# Covid infrastructure posts

**Update - transport infrastructure in a time of Covid – 7 January 2021**

*A recent report for Infrastructure Australia confirms what many suspect – some transport infrastructure projects should be shelved.*

A post in [May](#_top) suggested transport proposals need reassessment in the light of the Covid pandemic. One reason: movement of people and goods – transport – would take on new patterns during and after the pandemic. It was not the only such observation – the Grattan Institute [agreed.](#_top)

Another reason: in principle, Australia needs to pay more attention to health, education and other contributors to social cohesion and economic resilience. Soon Australia will need to face a vastly tougher budgetary situation. In this, big transport projects should drop down the list of priorities.

While pandemic health effects in Australia have not been as severe as elsewhere – or forecast – and despite stimulus measures, impacts of State anti-Covid restrictions on the economy and lifestyles have been profound.

Covid outbreaks in Australia are likely to continue longer than hoped. Despite lower local risks, States seem to be in a spiral of panic – about which the Commonwealth just tut tuts, washes its hands and – for the moment – is accepting the bill which inevitably will be passed to the public. The upshot of present propensities to spread fear is that impacts on society and effects on transport – if anything – will be greater and more enduring.

Nonetheless, Governments plough on with pet projects as if nothing has changed. Indeed, they claim mega-projects are needed more than ever to ‘create jobs’ – despite major infrastructure being capital, not labour, intensive.

Supposed independent adviser, Infrastructure Australia, adds to this air of unreality by claiming infrastructure is the [key to economic recovery](#_top). Something at odds with a report it recently published.

That report, by respected firm LEK, [confirms suspicions](#_top) of many outside the infrastructure club. Transport demand has declined and changed, and the changes are expected to continue after the pandemic.

The changes result from concerns about remaining ‘Covid safe’ while travelling, and reduced attractiveness of central city areas as places to work or live:

* Public transport use is substantially down;
* Traffic on major roads is substantially down but may return to pre-Covid levels;
* Local transport such as cycling and home deliveries etc. has substantially increased.

The report did not discuss policy implications, of these and substantial downward revisions in projections for population and economic growth. Among the implications, several stand out:

1. Transport projects need to be reassessed;
2. New projects must allow network flexibility and scalability;
3. Urban road charging needs to be introduced, but to do so, road spending must be slashed.

**Reassessment of projects**

All major project proposals – and projects underway - need to be reassessed against substantially lower forecasts of usage. Lower usage translates to lower benefits rendering at least some projects uneconomic. Many projects will also present a larger drain on the public purse because user revenues will be lower.

A result of proper assessments would be recommendations that many projects – including some underway – should be redesigned, deferred or cancelled.

It is vital for public confidence and democratic accountability that re-assessments are conducted in public.

Unfortunately, to date, Infrastructure Australia has not done so. Nor has it seen fit to revise project assessments – including those it (should) [knows are wrong](#_top).

There has been one revision, however, to Infrastructure Australia’s assessments. It will now assess only those projects whose direct outlays exceed $250m – instead of the previous $100m threshold. That [meaningless gesture](#_top) has gone largely unremarked.

**Flexibility and scalability**

The expected trend of more work and living taking place in suburbs and regions reinforces what should have been the basic tenet for Australian transport policy: infrastructure must be usable by a variety of vehicles i.e. interoperable. The need is greatest in rail.

Yet Governments have seen fit to ignore this in Australia’s two biggest cities.

Sydney Metro is designed to prevent interoperability which will cause an economic and social [disaster](#_top) far greater than did the other breaks of rail gauge - in the 19th century.

In Melbourne, plans for the [airport railway](#_top) preclude sensible options for improved rail services to regional cities, like Geelong, Ballarat and Bendigo. Those regional rail options are likely to be far more attractive and vastly more affordable than nonsense like the proposed suburban ['loop'](#_top). Continuation of loopy ‘plans’ will make Victoria another home for white elephants and condemn the State to problems arising from a Melbourne-only view of the world.

