



TRANSCRIPT – SIR ROD EDDINGTON AO

THURSDAY 5 OCTOBER 2018

Sir Rod Eddington: To Adrian and to Brendan and to Scott and the IPA crew, and particularly to Mark Birrell my friend and colleague on Infrastructure Australia who was man enough to do the job of Chair after the meeting. As I said to him at the time Mark you'll get your reward in heaven. As Adrian suggested it's nearly 10 years since we submitted the report on the east-west needs assessment and two of the people who were at the heart of that report with me - Tony Canavan and John Matthews - are with us today and John Fitzgerald, who was on the advisory board that oversaw that work with me, is here too. So a special welcome and thanks to them.

Ten years ago when we were putting that report together the global financial crisis was just beginning and it's interesting to reflect on that time. Because I was at that time too on the Rio Tinto Board, the mining company, and iron ore went over a period of several years from \$40 a tonne to briefly \$180 a tonne and that meant that the mining companies committed an enormous amount of resource, not only to pulling as much ore out of the ground in the Pilbara as they could but into building more infrastructure so they could exploit those reserves further. So when I joined the Board we were producing just over 200 million tonnes a year; when I finished it was over 300 million tonnes and that meant enormous investment in port facilities, in the mines themselves and the rail network.

Some of those projects were very big. BHP in the end didn't go ahead with it. BHP invested enormously too but they were looking at expanding the outer harbour of Port Hedland to help them with more port capacity. Now that project would have cost somewhere between \$15 billion and \$20 billion had that of gone ahead. The Board for perfectly understandable reasons at BHP decided not to proceed, but it gives you some sense of the size of how big those infrastructure projects were. That work pretty much has come to a finish.

The Governor of the Reserve Bank Philip Lowe said a couple of weeks ago that the investment in transport infrastructure, particularly in the nation over the next few years, will be one and a half times the size of the investment in infrastructure through the mining boom. So serendipitously perhaps as private sector investment and infrastructure in places like the Pilbara cranks back investment in public infrastructure is going to hit a real pace and that should have very positive benefits for the economy. In fact I think today no sector is recruiting more work in construction and





I think the Australia Bureau of Statistics said recently that one in 10 of us one way or another is involved in the construction industry. That says a lot.

So there are plenty of projects going ahead. But the question I always ask and I know it's a question you ask too many of you is: Are we choosing the right projects and are they projects that are going to give the nation the right outcomes including value for money, obviously, but also of some important community issues? We need to be sure that many of these bigger projects enhance the national productivity and efficiency of our economy. That's important. How well are these projects today being evaluated and I look back at the work that we did at the east-west study here in Melbourne 10 years ago; I look at the work that Mark and I are involved in Infrastructure Australia. I look at and reflect on the quality of some of the submissions that came to us just under 10 years ago. Very different from the quality of the work that's being done today.

There are very powerful bodies that do really good work like Infrastructure Australia and now bodies like Infrastructure New South Wales and Infrastructure Victoria. These bodies are very focused on doing proper project evaluation and that's really important. But of course advisors advising governments aside, none of these bodies really have the capacity necessarily to dictate the final project selection given that quite rightly it's governments that are democratically elected and they must make the calls. The question I've always had is to what extent the governments follow the advice of the bodies that advise them.

One of the things I think that makes a view about what we should be doing into the future difficult is the way in which technology is changing the game. So when we did the east-west study we didn't spend much time thinking about driverless cars or electric vehicles. We didn't really think about the way in which smart technology today is changing the way in which vehicular traffic particularly move, or the nature of journeys or for that matter telecommunications. These are the things that were really just in the mind's eye for few at the time. But we know if we build infrastructure today that's going to last 100 years that the way in which technology has changed, the way in which it's going to be used in the future will be enormously different.

One of the outcomes from that is something that I touched on in the work I did in the UK which is to say actually how we make best use of the existing infrastructure is a really important part of this jigsaw. As we focus on what additional infrastructure we need to build, we also need to reflect on how we make best use of what we have here at the moment. Again technology is going to fundamentally change that.

Turning to the east-west work itself. As Adrian said we touched on a number of things in that





study; we made something like 20 recommendations at the end of the day. I think for me some of the smaller ones were really important too. It was the first time a transport study recognised the need to identify bicycles as a legitimate transport form in their own right. Why did we come to that? Well then 10% of the journeys to and from the inner city every day, the daily commute, were actually people riding their bikes to work. So we needed to recognise that when it came to allocating space effectively for cyclists. I work in 101 Collins Street, and I look at the size of the bicycle shack in the basement. It's grown three times since I worked in that building, to realise that the bicycle remains an important part of what we do.

