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Start spending \$14b in infrastructure funding now, says McCormack

By Mark Ludlow

The Morrison government is serious about delivering on threats to withdraw roads funding from states that don't spend federal infrastructure money quickly, says Deputy Prime Minister and Infrastructure Minister Michael McCormack.

With roads, rail and other infrastructure projects getting a \$14 billion boost in Tuesday's budget, Mr McCormack said they wanted to make sure shovel-ready projects were delivered to kickstart economic activity and not get held up in state bureaucracy.

It comes as Infrastructure Australia said there was currently capacity in the market to deliver "shovel-ready" projects, but they would be keeping an eye on constraints as private sector investment returned after the COVID-19 pandemic.

The Morrison government's new "use it or lose it" provision to infrastructure funding would apply to the \$2 billion road-safety program.

"Now if the states – and we work through the states for many of these major upgrades – if they can't spend the money in the time allotted then it will go to a state which can," Mr McCormack told Cairns radio on Wednesday. I know that's putting the pressure on them, but we want action on the ground, not stalling in the bureaucracy. We want shovels in the ground, not being held up in Brisbane for whatever reason."

Queensland Treasurer Cameron Dick hit back on Wednesday saying the Palaszczuk government had delivered 96 per cent of all capital projects identified in last year's budget.

"In 2020-21, we are on track to deliver a capital program 14 per cent larger than the size of the program identified in last year's budget," he said.

"Queensland's worked hard to develop a strong pipeline of shovel-ready projects that can be prioritised for federal funding. Road safety projects are effective job generators because they often require less detailed planning so we can get crews on site and working quickly."

Mr Dick said Queensland had reached four agreements in the past 12 months with the federal government to lock in more than \$4.8 billion in new and accelerated funding for road and transport projects."

Civil Contractors Federation national chief executive officer Chris Melham welcomed the extra \$7.5 billion in funding for road projects, but warned there needed to be greater transparency on shovel-ready funds, including the road safety funding, to avoid "pork-barrelling" before state elections.

"In addition, federal, state and territory government procurement policy must be more balanced by encouraging and maximising greater participation of tier two and tier three head contractors," Mr Melham said.

The Morrison government is keen to use infrastructure funding to help drive the economic recovery from COVID-19, with a \$110 billion pipeline of funding over the next 10 years in Tuesday's budget – an increase of \$10 billion from last year's budget.

NSW got the biggest slice of new infrastructure funding (with \$2.7 billion), while Queensland received \$1.3 billion. Victoria and Western Australia were allocated \$1.1 billion each.

Infrastructure Partnerships Australia chief executive Adrian Dwyer said the federal government had set a "high infrastructure funding water mark" for the states to follow.

"It's good to see the Treasurer has taken our advice and gone hard on funding for projects that can be deployed to the market quickly, with a continued commitment to spending over the long term," he said.

Infrastructure Australia, the federal government's advisory body, received extra funding to help it deliver annual analytical assessments of infrastructure market capacity to fast-track projects.

IA's chief of research Peter Colacino said they would be conducting a deep dive into the capacity of the market to deliver projects.

"Prior to COVID, there was a concern the market was constrained," he told *The Australian Financial Review*.

"We aren't concerned now that there are widespread constraints, but what we are concerned about is to make sure on an ongoing basis, post-pandemic, when you see a return of private investment, that public investment is directed to areas where there is capacity."

Research by Treasury and the Productivity Commission has found every \$1 spent on infrastructure delivered \$4 for the economy, with bigger bang for the buck on smaller projects rather than big-ticket items.