



## **PRODUCTIVITY COMMISSION ENQUIRY INTO PUBLIC INFRASTRUCTURE**

### **NATIONAL GROWTH AREAS ALLIANCE (NGAA)**

#### **COMMENTS ON THE DRAFT REPORT**

##### **Introduction**

NGAA strongly agrees that the Australian Government is the best placed level of Government to fund infrastructure spending by State and Territory Governments and Local Governments due to the revenue raised through taxation.

NGAA is interested in a system which selects the right projects and which provides best value for money, not least because it might allow more infrastructure to be built.

There are two key concerns which the NGAA has with the draft report, however, and which are underpinned by the fact that we are not starting from a level playing field; the NGAA's member Councils have nothing like the same infrastructure provision ratios as areas closer to CBD's yet are growing at double the national rate.

##### **Approach to Cost Benefit Analysis**

- The report says that cost benefit analysis does not usually take account of winners and losers though disaggregated results can show the effects on particular groups, allowing decision makers to make judgements about the need for responses to any equity issues. NGAA believes that a thorough analysis of the impacts ("winners and losers"), including a spatial analysis is fundamental to proper decision making. It should not be a model where equity concerns and compensation are added in after the decision has been made. A proper impact analysis which includes a focus on equity at the outset may change the selection of project and where or how it is delivered. It might also bring greater productivity gains. So it needs to happen alongside other considerations.
- NGAA believes that the report is overly cautious in relation to taking account of wider economic benefits in cost benefit analysis of projects. This is a missed opportunity. NGAA urges the Commission to examine models elsewhere which successfully do this (eg the UK City Deals approach). Infrastructure projects are the keys to how cities and regions function. Their significance cannot be fully appreciated in the absence of an assessment of the wider benefits. This should be the default model, not the narrower model we are used to.
- Before projects are selected and any cost benefit analysis is undertaken, outcomes to be achieved for respective cities or regions should be agreed.

## User Charging

- User charging is seen as the default option for all infrastructure, including social infrastructure. While the draft report acknowledges that equity considerations may moderate the extent of charging, the starting point is that users paying is the best approach. This is based on the theory that the fair approach is for people to pay for the amount of service they use eg how far they travel on a road and that they have the freedom to make the choice to travel. This view is taken further, saying that user charging can address equity concerns arising from primary beneficiaries not being the ones who pay. This completely sets aside the way that cities and regions work, the interrelationships and the spatial distribution of goods and services. For those in the growth areas on the outskirts of cities, the need to travel long distances by road to get to work and to services is not optional for a vast number of people. They often have no alternative, with inadequate Public Transport leading to increased car dependency. How is making them pay more fairer ? It will not lessen congestion or increase productivity. A more comprehensive solution is required, where the need to travel is reduced by jobs and services being closer to where people live as well as public transport systems providing a real alternative to car based travel. This is an Australian Government issue as well as a State Government one, as ineffective and inefficient transport systems directly undermine national productivity.
- The Victorian Auditor General's report says that in Victoria alone, the total cost to state and local government of providing all the infrastructure needed in greenfield sites is estimated at approximately \$36 billion over 30 years. This report says that a serious problem exists, including a major backlog (\$10 billion) and that urgent action is needed. It acknowledges that the vast majority of funding required to deliver state transport infrastructure in growth areas relies on State Budget processes and Commonwealth contributions. Yet the required funds have not been made available and there are growing gaps in both the road network and in public transport provision. This is creating barriers to mobility, including access to critical services, education and employment opportunities. The deficiencies are increasing car dependence, pollution and exacerbating traffic congestion at significant community cost. This limits state productivity and the time that people can spend with their families.

*“Despite these growing problems, funding to address the transport needs of growth areas can take more than a generation to materialise.”*

According to the report, the State Budget process has failed to deliver the quantum of funding required to meet the transport needs of growth areas, and this is expected to continue into the future. It calls for exploration of alternative financing options and strategies to address the growing transport infrastructure backlog and needs of growth areas.

This scenario is replicated in growth areas around the nation.

- As indicated, social infrastructure is seen as having potential for greater user charging as well, on the premise that even partial charging provides a signal to users about costs and encourages more efficient use. This again assumes such use is discretionary. It also gives a particular meaning to efficiency, without taking the broader benefits into account. How many fewer children who need homework help to succeed in school and job seeking would get that help if they had to pay to enter a library ? How many older people would deteriorate more

quickly at home without the social connection of a library, if the fee is regarded as a barrier ? How many young people would become obese without physical activity if entry fees to sports grounds stopped them attending ? The real cost to communities and to Governments of the consequences of people not using these facilities must be integral to assessing who should pay.