PRESS RELEASE

I ask you please to consider this proposal and to do whatever you can personally to help bring this idea with the out into the public arena for discussion. Do not wait, or leave it to others, it is too important

The lead up to the Federal election, a time of heightened interest in policy, is the time for this opportunity to be brought to the electorate's attention.

Some appropriate level of attribution would be appreciated.

My background is set out below.

Best wishes,
Ian Spring   02 9712 5339

GREAT NEWS FOR COMMUTERS

A modest 20 year federal borrow and build program for road and rail could give Australian commuters worthwhile benefits within a few years, transformative changes within a decade, and a complete transport infrastructure solution by 2033.

A straightforward off-budget program, similar to to the NBN, could be started straight away - in 2013.

The program could involve annual borrowing of 0.6% of GDP, $10 billion, and the use of half of this for 50% subsidies to private projects. This would give new expenditure on road and rail of $15 billion. (New South Wales share of this would be $4.5 billion a year.)

With this level of transport infrastructure spending, and a likely fiscal multiplier of 1.5, total annual expenditure in the community would increase by $22.5 billion (1.4 % of GDP)

In round figures, annual tax revenue on this would be $6 billion - $4.5 billion to the Commonwealth, and $1.5 billion in GST to the states. This would help relieve pressure on budgets across the nation; and improve their sustainability.

The program would take two or three years to get fully established, then the above figures would grow year by year in proportion to the growth in GDP.

Federal borrowing spreads the load to a surprising degree. Extra annual debt servicing cost for the program at, say, 5% per annum would be $500 million. Across the population of 23 million this would come to only *$22* per person in the first ***year***, $44 in the second ***year***, and so on.

Also, it should be noted that funding long-term infrastructure by borrowing spreads the load equitably between generations, because with average money GDP growth of 5% per annum, any given debt shrinks to half as a proportion of GDP in under 15 years. In the relevant context, it's proportion to GDP, debt melts away.

New money from federal borrowing will be an enormous advantage to transport infrastructure spending at this time. Currently, federal and state budgets are overstretched, opportunities for profitable private investment in transport have largely been taken up, and, after earlier sales, the scope to recycle capital by selling government owned assets is also very limited.

All this has led to too little being spent too slowly. We are falling further behind due to the growing pressure of increasing population on our awful legacy transport infrastructure.

Over the next two or three years, while larger plans are being settled, targets for spending could be work on bottlenecks in inter-suburban roads, and an attack on the huge backlog of spending needed for country roads and bridges.

Until now, trying to work with inadequate funding has tended to lead to poor outcomes. For example, roads have been too small on the day they were opened. Also, of course, overoptimism on likely traffic has led to an increasing pattern of constructor is a going insolvent.

The borrow and build program would bring an ideal mix of private capacities and cheap government financing. All of our resources will needed to deal with the problem of providing for a likely 30% increase in population by 2033. Commonwealth Infrastructure Bonds, with terms of 30-40 years, will help us step up to this challenge.

The work done by Infrastructure Australia and Infrastructure New South Wales, and other bodies, coupled now with guaranteed regular funding stream, will help with choices on priorities, spreading the new funding sensibly across road and rail, and project sizing to meet long-term future needs.

Total expenditure on transport over the 20 years would be over $300 billion in current dollar terms, tolls and transport ticket prices would be considerably less than 50% of full commercial rates, and there would be no need for the reintroduction of tolls on existing roads.

Tolls have the same economy dampening effects as taxation. They impact most heavily on those least able to afford them, typically young new residents in outlying suburbs: with consequent effects on consumption, work participation and social welfare. Accordingly, keeping tolls lower would help strengthen the economy.

Looking more broadly, the program would give a much-needed boost to confidence and jobs in the short term, and would improve the cost- base and general efficiency of the economy progressively over the whole 20 years.

These improvements will help ready the nation for the pressures of population ageing due to cut in at about the time the program would end.

With money GDP on track to more than double by 2033, Infrastructure Bond debt at that time should be around 7.5% of GDP: a tiny price for the next-generation to pay for excellent transport infrastructure.

By that time, again with GDP having more than doubled, our current existing debt of around 12% shouldbe back to 3 to 4% of GDP - so our overall debt level will still be very comfortable.

A decision may be made in the future to extend the program beyond 2033, in which case its flow of funds would be more than sufficient to fast track a high-speed rail network down the eastern side of the country.

Poor transport infrastructure is robbing us of jobs and progress. A federal borrow and build program that will fix transport infrastructure is too good an opportunity to miss.

Ian Spring

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Background Ian Spring

I have an honours degree in economics from Sydney University, and taught there for five years as a part-time tutor in economics.

In retirement I have done research and have written on infrastructure for some 10 years now - on a completely voluntary basis.

I have advised both sides of politics at senior ministerial level.

Before I retired, I was General Manager of George Weston Foods Ltd's national flour milling operations, and for some years was President of the Flour Millers Council of Australia.

Top bankers and senior business groups have recently urged federal borrowing for long-term economic infrastructure, but they have spoken only in generalities.

The above is a specific proposal for federal borrowing which would give a fast track solution to our transport problems.

My website www.borrowandbuild.com.au gives further information.
Ian