

Barton Deakin: Commonwealth Budget – Infrastructure

15 May 2014

The 2014-15 Commonwealth Budget outlines plans for government investment of over \$50 billion in Australian infrastructure through to 2019-20.

In the 2014-15 financial year, \$11.6 billion is allocated to an Infrastructure Growth Package. This includes:

- \$5 billion for the Asset Recycling Initiative;
- \$3.7 billion to expedite infrastructure projects; and
- \$2.9 billion towards the Western Sydney Infrastructure Plan.

Over the forward estimates, the Commonwealth will invest a further \$39 billion in infrastructure. With private sector involvement and State and Territory investment, over \$125 billion will be directed towards infrastructure development to 2019-20.

Asset Recycling Initiative

The Budget includes an allocation of \$5 billion to establish an infrastructure Asset Recycling Initiative. The Commonwealth expects that this scheme will leverage new infrastructure worth \$40 billion.

States and Territories will be encouraged to unlock capital by selling assets and reinvest the proceeds in new productive infrastructure projects. The Commonwealth will provide 15% of the price of the asset sold if all of the funds are allocated to infrastructure projects that meet agreed-upon guidelines. The proportion of the Commonwealth's contribution will reduce if only some of the asset sale proceeds is directed to infrastructure.

In order to qualify for funding, States must ensure that the sale of assets must be complete and infrastructure must be under construction by 30 June 2019.

The Commonwealth will negotiate with the States and Territories to develop guidelines determining which projects are eligible for the programme.

In order to be eligible, States and Territories must demonstrate that new projects will:

- Demonstrate a clear net positive benefit;
- Enhance the long-term productive capacity of the economy; and
- Provide for increased private sector involvement in both the funding and financing of infrastructure.

To facilitate payments to the States and Territories, an Asset Recycling Fund will be created.



It will be funded from uncommitted revenue in the Building Australia Fund (\$2.4 billion) and the Education Investment Fund (\$3.5 billion), as well as proceeds from the sale of Medibank Private and privatisation of other Commonwealth assets.

Read Barton Deakin's brief on the initial announcement of the Asset Recycling Initiative [here](#).

Funding sources

Fuel excise

Commonwealth infrastructure funding will be secured by the re-introduction of the bi-annual indexation of the fuel excise to the Consumer Price Index from 1 August 2014. This measure will raise \$2.2 billion over the forward estimates.

Leveraging investment

The Commonwealth is actively considering alternative financing models to support infrastructure development, complimenting the tractional grant funding system.

In addition to the \$1.5 billion funding contribution to Sydney's WestConnex project, the Commonwealth has committed to providing NSW with a \$2 billion concessional loan to be repaid when the project becomes operational and generates revenue.

Such arrangements could involve:

- Loans;
- Guarantees; and
- Equity.

The Government will ensure that any risk it assumes is carefully assessed and managed.

The Productivity Commission is currently conducting an inquiry into Public Infrastructure, which will advise the government on these matters.

Project selection and delivery

The government has strengthened the role of Infrastructure Australia in improving the selection and delivery of new nation-building projects.

New governance arrangements aim to increase accountability within the organisation. The existing advisory Infrastructure Australia Council will be replaced with an Infrastructure Australia Board with accountabilities under the *Commonwealth Authorities and Companies Act 1997*. A CEO position will replace the Infrastructure Coordinator, and will be accountable to the Board.

Infrastructure Australia will be responsible for:

- Conducting evidence-based audits of Australia's infrastructure asset base five times each year;
- Developing top-down priority lists at national and state level;
- Producing a 15 year infrastructure plan; and



- Evaluating proposals for nationally significant economic, health and education infrastructure projects.

The Productivity Commission's inquiry into infrastructure will consider effective means of delivering new projects.

Project announcements

The Budget outlines Commonwealth spending commitments to infrastructure throughout Australia.

| Jurisdiction | Forward Estimates | 2018-19 | Beyond 2019-20 | Total |
|---------------------------------------|-------------------|------------|----------------|-------------|
| New South Wales | 11.7 | 2.1 | 1.2 | 14.9 |
| Victoria | 6.8 | 0.9 | - | 7.7 |
| Queensland | 8.5 | 1.8 | 3.1 | 13.4 |
| Western Australia | 4.3 | 0.4 | - | 4.7 |
| South Australia | 1.8 | 0.2 | - | 2.0 |
| Tasmania | 0.7 | 0.1 | 0.2 | 1.0 |
| Australian Capital Territory | 0.3 | - | - | 0.3 |
| Northern Territory | 0.5 | - | - | 0.6 |
| Asset Recycling Initiative | 3.9 | 1.1 | - | 5.0 |
| Total Commonwealth Expenditure | 39.0 | 6.8 | 4.5 | 50.3 |

*Blank spaces indicate investment lower than \$50 million.

