

Fed's buying Transurban using QE could cut all tolls by over 80%

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First, what is (QE) Quantitative Easing

“Quantitative Easing is a monetary policy whereby a central bank purchases predetermined amounts of government bonds or other financial assets in order to inject money into the economy to expand economic activity.” [Wikipedia](#)

QE is already being used in multi-billions by the Reserve Bank in Australia to support government spending. A recent total was around \$260 billion and growing rapidly and frankly you would have to be super naive if to think that much if any of this will ever be repaid.

To see in detail how other countries around the world are using (QE) Quantitative Easing please go to the following web site.....

<https://www.atlanticcouncil.org/blogs/econographics/global-qe-tracker/>

What follows shows how QE ‘free money’ could be extended for a federal purchase of Transurban, and how this would give us a conversion of current unaffordable private toll roads into affordable public roads, at the same time giving a boost to the economy from Transurban shareholders being suddenly flush with cash.

Our major problem is private toll roads

Australia’s toll roads, almost all owned by Transurban, are the most expensive in the world. And high tolls on Transurban’s recent new expressways are set to grow by 4 per annum!

This high price escalation means that Transurban’s tolls will double in less than 20 years, and more than triple by the end of their 40 year term!

With lower end wages currently so depressed, and hardly moving for years, continuing with Transurban will bring a crushing burden of unaffordability. Both for millions in the present, and growing worse and worse for at least two generations ahead.

Surely in all conscience we can’t put this burden on to those living on low incomes further from the city centre, including millions among the weakest and most vulnerable financially in our community.

The solution is public toll roads

In the interests of these lower and middle income earners we must find an effective replacement for the obviously crippling expensive private Transurban model.

The solution is that the federal government, after consultation with the states, should use QE interest free funds to buy Transurban the 80% plus toll operator on extremely generous terms, and then operate it as a federal public entity.

With QE interest free funds involved, so no capital costs, and as an appropriate concession to lower income earners living remote from the city, tolls could be set at well less than a quarter of current tolls.

These new tolls would grow only with or below inflation indefinitely into the future. So residents and their families living further from the city could have a future safe from ever escalating private tolls.

The price offered for Transurban should be generous, with perhaps a 30-40-50% or more share premium.

This would be only fair having regard to the fact that governments were certainly more responsible than Transurban for our taking up this unrealistically expensive private model.

We are already well involved in QE

Use of QE in the way outlined above would not be a new venture for Australia. Active use of this "free" funding method recently is already supporting our economy under current difficult circumstances to the extent of more than \$250 billion.

That's billion. But and still low by world standards for QE as a proportion of national GDP.

There is ready scope for further use of this funding method to get the free funding to buy Transurban, and replace its progressively damaging toll increases with family friendly tolls.

In detail - why are private tolls so high?

The grossly unaffordable private tolls on our new underground expressways are partly due to the very nature of underground operations, but also to Transurban's inherently high private cost structure

With its financing model Transurban must earn super high profit margins

- to support high private interest on capital, bond sales and other borrowings.
- to pay growing after-tax dividends to keep shareholders happy.
- and, above all, eventually to pay back their huge borrowings.

This combination is horrible but since these factors are built into the private funding method and cannot be changed we are left with two options. Our choice is between outrageously expensive private tolls or super cheap public tolls.

Our choice is to leave millions of lower and middle income Australians suffering the pain and increasing distress of ever growing exorbitant tolls.

Noting that if we did this we would also have to accept the long-term national damage due to inefficient over-expensive transport costs.

A penalty which would contribute to taking us forever into the future as an inefficient high cost competitor in world markets.

Or, the alternative is to take up the other option with the federal government stepping in and buying Transurban and converting it to a permanently publicly owned operation.

With this new entity, without private Transurban's huge cost structure, road users could be offered hugely cheaper tolls on both current and future toll roads.

Above almost everything else we would see the benefits of new cheap public tolls, and would not see generations of young people living remotely from the city having their prospects in life generally, and their ability to have a family, destroyed by being locked out of jobs by unaffordable tollway costs.

Nationally we simply cannot afford private tollways

Limited wage and salary growth is further evidence of the now total unaffordability of toll roads with tolls growing at 4% each year.

We are in a new world of lower wage growth as the following figures reveal.
National Australian Quarterly private Income increases percentages

2017	Mar	4.0
	Jun	3.8
	Sep	3.7
	Dec	3.8
2018	Mar	3.7
	Jun	3.9
	Sep	3.7
	Dec	3.4
2019	Jan	3.8
Then the	ROT sets in
2019	Jun	2.7
	Sep	2.8
	Dec	2.5
2020	Mar	2.6
	Jun	2.4
	Sep	2.4
	Dec	2.5
2021	Mar	2.2
	Jun	2.2

*** Australian Bureau of Statistics - Wage Price Index, Australia.**

It is clear from these figures that the rot of lower wage increases set in before the pandemic problems of the last couple of years, and expert opinion across the board is that lower wages will be well below average for some years to come. So what hope will poor people have?

Money now spent on roads is needed elsewhere

Following a future acquisition of Transurban and the federal government using QE to pay for new major road construction, both federal and state governments would be relieved of a big part of their current need for capital spending on roads. This money could then be applied to helping both levels of government to cope with the barely admitted growing stresses they are facing.

Principally to meet the unacknowledged needs of lower and middle income earners in the areas of health funding, education, housing and welfare. Australia is essentially the highest per capita income country in the world, yet the distribution of this national income from a human welfare point of view is all wrong.

Like the USA, the UK and other countries around the world Australia is a rich country with a big proportion of poor citizens. A situation which sadly is worsening.

Reports keep telling us that more than a quarter of the population of Australia is living in poverty with millions getting no increase in pay for years. The shortage of housing is also a terrible issue.