But there were three big projects and it's worth just touching on each of them and when we handed over the report in March 2008 to John Brumby, who was then the Premier. I admired the way he handled the process, because his initial response was to say thank you, "I want people to read it, I want people to debate it, I want people to tell me what they think." I think that is an enormously important part of the consultation process and I congratulate John Brumby and his ministers for the way in which they handled that. But the projects themselves, Regional Rail Express which is now pretty much finished. The object here was to provide much better connectivity for our satellite cities here in Victoria, Geelong, Ballarat, Bendigo into the inner city of Melbourne and also to provide much better connectivity for the west parts of Victoria and Melbourne that had been basically defence and federal territories for many years and were really home to the motor car. People who lived in those parts of Melbourne had very little public transport into work in the morning. That work's pretty much been done.

The Metro which is now beginning. The Metro is important because cities reach and size and shape where unless you have an urban rail network to compliment the suburban rail network cities grind to a halt. All of us visit cities like London, Paris, Tokyo, Seoul, Hong Kong, Singapore, all of these cities as they've grown have embraced an urban rail network; it usually means going underground. It's an important part of the liveability of this terrific place in the long term. The most contentious has probably been what we describe as the east-west tunnel. I've always been modally-agnostic about the work we've done in transport and try to take an evidence based approach to project selection and it was pretty clear to us and the working group that we needed to address vehicular traffic congestion in the east-west corridor.

By the way, we only looked at the east-west corridor and I was very conscious in handing over the report to the then Premier that we'd come across other important projects like the north-east link, which although they weren't part of our remit, were clearly going to be important projects into the future. But the east-west tunnel was the one that was the most contentious and that was because





there was substantial resistance in some quarters to building more roads effectively. My view was really simple, that the motor car is a really important part, and the van and the freight vehicles a very important part, of the liveability and the workability in the city. So we need to accommodate then intelligently and appropriately and the congestion in the east-west corridor was going to be a major problem.

Now I don't need to tell you that it became something of a political football and that the current government ran on the basis that if elected that they wouldn't go ahead with it, as they were perfectly entitled to do and that was the outcome. My own view is that the congestion in the road network in Melbourne in particular is a growing problem and needs to be addressed. It's not going to be addressed quickly and it's not going to be addressed through one project. But I think there are real challenges in the east-west corridor and it's worth just reflecting on those for a moment. The first was we have a lot of eggs in the Westgate Bridge. There's no redundancy to the crossing of the Maribyrnong so we need a second freeway standing crossing of the Maribyrnong. Whether it's a tunnel or a bridge, you can debate that, but we have a lot of eggs in the Westgate basket.

The second was if you go to the port and Tony and I went down a couple of times very early in the morning with Matt who was with us on the team to look at the trucks that come into the Port. It's very clear that we need to do something about the enormous intensity of trucking traffic around Francis Street and the like and my view is that's a very important issue to be addressed as well. So when alternative projects have ever been put forward then my view is we need to think about them really carefully. The Westgate Tunnel addresses those two really important issues and addresses them significantly. So although the east-west tunnel hasn't gone ahead in the form in which I reflected on, I think it's really important that we do address the challenges in that corridor and to be frank get all of it.

It's been some time since we had a major new road project in Victoria particularly in Melbourne and I think it's important to the liveability of the city and the state that we do that. There are some other really important projects going on, of course the Tullamarine widening is one of them and is extremely important. The Monash freeway widening was another. So the motor car is an important part of what we do as is the van and the truck that carries the freight.

One of the things that's clear to me too as I reflect 10 years on from the work we done is that governments increasingly are struggling to find the money necessary to build things themselves. I grew up in a world in which the governments pretty much built everything. They build the hospitals and the schools; they built the roads, television networks. They owned the airlines and airports; they owned the ports as well. Given the pressure on the public purse around education and health





and welfare, very clear to me that governments simply don't have the economic where with all to do all the things that need doing in the transport space. So I'm an unashamed supporter of the private sector's participation in these big projects.

To be frank I think without private sector capital they won't get done and we in Australia have very good construction companies and organisations that can deliver these sorts of projects. I've never had any doubt about that. Their capital has been in short supply at times. I'm in Japan next week with the major Japanese Banks at the annual Australia Japan Business Conference. The Japanese Banks are very interested in the sort of opportunities to invest in infrastructure projects particularly in transport around our cities. So the capital is there and we have the expertise to do it but my plea to governments is please get on with it.

So 10 years on, I think we're much better at the project evaluation work. I think there's a much greater awareness of both governments and the general public about the need to get our infrastructure right. Infrastructure projects have a much higher political profile now than they ever did. You only need to look at the number of politicians who we see adorned in hard hats and high vis vests to realise that but it's entirely appropriate. We need the political world to do these things. The capital is available, the people is available. So my plea to governments both federal and state is to get on with the projects that matter because we're going to need it. Thank you very much.