There remains the abject failure of the Commonwealth – over successive administrations – to advance interoperability for national road or rail routes. Rather than deal with Federal responsibilities, Governments have resorted to ‘nation-building’ cliches to excuse hand-outs to Premier’s pet projects. In many cases these have driven national transport cohesion backwards – which has now been echoed by the similar ‘national’ response to Covid comprising backward insularity of States and Commonwealth gutlessness.

**Urban road charging**

The imperatives for direct road charging have never been more important than in the Covid world. The decline in public transport, and growth in local freight deliveries augurs badly for reducing transport’s contribution to greenhouse emissions. Road charging is one of the very few instruments available to Australia to deal with this.

For years Dr Keating, Luke Fraser and myself have pointed to an enormous excess of road spending over road related revenues – the opposite to [what should be](#_top).

That call has fallen on deaf ears and denying mouths.

The latest [official figures](#_top) show Australian road spending – in 2018-19 – to outstrip revenues by over $6billion. In today’s dollars, deficits over the previous decade totalled $34bn. For those wondering about too many cars: look no further.

Recovery of the direct financial costs of roads – excluding major costs such as congestion, accident and pollution costs – fell from around 124% at the start of the millennium to just 79% in 2018-19.

As pointed out previously, this is not attributable to a collapse in revenues – road revenues increased in real terms by 3% over the previous five years and 10% over the decade.

Rather, the culprit is spending. In 2018-19 real road spending did drop by 2% - but it had increased by 14% and 9% in the two previous years. Real spending, increased by 14% over the previous five years and 20% over the decade – substantially faster than population growth.

Also as pointed out earlier, these facts render calls for immediate introduction of road user charging almost fraudulent. What most proponents don’t tell you is they are asking motorists and truckers to pay around 25% more than they currently do for road use. That is not an option acceptable to any Government or community.

The way forward, for the essential introduction of road user charging, is to slash road spending by stopping uneconomic and unwarranted mega projects.

A matter almost religiously avoided by ‘independent’ infrastructure advisers. Who do their bit for our fool’s paradise by promoting the lie that transport infrastructure can lead a Covid recovery.

# Transport infrastructure: our States biggest waste – 27 Aug 2020

The Reserve Bank governor recently asked States to support jobs – by spending [*$40 billion*](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) more on infrastructure. Please don’t – at least not on the usual transport projects!

Tunnels too small for Sydney’s commuter trains and a [$4.3 billion](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) plus cost blow-out; Melbourne’s plan for an airport rail line that will severely restrict future capacity; and Queensland fixated on replicating US failures by [adding ever more lanes to](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) its already overly large Brisbane-Gold Coast motorway network.

There are examples of waste in every state and territory.  Worse, many projects offend the cardinal principle of interoperability – the very thing, along with congestion pricing, needed to deal with future uncertainty.

[Previous posts](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) have noted that the construction of infrastructure is capital intensive – so not very good at creating jobs.  Moreover, some of the more prominent jobs in the infrastructure industry – the lobbyists and the lawyers – are not what we need more of.

Drawing on his experience in 1992 when macroeconomic stimulus was required, [Dr Michael Keating](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) noted recently that state governments are unlikely to have any decent projects “shovel-ready”. This is similar to the global financial crisis, prompting Infrastructure Australia to comment that there were few sound proposals from the states.

Judging by the numerous problems with transport infrastructure around the nation, it is a fair bet that IA’s commentary remains true today.  Most of the problems stem from spending on dumb projects, inherent biases, the absence of pricing and the Commonwealth having no idea what its proper role should be.

In 2017 it was reported that the economic and traffic benefits of Transurbans proposed $5.5 billion motorway through Melbourne’s west were [deliberately distorted and misrepresented](https://www.theage.com.au/national/victoria/west-gate-tunnel-benefits-deliberately-distorted-to-support-road-says-expert-20170813-gxv9gd.html). And as [The Conversation](https://theconversation.com/why-fewer-drivers-are-likely-to-use-westconnex-than-predicted-38286) reported back in 2015, Australia has a history of over-predicting the usage of toll roads. For example, the patronage of the Sydney Cross City tunnel was estimated to be almost 90,000 cars per day by June 2006. The actual number was only [34,000](http://www.audit.nsw.gov.au/ArticleDocuments/138/152_Cross_City_Tunnel.pdf.aspx?Embed=Y). Toll revenues were therefore much lower than predicted, leading to a bankruptcy after 16 months. Similar over-optimistic predictions were made for the [Lane Cove tunnel](http://www.smh.com.au/nsw/lane-cove-tunnel-forecasts-based-on-very-large-number-of-unknowns-20140813-103kth.html) in Sydney, and for Brisbane’s [Clem7 tunnel](http://www.couriermail.com.au/business/clem7-would-never-have-been-built/story-e6freqmx-1226000426935) and the [Airport Link](http://www.brisbanetimes.com.au/queensland/airport-link-in-administration-20130219-2eope.html), which also had financial problems.

