

INFRASTRUCTURE POLICY

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Government infrastructure provision is much more important than its conception in mainstream economic theory as a response to 'market failure'. In practice, it draws on the state's capacity to fund investment in large projects and bear the associated risks. Investing in infrastructure can also be an engine for accelerating economic growth, meeting community needs and serving diverse societal goals such as equity and sustainability. These broader considerations create an expectation for it to feature particularly prominently in any Labor government's program.

It is also pertinent to note that, before Labor's 2022 federal election win, Prime Minister Anthony Albanese had considerable experience with infrastructure policy development and implementation. In 2007, Albanese was appointed the first federal infrastructure minister and oversaw the creation of Infrastructure Australia to be the nation's 'independent infrastructure advisor'. Few would doubt his personal inclination towards making this a prominent feature in government policy.

This short article examines Labor's infrastructure policy and achievements during its first year and half of government. It starts with discussion of the infrastructure projects currently being funded; and then shifts to consideration of three 'mega' projects - the National Broadband Network (NBN), the Inland Rail, and Snowy 2.0. In this way, it seeks to highlight the current challenges and some possible paths to progress.

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Labor's infrastructure spending

Among Labor's policy announcements before the 2022 federal election, there was no stand-alone 'Infrastructure policy' or new 'nation-building projects' – nothing like President Biden's trillion-dollar *Building a Better America*. However, after its electoral success, the new government's first annual budget signalled the intention to 'deliver real nation building through a genuine review of Australia's infrastructure investment pipeline and bold new measures for Australia's cities and suburbs' (King 2023).

Under Australia's federal system, the Commonwealth government, through the Department for Infrastructure, provides funding to the state governments for infrastructure projects via the Infrastructure Investment Program (IIP). Labor has continued the previous government's funding program, which is a 10-year program with total funding of \$120 billion (King 2023). This funding is highly skewed to roads: the 2023-24 federal Budget has allocated approximately 70% of the funding for roads, 24% to rail transport, 3% to Cities and 2% to a directly funded Commonwealth project, the National Water Grid Fund (Commonwealth of Australia 2023: 59-60). Labor also initiated an independent inquiry into the IIP: although the report is not publicly available at the time of writing this article, the press has reported that the inquiry 'found a \$33 billion blowout' in the current work pipeline (Mizen 2023). This 'blowout' was attributed to hundreds of smaller projects initiated by the previous government. As a result of these findings, Labor's infrastructure policy can be sensibly considered as a 'work in progress'.

However, there is also necessarily an element of continuity because Labor's major infrastructure tasks include three 'mega' 'nation-building projects' that were already in various stages of development, completion (or non-completion), and funding. These mega projects need to be examined using a political economy approach that includes posing the question of 'who wins and who loses'.

The National Broadband Network (NBN)

The NBN is Australia's largest infrastructure project; and it is wholly owned by Commonwealth Government. It began as a key policy initiative of the Rudd Labor government and commenced construction in 2010. Labor's original goal was to provide fast broadband using optical fibre

technologies, known as fibre-to-the-home (FTTH), to more than 90% of Australian households. It was originally intended that the network would be completed by 2018, at a cost of \$43 billion, of which \$21 billion would be provided by the government and the balance from private sources. Labor's NBN strategy was to build a fast, advanced network that would be financially self-sustainable.

The Liberal-National Party (LNP) coalition elected in 2013 changed the NBN's strategy to one termed a 'multi-technology-mix' (MTM), using existing communications infrastructure, predominantly owned by Telstra and Optus, supplemented with slower and less expensive, non-optical technologies. This type of connection is known as fibre-to-the-node (FTTN). The LNP planned to finish the rollout by 2019, with 12.7 million premises connected at less cost than Labor's NBN.

NBN's 2023 Annual Report (2023: 4) states that 8.56 million homes and businesses have been connected, with most of these connections being the slower FTTN. The NBN is now in the process of replacing these FTTN connections with FTTH connections, which has significantly added to the cost of the project. Although not highlighted sufficiently at the time, Labor's and the LNP's technology strategies were not comparable: Labor's FTTH network can be regarded as equivalent to a racing car, while the LNP's FTTN is a VW Beetle.

According to the NBN Annual Report (2023: 4), NBN users obtained an average speed of 66.13 Megabits per second (Mbps). This speed is far more than the 13 Mbps that would be required by 2023, as estimated by the NBN Cost Benefit Analysis in 2013, which provided the economic rationale and political legitimacy for the FTTN strategy (Department of Communications and the Arts 2014: 34). Despite this significant increase in internet speed, the rest of the world has proceeded to implement fast fibre-based networks: The Ookla Speed Test (2023) currently ranks Australia 88th internationally in terms of fixed line speed.