National Projects

Spending commitments in each State and Territory include funding for the following programmes over the next seven years:

- Roads to Recovery Programme - \$2.47 billion
- Black Spot Programme - \$565 million
- Bridge Renewal Programme - \$300 million
- Heavy Vehicle Safety Renewal Productivity Package - \$248 million

New South Wales

Commonwealth investment in Sydney and NSW totals \$14.9 billion over seven years and includes:

- \$2.9 billion from 2014-15 to 2023-24 to deliver a Western Sydney Infrastructure Plan focused on new road projects to support an airport at Badgery's Creek. The plan includes:
 - An upgrade of Bringelly Road to four lanes between Camden Valley Way to the Northern Road. The contracts for this project are expected to be put to tender in July 2014;
 - An upgrade of the Northern Road to at least four lanes from Narellan to the M4 Motorway. These plans have already progressed;
 - A \$200 million local roads package;
 - The construction of a new four lane motorway from the M7 Motorway to the Northern Road; and



- The improvement of interchanges connecting the Northern Road and Elizabeth Drive with major arterial roads.
- \$1.5 billion direct funding and a \$2 billion concessional loan towards Stage 2 of Sydney's West Connex. The entire \$11 billion project is expected to be completed in 2023.
- \$405 million for the \$3 billion North Connex project to 2019.
- A \$5.6 billion upgrade of the Pacific Highway to 2019-20.

Barton Deakin's brief on the Western Sydney Infrastructure Plan is available [here](#).

Victoria

Commonwealth investment in Melbourne and Victoria totals \$7.6 billion and includes:

- \$1.5 billion for Melbourne's East West Link Stage 2. The \$18 billion project will be completed in its entirety by 2023.
- \$263.4 million for the Western Highway between Stawell and Ballarat.
- \$185.5 million for the Princes Highway from Winchelsea to Colac.

Barton Deakin's brief on the East West Link project in Melbourne is available [here](#).

Queensland

Commonwealth investment across Queensland totals \$13.4 billion and includes:

- \$6.7 billion for the Bruce Highway through to 2022-23. The project extends from Brisbane to Cairns.
- \$1.285 billion for the Toowoomba Second Range Crossing, a 41 kilometre bypass around the city of Toowoomba that includes two tunnels. The Commonwealth will provide 80 per cent of the project's public funding.
- Up to \$1 billion for Brisbane's Gateway Motorway North. The new road will connect North Queensland and the Bruce Highway with the Port of Brisbane and other commercial precincts.

Western Australia

Commonwealth investment in WA totals \$4.7 billion and includes:

- The Perth Freight Link, which will be delivered through a public-private partnership. The final scope and design of the project is yet to be finalised with the WA Government. It will improve freight access to the Port of Fremantle.
- \$675 million for the Perth Airport Gateway Road, with completion expected in early 2017.
- \$615 million for the Swan Valley Bypass, which will connect Perth with important freight routes across the state.

South Australia

Adelaide and South Australia will receive \$2 billion of Commonwealth infrastructure investment, including:



- \$994 million for Adelaide's 3.7 kilometre North-South Road Corridor. The project will improve access to Adelaide Airport, the Port of Adelaide and other freight terminals.
- \$85 million for the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands project, which will upgrade parts of the Stuart Highway and remote community infrastructure in SA's north.

Tasmania

Tasmania will receive \$1 billion in Commonwealth funding, including;

- \$400 million over 10 years to upgrade the Midland Highway between Hobart and Launceston.
- Investment in the Tasmanian rail network.

Australian Capital Territory

The ACT will receive \$293 million, with \$144 million of projected spending on the Majura Parkway. Currently under construction, this motorway will link the Federal Highway and the Monaro Highway.

Northern Territory

Commonwealth investment in the NT will reach \$594 million, \$77 million of which will improve remote roads throughout the Territory.

Other expenditure

The 2014-15 Budget lists other items of infrastructure expenditure, including:

- \$300 million for pre-construction works on the Inland Rail project, which will improve rail freight connections between Melbourne and Brisbane.
- \$38 million for an extension to the runway at Hobart Airport to 2016-17.

To read the media release from the Minister for Infrastructure and Regional Development, click [here](#).

The Government's 'Building Australia's Infrastructure' document outlining new projects announced in the Budget is available [here](#).

To read Barton Deakin's brief on the 2014-15 Commonwealth Budget, click [here](#).

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