# **Spend $40 billion more on infrastructure? Don’t!**

*The Reserve Bank governor recently asked States to support jobs – by spending $40billion more on infrastructure. Please don’t – at least not on the usual transport projects!* <https://www.smh.com.au/politics/federal/states-urged-to-spend-another-40b-in-reserve-bank-call-on-jobs-20200821-p55o3r.html>

Infrastructure construction is capital intensive – not good at creating jobs. Moreover, some of the more prominent infrastructure jobs – lobbying, excusing bad policies and lawyering – are not what Australia needs more of. <https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world>

In the most recent iteration of the ‘more infrastructure’ debate, Dr Keating noted State Governments are unlikely to have any decent projects ‘shovel-ready’ – drawing on his experience in the 1992 macroeconomic stimulus. That experience recurred in the Global Financial Crisis stimulus - Infrastructure Australia’s commentary at the time was a testament to the virtual absence of sound State proposals. It is a fair bet it remains true today. <https://www.abc.net.au/news/2020-08-11/can-infrastructure-deliver-economic-boost-coronavirus-recession/12544726>

Australia already has plenty of problems with transport infrastructure. Most stem from undisciplined spending on dumb projects, inherent biases, the absence of pricing and the Commonwealth having no idea what its proper role should be. There are more problems in the pipeline.

Top of the list is Sydney Metro whose television hagiography as some sort of engineering marvel is galling - its tunnels are too small for commuter trains. <https://www.sbs.com.au/ondemand/program/sydneys-super-tunnels>

It jeopardises the future of transport in Sydney and Western Sydney’s access to opportunity and well-paying jobs. That alone is a world-class scandal – even ignoring the $4.3billion plus cost blow-out and the bad planning and interminable delays in the next Metro project between Parramatta and the CBD. <https://johnmenadue.com/john-austen-sydney-metro-developments/>

Melbourne may be going down the same path. Beyond the lunatic idea of a $100 billion or so ‘loop’, there is talk the plan for an airport rail line will severely constrain future capacity <https://bigbuild.vic.gov.au/projects/melbourne-airport-rail> - forever preventing faster regional rail options needed to ease the pressure for Melbourne’s sprawl. <https://www.geelongaustralia.com.au/common/Public/Documents/8d6ee4c64efeefb-strongertogetherfastrailreport2019.pdf>

Queensland appears fixated on trying to replicate the notorious failures of US freeway building by ‘upgrading’ – adding ever more lanes to - its already overly large Brisbane-Gold Coast motorway network. <https://www.tmr.qld.gov.au/projects/programs/pacific-motorway-m1-upgrade-program#:~:text=The%20upgrade%20and%20widening%20of,M1)%20from%20Springwood%20to%20Tugun.>

The list of waste is virtually endless, with examples in every State and Territory. Worse, many projects offend the cardinal principle of interoperability – the very thing, along with pricing, needed to deal with future uncertainty.

Advice from Infrastructure Australia is of no help. Interoperability and pricing have been steadfastly ignored. Its national ‘plan’ is a grab-bag of State Government wishes. <https://johnmenadue.com/john-austen-infrastructure-australias-believe-it-or-not-audit/>

Its project assessments remain suspect. While the latest ones supposedly take into account likely effects of Covid, there is precious little to back-up such claims. For example, the August 2020 assessment of the M12 motorway - which is to serve Western Sydney airport - apparently used pre-2018 population projections i.e. Covid has no discernible impact. <https://www.infrastructureaustralia.gov.au/sites/default/files/2020-08/FINAL_Mid-year%202020%20IPL_low_res.pdf> This conflicts with advice from demographers. <https://theconversation.com/1-4-million-less-than-projected-how-coronavirus-could-hit-australias-population-in-the-next-20-years-143544>

Further, the assessment appeared to simply reiterate State Government claims. It also noted Commonwealth and State Governments had already approved funding – and implied a cost blow-out of $282m or 14% - the point of the assessment seems to be to ask for more!

