

A Vital Issue for the 2020 Forum

The states being left with primary responsibility for infrastructure is the result of an historical accident. The states have the wrong tax base to support this responsibility. It should be taken over by the federal government.

Until World War II, NSW, along with the other states, had both income taxing powers and primary responsibility for infrastructure. So at that time new infrastructure yielded both direct benefits in the form of fares and tolls, and indirect benefits from the extra tax revenue generated by the new investments' boost to the state economy.

Hence the state's ability to build and fund huge projects; like the Harbour Bridge, and a comprehensive heavy/light rail system across almost all the city of that time.

Australia's problems 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 historical accident: primary responsibility for infrastructure was left with the States.

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

With our big interstate distances, and spread-out cities, infrastructure projects in Australia rarely generate enough direct income to justify expenditure by states or the private sector. However, many projects which are unaffordable to the states will be quite affordable to the federal government, because of the additional

revenue coming from the projects' potential to boost the economy and taxes.

This indirect income is surprisingly large. A 2005 report by the Business Council of Australia estimated dollars spent on infrastructure across a broad range of projects would generate an 18% permanent increase in GDP.

Federal Minister Albanese's initiatives, based around the new Infrastructure Australia, are highly commendable, and show that great thought and energy are at last being applied to infrastructure. However, nothing less than a federal takeover of primary responsibility for major infrastructure will remove ambiguities, and give a solid base for overcoming our infrastructure backlog.

Somebody has to borrow if we are to get the infrastructure we need, and action by the federal government is the safest and cheapest way for this to happen. Actual project execution may be delegated to the states; or to public private partnerships heavily supported, on fair terms, by federal funds.

Because of their poor direct returns, the building of appropriate interstate links and comprehensive modern urban public transport systems is proving quite impossible for the states: yet these assets are needed desperately. This problem can only be solved by a federal takeover of primary responsibility for infrastructure.

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