Top of the current list of problems is Sydney Metro, whose [television](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) hagiography as an engineering marvel is galling, given the problems with its trains. The project also 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 costs blow-out.

Melbourne may be going down the same path. Beyond the lunatic idea of a $100 billion or so “suburban loop”, there is talk the plan for an airport rail line that will forever prevent [faster regional rail options](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) needed for Melbourne’s sprawling suburbs.

Queensland, meanwhile, appears fixated on “upgrading” its Brisbane-Gold Coast motorway network.

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.

Meanwhile, project assessments remain suspect. The latest ones supposedly take into account the likely effects of the pandemic, but there is precious little evidence to back up such claims.

For example, the August 2020 assessment of the [M12 motorway](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) – which is to serve Western Sydney airport – apparently used pre-2018 population projections. The assumption seems to be that Covid will have no discernible impact.  Yet this conflicts with advice from [demographers](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top).

Further, the assessment appeared to simply reiterate State Government claims. It implied the motorway would cost an extra $282 million, a blowout of 14%. The point of the assessment seems to be the opportunity to ask for more money.

And worse, Infrastructure Australia’s priority list continues to avoid any concept of Australia as a federation – perhaps presaging current border closure idiocies. IA merely advocates for public money to be wasted by state governments, a perfect example of which is its support for an East Coast [deep water container port strategy](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top).

Urban development and channel depth stop expansion at Brisbane, Melbourne and Sydney (Botany) ports.

What IA doesn’t mention is the one east coast location with none of those constraints – Newcastle. Presumably this is an attempt to hide the stupidity of the NSW Government’s [anti-Newcastle-containers policy](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top).  Rather than consider obvious options, especially in light of the more than $1.8 billion [private investment](https://johnmenadue.com/transport-infrastructure-our-states-biggest-waste/#_top) Newcastle port is attracting, the strategy seems to focus on more of the types of projects that created trouble in the past.

Asking the states to spend $40 billion might be fair enough from a macro-economic perspective. But more spending on “busting congestion” on city roads?  Via opaque, politically inspired projects that have not been properly assessed? And ignoring obvious better ideas – like at Newcastle?  Only the infrastructure club benefits from that – 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 the merits of projects – 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 this would support health policy by, for example, lessening incentives for people to avoid Covid testing and for those suspected of being infected to not self-isolate.

Despite my respect for the macroeconomic skills of the Reserve Bank, it asking for more infrastructure spending by the states and thus reinforcing bad behaviour is the wrong call.

# Transport infrastructure in a Covid world – 21 May 2020

Governments made dramatic responses to challenges posed by Covid-19. New ideas are being sought in many areas of public policy. However, transport infrastructure is a lamentable exception – instead of a reassessment of plans in light of the new realities, the reaction of its boosters has been to double down their egregious rent-seeking.

Almost as soon as the Covid restrictions took effect, the infrastructure club argued now is the time for Governments to spend more of your – and future generations’ – money on them. Not because of congestion which results from economic growth etc. but the opposite – because the economy has stalled.

The recommended approach: projects should continue apace; assessments should pretend nothing has changed.

**Projects to continue**

[Several](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) [Governments](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) advertised acceleration of big capital city projects that were dubious even in the pre-Covid world. They highlighted jobs ‘created’ by projects, with lack of traffic making construction easier.

Who could believe such guff? Most big projects are capital intensive, with relatively few workers per $million spend – a possible reason for exemption from the lock down. The necessary project skills can be highly specific. Undoubtedly the spending does support jobs. However, it isn’t cynical to think the key jobs in question are those of infrastructure club members and associates – rather than ordinary workers, especially those displaced from other industries.