Worse, Infrastructure Australia’s ‘plan’ and list continue to avoid any concept of Australia as a nation or Federation – perhaps presaging current State Government border closure idiocies. They merely advocate for public money to be wasted by State Governments. <https://johnmenadue.com/john-austen-infrastructure-australias-believe-it-or-not-audit/>

This is exemplified by its positing an East Coast deep water container ports strategy to ease channel and land side constraints at Brisbane, Melbourne and Sydney (Botany). <https://www.infrastructureaustralia.gov.au/map/east-coast-deep-water-container-port-capacity>

Unmentioned is the one east coast location with none of those constraints – Newcastle – presumably in an attempt to hide the stupidity of the NSW Government’s anti-Newcastle containers policy. <https://johnmenadue.com/john-austen-newcastle-port-restriction-action-not-words-please/>

Rather than consider obvious options, like the more than $1.8billion private investment being attracted to Newcastle port <https://www.portofnewcastle.com.au/newcastle-container-terminal/> the strategy seems to want more of the projects that stirred-up trouble in the past - like Port Phillip channel deepening and roads to carry many more trucks through central Sydney. <https://www.theage.com.au/multimedia/dredge/main.html>

Such ideas just create more trouble – not jobs.

Asking the States to spend $40billion might be fair enough from a macro-economic perspective. That the recession is largely caused by State policies – some of which are capricious, probably unnecessary and possibly illegal – is also a good reason for them to stump-up. Those States which feel least motivated to act as part of the Federation should be asked to stump up the most.

But more infrastructure spending focussed on ‘busting congestion’ on big city roads? Via opaque politically inspired projects that have not been properly assessed? And ignoring obvious better ideas – like at Newcastle? Nobody, apart from the infrastructure club, benefits from any of that – in fact everybody else pays.

Until there are reasonable policy settings for infrastructure – some concept of Federalism, real infrastructure plans, pricing (actual or shadow) and public inquiries into project merit - it would be far better for stimulus money to go to households and to support the development of industry transferable skills. A focus should be on those most badly affected by this recession. In the short term such a focus would also support health policy e.g. by lessening incentives for people to avoid Covid testing and for those suspected of infection to leave isolation.

Despite my respect for the macroeconomic skills of the Reserve Bank, it asking for more State infrastructure spending – reinforcing bad behaviour - is the wrong call.

J Austen

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## Response to comments

Many comments were about Sydney Metro, and some clarification might help on that topic. In order: capacity; tunnels; interoperability.

Most NSW Government statements comparing Sydney Trains and Sydney Metro are false and misleading. The issue has been covered extensively in Pearls etc. More depth is at

<https://www.parliament.nsw.gov.au/lcdocs/submissions/65643/0030%20Mr%20John%20Austen.pdf>

<https://www.parliament.nsw.gov.au/lcdocs/submissions/66902/0030a%20Mr%20John%20Austen.pdf>

<https://www.parliament.nsw.gov.au/lcdocs/submissions/67087/0030b%20Mr%20John%20Austen.pdf>

**Capacity**

Sydney Metro has less capacity than modern commuter rail systems, notably that being installed in the home of metro – Paris. The NSW Government was aware of this being so advised in several reports it commissioned. The origin of the 40,000 Sydney Metro passengers per hour per line figure is curious. The relevant comparator for Sydney Trains exceeds 42,000 passengers.

Typical urban rail designs use a maximum on-board standing time of around 20 minutes. For longer trips seats are ‘required’ and capacity is denoted by seating, the terminology being commuter trains. On the above figures Sydney Metro suffers a 10,000 seat per hour per line capacity disadvantage from Sydney Trains.

All but the Eastern Suburbs trains runs from suburbs to main stations in Sydney city exceed 20 minutes. Sydney Metro also does this, but with few seats and, unlike proper metros, with long distances between urban stations - hence its name: the ‘mock metro’. It is a metro-configured train attempting to serve a commuter market. It is fundamentally mis-specified.