Joe Barr: Thank you very much. Joe Barr from John Holland. Just your comment on evaluation of projects and your view on taking that initial feasibility study and then moving it into the design and delivery phase and the process there. In Australia we have a number of PPPs and D&Cs, have you got a view of the type of projects in the current day and what's the best way to deliver it?

Sir Rod Eddington: Well a couple of important issues. The way in which we evaluate projects economically has changed quite a bit in the last 10 years. We now talk about wider economic benefits I think quite rightly and a lot of work has been done on project evaluation around economic benefit. We also I think recognise that there are benefits other than economic benefits. We've got to sort of try and grade those appropriately. But I think we have a much better understanding of the value of projects today. A good example is what the economists called agglomeration effects, which is the value that comes from co-locating different activities in one place, cities. So cities are disproportionately important for service economies because they locate financial organisations, law firms, they bring together universities that the city that you can walk down the streets of Melbourne and you can very quickly get the people you need to pull a large project together. So I think lighter economic benefits in the way in which we evaluate projects is really important.





I think the question of project delivery is a really good one but it's very difficult to answer because my view is it's horses for courses. It used to be much more straightforward, either the government built it or they didn't. The family home was probably an exception but that was about the only exception. As I said I grew up with Main Roads Boards with PNGs, everything was done. If you wanted a phone you could get one. It'd take three months but that was okay. We live in a very different world today. A lot of this work is done by the private sector and the private sector brings all its skills including the intense pressure the competition brings to these sorts of projects. So I think it's quite difficult to come up with a one size fits all view.

The governments sometimes have this debate with themselves and we both know that they'll sometimes say this is a project that we don't think is backable, therefore we the government are going to do it. I think that's a legitimate position for government to take. It doesn't mean to say that the project shouldn't be subject to the same scrutiny we discussed earlier. But I put Badgerys Creek Airport in that bucket. Now what is the case for Badgerys Creek for and against? You can argue that; it's been argued interminably up and down. It said that the government's decided for the long term Sydney needs a second airport and broadly I would agree with that proposition because of the curfews in the construction under current law.

We don't think it's a backable project. The existing airport had first right of refusal and they've refused. So we the government are going to fund that on the basis that there's a point in time when they will then when it's up and running and it's viable. So you can make the case there are some things that governments can do. But I make the case that government balance sheets are often very tight, so the number of projects they can afford to finance are actually quite limited. So they need to go to the private sector and find some sort of public private partnership. I think the PPPs that work best are the PPPs where government works closely with the private sector and the users to make sure that what is build is fit for purpose. We've seen some good examples of that in Victoria. I think the EastLink road project was a very good project and was delivered the better part of a decade ago now. In fact, it was probably the last major road project in Victoria.

Yeah I think that was an example of a project - Corey that's right I think isn't it? It's the last major one? That's the example of a project that was well delivered in the right way, on budget, on time. I think that's an example of doing things properly. But all of these things are slightly different. It depends what sort of project we're talking about, how backable is it, what's the appetite for risk? But my view is the private sector generally does a much better job in building and running these things in the longer term. I think many people in government recognise that so I really value the expertise the private sector brings to this. Not just in the construction phase but in thinking through





about what's necessary ahead of the game.

Scott Charlton (Transurban): Well it seems to us that the politics right now around infrastructure are harder than they've ever been. So we often talk about the good old days when there was bipartisan support. Is that just rose-coloured glasses and there's never been bipartisan support? I mean if you look over those histories that you've been involved in is it any different today than it was previously or is it harder?

Sir Rod Eddington: No I think you're right Scott, I think it is harder. I think politics is more polarised and one of the reasons it maybe more polarised is there's a bigger gap between the left and the right politics today in many countries than there was. It used to be that political parties of both persuasions would campaign from the left or the right and then seek to govern from the middle. I mean during my time with BA I saw Tony Blair I think do a very good job of that in the UK. Bob Hawke did that and I think John Howard too brought lots of common sense to political leadership and if you look at some of the key decisions that were taken through period of time they were often crisply debated but at the end of the day there was bipartisan support.

And that's really important because these big projects, they take a long time to think through and then deliver, if the investors, the people, the organisations that are doing the thinking and the building in their head a lot is required, they have to live with that political uncertainty. That's a bad thing. My line Scott has always been that capital is a coward. It will go where it gets best treated and right now we don't always treat capital with the affection it deserves. That's a sad fact that I think there is a great degree of polarisation today and there's less bipartisanship and I think we're poorer for it.

Unidentified Participant: Will there be congestion charge in Melbourne?