With the exception of a current short-term blip up in incomes due to the temporary drop-off in immigrant numbers, lower income earners are systematically falling further and further behind on jobs and incomes.

Obviously, any return to recent past high levels of immigration will impose impossible burdens across whole sections of the community, particularly in relation to housing availability and cost.

If we were to be left with impossibly high toll costs as well, this wage shrinkage would be a terrible double blow.

We are already behind in taking advantage of QE

The United States is in a serious long-term economic conflict with China. Under the present government it seems that all its major policies are being directed towards improving its position in relation to this challenge.

In the light of this, does anyone really think that the United States is ever going to weaken its economy going into the future by attempting to repay the trillions in debt to which has already committed itself, and the extra debt which is now taking on?

Instead of burdening future generations the United States will surely draw down the funds needed using QE.

Their using QE in this way will not be new for them. It will be part of a well-established pattern, a pattern well on the way also in many of the other major countries as an agent to clean up their balance sheets.

Australia's current use of QE is as a support element in difficult times, but if we are using it for only this purpose we are running behind the pack and losing opportunities. We must get on with using QE, as others are already doing to build the structural assets we will have to have to be viable into the future.

While we must act carefully and sensibly, it makes every good sense for us to extend our current use of QE from just trying to encourage economic activity and balance the books, to the use of QE to shape our economy for the future.

We must do what the US is obviously doing right now. We must use QE to finance the huge list of new infrastructure and the other elements we will need to cope effectively with the two big elements of Australia's future, population growth and the changes of direction necessary to prepare for climate change.

QE funds support for new infrastructure would also provide funds to compensate for the inevitable losses in taxation revenue Australia will see in the next decade or so.

During this period we will face an utterly predictable huge downturn of revenue.....on coal, oil, gas and iron ore - the major supports of our current economy.

BHP's sell off of its involvement in coal should be a lesson on how the world is changing.

Cheaper public tolls would help society

The government taking private tollways public as proposed here with their then cheaper public tolls costs is an area where very substantial change can be made in improving both richer and poorer sections of our community.

The difficulties of sections of the NSW community in understanding and reacting sensibly to the current Covid19 crisis shows how big families, low work earnings and temporary employment have not been enough to lift some newly migrant communities, nor has it involved them enough in society as a whole, and in the economy. Much more it seems, needs to be done if we are to escape the development of a permanent underclass. Access to cheap transport will help enormously with this very real challenge.

Standing back for a moment now is the time to recognise that we are at a watershed. In a sense the world has been turned upside down, and new remedies will no doubt be necessary. And in this environment conservatism may mean stagnation.

Look at the competition:

Rail transport is an important mode of long-distance transportation in China. As of 2020 the country had more than 146,000km (90,720 miles) of railways, the second longest network in the world and by the end of 2020 China had just under 38,000 kilometres (23,612 miles) of high-speed rail (HSR), the longest HSR network in the world....

yet Australia waffles on about maybe, sometime, we could build a new railway, perhaps, between Newcastle and Sydney, or high-speed rail, again perhaps, between Sydney and Melbourne.

It will never happen unless we do something to improve our time perspective and our national financial management. Relying on the private sector won't work - too expensive.

Reflecting on the Chinese competition who have just nationalised their rail systems, nationalisation of some key private national assets, like major road and rail public using QE may be just one of the things we have to do to try to stay cost competitive.

Think of Liberal PM Menzies after 1949 and his string of deficit budgets to help rebuild the country in the context of rapid population growth.

Unlike today's Liberals,

“Robert Menzies boasted of delivering large budget deficits”

...ABC news.

We can do the new rail we so desperately need using a comprehensive program funded by QE.

A message to the Coalition

With a deeply embedded ideology involving a strong preference for as many as possible community activities to be in the hands of the private sector, rather than the public sector, you will find the idea of turning private enterprises into public ones a difficult one to accept.

But I believe that the economic logic, fairness to individuals, control of our national cost structure, and ultimately our viability as an effective nation all depend on keeping our transport costs low. So please think about it.

A message to the ALP

Are you going to allow your natural constituency in the millions living far from the centre of cities to be taken into poverty and family distress by private tolls ratcheting up to impossible levels??


Or are you going to try to do something about this problem?

For example, you could think about an announcement now or before the election that immediately upon entering government you were going to commit to a Royal Commission, into “The High Cost of Private Tollways” surely a strong promise to take to the hustings. Or as a first step, perhaps you could offer a House enquiry into the issue as this could give it worthwhile public attention, and perhaps bring about a better general understanding of the QE concept as a way to address the problem of progressively unaffordable tolls.

I am sure doing this would build some momentum, and appreciation for something new, and fresh, that you were offering.

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Ian Spring is a completely independent retired business manager who has been attempting to foster federal borrowing for transport infrastructure.

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Appendix 1

Calculation of toll savings benefit from federal takeover, example only.

1. initial cost of Transurban one-way tolls \$20
2. multiplied by 2 for return trip \$40
3. multiplied by 6 for days a week \$240
4. multiplied by 50 for year \$12,000
5. total cost over 40 years as tolls triple over that period
 $\$12,000 \times 1.5 \times 40 = \$720,000$
6. allowance for cheap federal tolls of 10%
 $\$720,000 - 10 \text{ percent} = \$650,000$

This is the one car per household and with Two cars: \$1,300,000 approx.

You can calculate your own savings by adjusting the numbers to fit your one-way tolls.

To do this you should compare your one-way toll with the \$20 in the example above and if you're toll is half the \$20 the benefits would be half or if your tolls are twice the \$20 the benefits would be doubled.

The figure you come up with would obviously be much better than paying the full current Transurban toll and would certainly help with the home mortgage.