The budget will be big on infrastructure but we need more than just roads

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Abstract
The Abbott government is preparing to give Sydney’s WestConnex road project a A$2 billion boost in this week’s federal budget, part of a broader $10 billion infrastructure package aimed at boosting productivity and private sector investment. Congestion in Sydney continues to escalate with gridlock on roads impacting passenger and freight logistics. The persistence of this situation reflects poorly on project selection and asset management processes, along with distortions that have arisen from poor interactions between the Commonwealth and the states. Reform is urgently needed where there is less focus on ribbon cutting and more use of well-targeted “pinch point” interventions. For example, removing congestion and bottlenecks from existing infrastructure along with shifting a small amount of demand from the peak to the shoulder period can often have superior productivity impacts compared with building expensive greenfield assets. The school holiday effect on roads is an example of this point, when there are better traffic flows when less than 5% of traffic is absent in the peak. Surely there must be a way to win the community’s confidence that we can make the peak hour work better by shaping demand through means other than just pricing. Changing school opening times and retail operating hours could be a starting point.

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Sydney’s WestConnex will be a big winner from the budget, but Sydney’s infrastructure problems need more than ribbon cutting. Paul Miller/AAP

The Abbott government is preparing to give Sydney’s WestConnex road project a A$2 billion boost in this week’s federal budget, part of a broader $10 billion infrastructure package aimed at boosting productivity and private sector investment.

Congestion in Sydney continues to escalate with gridlock on roads impacting passenger and freight logistics. The persistence of this situation reflects poorly on project selection and asset management processes, along with distortions that have arisen from poor interactions between the Commonwealth and the states.

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Thinking beyond roads

While NSW has a strong case to build more new infrastructure like WestConnex and North Connex; it must use these once in a lifetime opportunities to do much more than build a new road.

The reality is the Sydney of today and yesterday is simply too “land hungry” to be sustainable into the 22nd century.

The appetite for land, unchecked with proper pricing signals for the provision of infrastructure has seen an un-virtuous cycle demanding ever more capital and diminishing return.

Many Sydney-siders have sought relief from escalating land prices on the city fringes, and have done so without the benefit of any genuine choice on where else they could live. Spacious residences on the fringe compare poorly in their mind to the expensive “compact” living of the inner areas.

Important projects like WestConnex can be a catalyst for triggering a new wave of innovative investment, that is, if we consider WestConnex the road project and WestConnex the urban revitalisation project.

A critical question that needs to be answered is how much extra housing and urban revitalising can and should we expect from WestConnex?

Despite the best intentions of those tasked with delivering WestConnex the public documentation suggests that the A$11.5 billion price tag will only deliver 25,000 new strategically located residences for Sydney over 20 years.

Sydney requires at least 800,000 new residences by 2050.

Given that WestConnex is developing such a valuable artery for the city, can it do more?

The first step will require governance model that breaks down traditional administrative silos and enables integrated land use and transport planning to occur.

Productivity matters

The objective of lifting state productivity has been missing from project planning in the past, making it difficult for governments to be purposeful and consistent in their infrastructure decisions in recent decades.

To accommodate the extra three million people by mid-century in NSW, the stock of transport infrastructure will need to either expand by 60% or its productivity must lift by a similar magnitude.

Obviously, it will be some combination of the two.
But anyone flying into Sydney can see that there is not a lot of room for new roads and rail systems. So productivity is going to matter a great deal.

To that end the regulatory system requires reform, as it must provide the right price signals and incentives to make the best use of existing infrastructure. This means a willingness to allow prices to reflect full cost recovery for the infrastructure provided.

Tolls are an option, but a toll should always be a fee for a defined level of service, and the community has the right to expect choice in the services available. The problem is that infrastructure often fails this test to the detriment of business and community confidence.

**Tolls need to be justified**

It is notable that the M1, M2, M4 and M5 toll roads in Sydney all originally demonstrated great benefit to commuters with faster travel time. But the reality is that now each of these toll roads has a peak hour exceeding 10 hours per day; slow speed and uncertain travel time is the norm.

To address this situation, state and federal infrastructure agencies need to enshrine customer service benchmarks that govern lifetime performance of major assets and networks. Government and the private sector concession holders will then require a framework to sustain them together.

Citizens living in our global cities expect globally competitive transit times during the peak hour. But the reality is Sydney has an average commute speed in peak hour that is 17% lower than London, at just 50km/h, and Melbourne is only marginally better.

Given Sydney and Melbourne are small cities by comparison to London, this is a concerning signal about the health of the road transport system.

Using tolls to help fund transport infrastructure is reasonable but without service benchmarks such as minimum speed guarantees in the peak then commuters are not assured of value for money; a toll becomes just another tax.

Tolls and user charges are not a panacea without fundamental institutional reform. Infrastructure must perform a service to the community that is relevant and compelling in order to justify a user charge in the first place. This is one of the missing ingredients to a successful infrastructure future.

*The Future of Infrastructure* opens on 19th August in Melbourne.