH; leading public figure and chairman of the ANZ bank **David Gonski**; respected businessman **Frank Lowy**; **Peter**

Crone of Coles; **Cameron Clyne** formerly CEO of NAB; **Pauline Hanson** of One Nation, **Chris Richardson** of Deloitte Access Economics, and **Emeritus Professor Frank Stilwell**. And leading economists **Justin Fabio**, **Bill Evans** and **Saul Estlake** were reported (in The Australian in 2014) as saying Debt phobia was 'hobbling chance to borrow and build.'

*Extract from a speech by Reserve Bank Governor Glenn Stevens 10 June 2015.

...infrastructure spending has a role to play in sustaining growth and also in generating confidence.

... And it is perfectly sensible for some public debt to be used to fund infrastructure that will earn a return. That is not the same as borrowing to pay pensions or public servants.

Amenity would be improved for millions of ordinary citizens in their daily lives. We could unleash large potential benefits that at present are not available because of congestion in our transportation networks.

The impediments to this outcome are not financial. The funding would be available, with long term interest rates the lowest we have ever seen or are likely to.

The impediments are in our decision-making processes and, it seems, in our inability to find political agreement on how to proceed.

...we need to create a positive dynamic of confidence, innovation and investment.

* Please read the full 6 page outline at www.borrowandbuild.com.au

34—THE DAILY TELEGRAPH, www.dailytelegraph.com.au Thursday, March 22, 2007

LETTERS

Funding model means states' hands are tied

‘Sixty years of under-investment has left us in our present mess’

Until World War II, NSW, along with the other states, had income-taxing powers and primary responsibility for infrastructure. Thus, when new infrastructure boosted the state economy and lifted taxes, there was an effective offset to borrowing costs. Hence the state's ability to build and fund huge projects.

Australia's problem with infrastructure began in 1942 when, as a wartime measure, the Curtin federal government temporarily took over all income-taxing powers. After the war, despite protests from the states, that became permanent.

Then came the big mistake: primary responsibility for providing infrastructure was left with the states.

Stuck with this responsibility but without the necessary concomitant taxing powers, the states have floundered ever since; and 60 years of under-investment has left us in our present mess.

Private funding cannot fill the gap. It is an expensive model, and only works where there is an urgent need to fix a bottleneck in an existing high traffic area. Even then, further bottlenecks often need to be created to channel traffic to the private investment. The present system is not working. We must move to full federal funding for major transport infrastructure, urban and rural, road and rail.

Ian Spring, Chiswick

Full federal funding could mean 75% lower toll prices on M4 WestConnex

Full federal funding or privatisation?

The state government is planning to do either a partial or complete sell-off of M4 WestConnex some time in early 2018, with the intention of its operating thereafter as a privately owned tollway.

If the current plan were to go ahead with the announced 4% per annum minimum increase in tolls for the first 20 years the road would be a family/financial disaster for those living in the West.

This would be a most unfair and unnecessary imposition on those people in Sydney probably least able to bear this new burden - young families in new homes. Full Federal funding would make it much cheaper.

What you can do about it

The Federal government said at budget time that it would borrow to fund infrastructure which can't be funded otherwise. M4 WestConnex, being unaffordable to

commuters is a case in point.

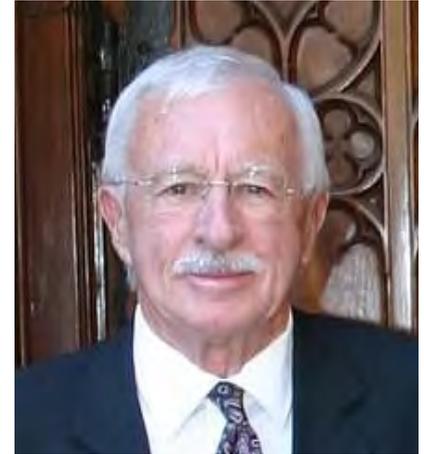
Everyone in the West, should play their part in getting full federal funding for this tollway. Including those in the Inner West who face the terrible threat of 40 years plus of road running and traffic gridlock nearly 24/7 if this thing goes ahead as currently planned.

Full federal funding for fair tolls on M4 WestConnex

Social media is the key. Children and young people with their tech skills should be encouraged to take a vital interest in the campaign to encourage full federal funding. It's their future.

An extended list of the email addresses of people to contact will be available on the website within a few days. Act now. It's your future! Good luck with it.

Ian Spring July 28, 2017.



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The M4 WestConnex problem

Planning for M4 WestConnex has seen a big increase in scope, and so cost. The proposal now is for fairly high initial tolls, and for these to grow at a minimum of 4% per annum for 44 years. A 48% minimum rise every 10 years!

Those travelling from the outer north-west to the airport on WestConnex upon its completion in 2023 would pay more than \$20 each way, \$280 per week, nearly \$15,000 a year. (An apprentice can't pay that!)

This is a completely unrealistic idea when in the West, the area to be serviced by M4 WestConnex, lower and middle income wages are stagnant, or falling in so many cases, and wages nationally have been falling for six years.

It is also clear from the world situation, and expert opinion, that this unhappy trend in wages, or something similar, is likely to become the new normal, and continue,

maybe for decades.

With its currently proposed huge growth in toll prices M4 WestConnex, would soon become simply unaffordable for millions of lower and middle income earners in the West.

They would be priced out of using this expressway, and its social and economic usefulness would be gravely diminished.

Within a few years we would see a disaster of rat running and impenetrable congestion along the routes around the expressway, affecting a further million or so people. This time in the Inner West.

This two generation rolling disaster would come back to bite the political parties in the present State government who introduced this unrealistic pricing model.

The M4 WestConnex solution

But the good news is that this high priced toll structure can be avoided.

The prospects for the success of this new

expressway would be entirely different if the federal government were to borrow cheaply long-term and purchase the various stages of M4 WestConnex as they were completed. It could then be arranged for the State Government to manage its ongoing operation.

If the new expressway were funded and managed in this way the resulting tax feedbacks would offset federal borrowing costs as described earlier, and tolls could be a quarter of those currently planned.

This would lead to strong productivity gains from much higher utilisation of the road, and social gains as annual toll increases could be set nearer to the level of wage growth in the catchment area.

Such a funding arrangement would be a much more practical and affordable solution. And, being in sympathy with the new normal for lower wage increases, would have major benefits in preserving both jobs and living standards in the West.

Private funding has failed too often

Failure after failure means privatised roads are good for neither investors nor commuters.

Full federal funding with its tax feedbacks is the only way we can get all the transport infrastructure we need at prices we can afford.

THE AUSTRALIAN - June 4, 2016

Public-private road deals take their toll on investors

ROAD TO NOWHERE				
Asset	Daily forecast	Daily actual	Opened	Collapsed
EastLink, Melbourne	258,000	134,000	2008	2011
Clem7, Brisbane	60,000	21,000	2010	2011
Airport Link, Brisbane	130,000	77,000	2012	2013
Lane Cove Tunnel, Sydney	100,000	55,000	2007	2010
Cross City Tunnel, Sydney	95,000	30,000	2005	2007