Despite upheaval in the community, the bad habits of transport infrastructure continue – multi-billion-dollar projects are going ahead without adequate or any ‘business case’.

For example, despite the Sydney Metro extension lacking a real business case – a finding of the [Upper House inquiry](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) that contradicted claims by the NSW Government and Infrastructure Australia – the Government kept digging. Indeed, it decided to double-down by proceeding with another sans-business-case-Metro: [Parramatta-CBD](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top).

A new Parramatta-CBD commuter rail line would be a good idea. Making it a $20billion or so Metro – which cannot take commuter trains – is not. Even worse is the idiotic promise of a 20-minute trip along its 25 km route – the likely reason for the bizarre absence of stations on its route in western Sydney.

The proposed $50billion (or much more) [Melbourne rail loop](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top), more suited to a city like Tokyo or Mexico City, is another case in point. Completion of a business case, promised by the glossy brochure, is not scheduled on the project development time line – at least not before ‘procurement’ i.e. start of construction.

**Assessments as if nothing has changed**

Project assessments, already suspect, have been rendered even more doubtful by the new environment. The typical twaddle prefacing project proposals, and all-too-brief assessments, refers to surging transport demand due to strong growth.

Readers of Pearls and Irritations know the outlook for [population](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) and [economic](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) growth is much less – and much less certain – than what is was. Yet this – like the potential of working-at-home to continue to reduce travel to CBDs – was overlooked in the assessments of the only projects recommended by Infrastructure Australia since February: [MetroNet](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/" \l "_top) (Perth); [Port Botany rail](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) (Sydney).

Moreover, Infrastructure Australia’s other recent [pronouncements](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) – its monitoring of ‘market capacity’ and another revision of cost: benefit methodology – ignore the issue. This is a surprise since a board member is CEO of the National Covid Co-ordination Commission which is to advise National Cabinet on e.g. investment.

Previous posts said infrastructure advice stubbornly refuses to acknowledge any change in circumstances surrounding projects – no matter how significant or obvious. The lack of recognition of changes wrought by Covid reinforces the appearance of advisers living in a different [reality](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) to the rest of us.

**A better direction**

Given the new world we face, Governments and the community should expect the most comprehensive, searching and public review of all transport infrastructure plans and major projects. Nobody can be [confident](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) present ‘audits’ and ‘plans’ are worth the paper they are written on.

The best strategic response to uncertainty is to maintain flexibility. Hence, big transport projects – those which are most committal and inflexible – should be put in abeyance until there is far more confidence about the future.

We are yet to see such rational repositioning – instead cognitive dissonance is on display. For example, while Governments loudly [warn](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) about use of mass transit, they plough full steam ahead with exactly those type of projects.

A fundamental change is in order. As a start, all new assessments of projects must account for the changed and uncertain environment. Every current assessment on Infrastructure Australia’s list needs to be reviewed. The ‘Australian infrastructure plan’ must be redone so it identifies and meets the challenges facing Australia, rather than the challenges facing the infrastructure club. The focus should shift from grandiose schemes – especially for inner city motorways – to less costly, more flexible and practical improvements including for walking and cycling.

As Australian Governments will face a shortage of funds, now is the time to move towards [road charges](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) that ensure revenue at least covers aggregate costs, and that only economic major road projects proceed.

The Commonwealth should stop being the donor of last resort for State wish lists, and focus on its direct [Constitutional](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top) duties. The States should redirect their attention from tail-chasing so-called ‘congestion busting’ road projects and into proper stewardship of assets including in regional areas.

**Conclusion**

An implication is public sector spending on big infrastructure projects may need to be slashed – not increased – for the duration of the Covid crisis and ensuing downturn.

‘Savings’ might be directed to the least well off in the community – including junior public sector grades despite rhetoric they should ‘[share the burden](https://johnmenadue.com/john-austen-transport-infrastructure-in-a-covid-world/#_top)’ (after some of their bosses got a rise). Among the reasons is they are most likely to need and spend any extra income and thereby really support jobs.

Radical changes are being made elsewhere in response to Covid. Its past time pretending transport infrastructure should be immune.