**Tunnels**

Sydney Metro infrastructure appears to have be designed – ‘bespoke’ - for a particular fleet rather than the universal approach of designing vehicles to fit infrastructure.

Sydney Metro tunnels are too narrow to take (existing) commuter fleet. The route of the tunnels in the CBD appears to preclude any other future railways through the city. This means the capacity losses are permanent, irrecoverable and extends to every line that passes through the city.

There has been no official explanation of the reason for the tunnel oddities – including cost. That is troubling as these narrowness and route aspects were specifically and publicly warned against by pre-eminent railway experts. The effect, if not intent, is to jeopardise or prevent expansion of commuter rail in the metropolitan area. In turn that has the effect if not intent of permanently reducing the future accessibility of much of the metropolitan area to Sydney city. That is a world class scandal.

International examples are sometimes offered as expiation – notably London Tube, New York Subway and Paris metro. A history of those systems is in Benson Bobrick, *Labyrinths of Iron, A History of the World’s Subways*, Newsweek Books 1982.

The systems were introduced at a time of very considerable uncertainty about tunnelling in the late 1800s. Commuter trains had terminated at the edge of those cities, and there were concerns that extension of these railways into the CBD would bring too many people to crowded city centres. Those concerns have long ceased to be relevant as demonstrated by construction of larger than metro tunnels in London and Paris since the 1960s.

Paris is of particular interest as Sydney Metro appears to attempt to replicate its RER map. Paris had further less happy factors behind its small metro tunnels – centuries old antipathy of the city to France and military concerns. The tunnels were designed in the late 1800s with the explicit intention of keeping ‘outsiders’ away from Paris.

The Paris RER system, started in the mid 20th century, is an attempt to overcome the deleterious legacy of Paris’ little tunnels limiting its trains. RER tunnels can accommodate both metro and commuter trains – a design based on Tokyo’s system. Automation of its double-deck commuter trains is advancing, and its lines will have greater capacity than its metro.

**Interoperability**

Interoperability, particularly of infrastructure, is the critical public policy matter for transport.

The transport motivation of Australia federating was to seek railway gauge interoperability. It is the basis of Bradfield’s transport plans for Sydney, including the underground railway and harbour bridge.

In all industries, the primary aim of introducing products that need unique parts – or ‘bespoke’ infrastructure – is to create monopoly conditions allowing for extraction of economic rent from consumers and governments. Businesses do this, Governments – until in NSW recently – have not.

In fact, Governments via regulation, nationalisation or subsidy typically do the opposite. Most businesses, communities and people have daily aggravations when Governments have not demanded interoperability e.g spare parts, telecommunications. Lack of telecommunications interoperability has been identified as a constraint to efforts in fighting the 2019-20 NSW and Victorian bushfires.

As infrastructure already has natural monopoly features, artificial boosting of monopoly via ‘bespoke infrastructure’ reduces economic and social welfare, evidenced in transport by lower than optimal ridership.

A secondary reason for uniqueness, sometimes offered, is to reduce short term financial outlays. Ferries come to mind <https://www.9news.com.au/national/sydney-ferries-new-river-class-fleet-too-tall-for-two-bridges-between-parramatta-and-rydalmere/cba8b7a5-8d93-49d1-b811-35ffbcb3f287>

However, for infrastructure such financial expense reduction will lower revenue and economic benefits. More importantly, short term financial outlays can be vastly less than economic costs – which are opportunities foregone.

Mitigation of economic costs in such a situation almost invariably is by making infrastructure scalable – wide corridors, shallow gradients, railway sleepers that can take a third rail, shipping channels that can be further dredged, airport runways that can be extended etc.

Sydney Metro, unfortunately does the opposite. There also are claims – not addressed by the Government – that the tunnels did not ‘save money’.

The fact of lack of interoperability of rail systems in London and Paris etc. is not evidence of a beneficial policy and foresight – of the 19th century. Rather it is an unfortunate legacy of history which imposes enormous costs that governments have taken over a century to try to overcome.

Best wishes