Labor's NBN 2022 election policy ('Fixing the NBN') promised to provide for an additional 1.5 million FTTH connections, costing \$2.4 billion over four years (Australian Labor Party 2022). The first instalment of this funding was provided to the NBN in June 2023. Interestingly, this level of expenditure for digital infrastructure now passes with little adverse comment from business, in sharp contrast to when the NBN was first announced. The NBN is now seen across-the-board as an essential digital

infrastructure, particularly since the onset of COVID, enabling working from home for millions of workers to keep businesses operating.

After 13 years of construction, according to NBN's financial statements from 2010 to 2023 inclusive, the project's cost exceeds \$81 billion (excluding debt repayments) and is a *net* \$54 billion after cash receipts from customers.¹ These additional costs borne by the government are evidence of the massive transfer of wealth from the state to business, particularly to Telstra and Optus for access to their existing 'end of life' infrastructure, as well as those business contractors providing components, cables and services. The result has clearly been a 'win' for business and a 'loss' for taxpayers.

The Inland Rail (IR) project

This project has been discussed by governments since 2006 and was eventually initiated by the LNP Government in 2015. The IR's aim is to provide a 24-hour journey time between Melbourne and Brisbane, competing with the travel time for road transport, to reduce reliance on road freight. The IR consists of constructing new track in combination with upgrading existing parts of the network, as well as several inter-nodal terminals. An extension of the line from Brisbane to the Port of Gladstone was also proposed to facilitate coal exports. The IR Business Case prepared by PricewaterhouseCoopers (2015: 154) estimated the total cost to be between \$9.9 billion and \$10.7 billion.

The project is both significantly behind construction schedule (four years) and over budget. In October 2022, the current Labor government initiated a review of the project, conducted by Dr Kerry Schott (Schott 2023). Her review concluded that the project was poorly governed by the responsible government body, the Australian Rail Track Corporation Limited (ARTC), which is also wholly owned by the Commonwealth Government. Further, in a damning finding, Schott (2023: 23) found that the board appointments by LNP ministers lacked the expertise required by this organisation. The press more openly reported these appointments by LNP Ministers as 'captain's picks' (Hope 2023). Labor has subsequently appointed a new

¹ Calculation produced by the author from NBN Co. Limited Annual Report for 2010 to 2023, inclusive.

Chair of the Board (after the retirement of Warren Truss, former federal National Party Leader) and replaced several ARTC's directors.

The Schott review (2023: 6) could not determine a completion date, but the estimated cost (provided privately 'without confidence') has apparently increased to \$31 billion, which is almost double the previous estimate of \$16.4 billion in 2021.

The Labor government has committed to completing the IR and has appointed a new CEO and Board members to ARTC. As in the case of the NBN, completing this project will entail a massive transfer of wealth from the state and taxpayers to business and landowners. Further, this project highlights the need for more effective expertise, governance and accountability.

Snowy 2.0

Snowy 2.0 was initiated in 2016 by then Prime Minister Malcolm Turnbull as a 'nation-building project' and is also wholly owned by the Commonwealth Government. The project's goal is to 'future-proof the National Electricity Market (NEM), helping stabilise the system and deliver lower prices' (Turnbull 2017).

This complex project is an expansion of the existing Snowy Hydro scheme, using pumped hydro technology which involves pumping water uphill between Tantangara and Talbingo dams, with the capacity to generate electricity on demand by pumping the water downhill through 27 km of tunnels. The electricity generated will be supplied to the east coast of Australia.

The project started in 2017, with a target completion date of 2024. Snowy Hydro (2017) made an initial cost estimate that has been stated at \$2 billion (although the Cost Estimate and Business Modelling reports, respectively, are not publicly available). The construction cost (not total costs) was revised in 2019 by Snowy Hydro (2019: 15) to between \$3.8 billion to \$4.5 billion, and this has now been revised by Snowy Hydro (2023: 11) to more than \$12 billion with a completion date and the end of 2028. This cost estimate does not include the cost of transmission lines from the generator to end users.

Currently, tunnel drilling has stopped and has been for 19 months, as the drill boring machine is stuck in soft ground. Labor Ministers Chris Bowen

and Katy Gallagher (2023) advised that this stoppage is due to ‘site conditions and geology’ being the result of a less than extensive geological review of the proposed tunnels. This project is yet another example of poor governance, with the state and, ultimately, taxpayers bearing the risk of this significant transfer of wealth to business.

Conclusion

From this brief examination, we can see that the Labor government is in the process of rationalising the three mega projects that it inherited from the outgoing Coalition government. Examination of these projects that Labor will continue to fund reveals structural deficiencies in political decision-making, management and governance that have resulted in massive transfers of wealth from the state to business interests. Now that the Labor government has taken the first steps in reviewing these projects and replacing some of these companies’ directors, the key question is whether it be up to fixing these structural issues.

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