Sir Rod Eddington: I don't think you can debate the issue of congestion charge in isolation. Just as I don't think you can ultimately build your way out of congestion, I don't think you can charge your way out of it either. I mean in a sense there's a congestion charge already. The levy on parking spaces in the inner city, that's a form of a congestion charge. I'm a fan of road pricing absolutely and I think as technology is improved then we'll be able to move to a world in which we have variable road pricing, which will smooth out the peaks and may allow us to make better use of existing infrastructure, something I touched on. But I don't think you can debate congestion charge in isolation. I think it is a tool that can be used in different ways in different times. I agree broadly that road pricing is an essential part of what we need to do. But it's just one of a number of vehicles we have and it's no substitute for intelligent growth in our road network.





You know there are gaps in our existing road network. One of the things about projects is I don't think it's right to think about the projects in isolation. You need to think about projects from the context of what they contribute to the network. Some projects give you much greater benefits across the whole network than others. So we should be focused on projects that liberate the benefits that the rest of the network can bring. For me joining up our freeway networks is an important example of a particular project which liberates and allows us to make greater use of the network as a whole.

Brian Negus: Thanks Rod. Brian Negus, RACV. Reflecting on your report I recall at the time with east-west link the controversial you actually did I think recommend the western section be delivered first that I recall as being [unclear] section and it was to have been started by the [then] government on that section. We then saw the Naphine Government raise the eastern section. Reflecting on that, might that have been handled differently from the government perspective or what the advice sort of not strong enough in terms of what the government might have done to actually gain better community support given your comment, especially on the Westgate Bridge?

Sir Rod Eddington: Brian, you and I talked about the issues about road networks when you were in the saddle, as it were at RACV, on this very issue. It's very clear to me and the team from the work we did that the greater set of challenges were down at the western end. As I said they included we needed some redundancy for the Westgate Bridge, we needed to address the issue of the challenges the trucks and the ports delivered. We needed it to think about the east-west in its totality but the real challenges, the pressing matters were down at the west. I mean in a sense I regarded our broad recommendations as just that and I described them at the time Brian as we've tried to trace out the skeleton of what we think is necessary. But at the end of the day governments need to put flesh on those bones and work out the detail of what they want to do and why.

But it was clear to me always that the greater set of challenges were down at the western end and those were the challenges that would ultimately drive the project as a whole and I don't think that's changed. But again advisors advise, the governments decide.

Brian Negus: Yep and if you reflect on east-west now and north-east link which we've spoken about as well, do you have a view in terms of relative priority?

Sir Rod Eddington: As I said in my set piece, when we handed the report to John Brumby in March 2008, having worked on it for a better part of the year, one of the things I said and I've often mentioned it is we then went around and talked to the different stakeholders who we consulted with. We went back and talked to them about the report, why we decided what we had, to thank





them for their input. One of the things I said was you asked us to look at the east-west corridor and frankly we've done that. But as we look at the challenges that the greater Melbourne area faces it's clear to us there are other challenges outside the east-west corridor and you will need to decide what the priorities are. But one of the things that was clear was the challenge in the north-east. It doesn't surprise me that that's now being considered and addressed.

So I don't think it's an either or. I think you need to address that challenge and you need to address the challenges particularly in the west. The good news is that both those things are now being considered and I think it's essential that we get on with both of them to be frank.

Tony Canavan (EY): Rod, you laid out the major recommendations 10 years ago and they've largely been implemented or are being implemented. Infrastructure Victoria have done a 30-year strategy. I think we're still waiting for the government's definitive response to that; I think that's right yep. Do you think it's clear enough what's next?

Sir Rod Eddington: Look I think - and it's not just because Michel is here - but I think that the creation of Infrastructure Victoria and Infrastructure New South Wales was a thoroughly good thing. I remember Mark and I talked about this when we were at Infrastructure Australia. There was the thought in some quarters it would somehow cut across the work we were doing at Infrastructure Australia. To be frank I think we felt we needed all the help we could get, and that bodies like Infrastructure New South Wales and Victoria would mean that the work that came to Infrastructure Australia would be an [unclear] percentage of it. That's fairly [unclear].

I think the challenge about, answering the question - I think we could answer the question, Tony, of what next with some certainty here in Victoria because there are a number of projects that are either just kicking off like the Metro or that are at crunch time like the Westgate Tunnel, or the tunnel here in Melbourne or issues around the North East Link. So I think we're pretty - I'm clear about what we should be getting on to next. I think the challenge is to work on what we need to be doing after that.

The challenge there in part is made more difficult because we don't know how technology is going to change the world in which we operate there. Let me give you another example outside of transport. The National Broadband Network, which is - and by the way the project that ultimately has seen the light of day is very different to the one that was first contemplated to the question of the role of the private sector. My memories of the NBN when it was first talked about was that it was going to be 80% private sector and with a bit of [unclear] from the Federal Government to kick it off. That's not how it finished.





Thinking about the broader debate about what telecommunication technology is going to be like. So I grew up with copper network and we were told that actually it was fibre to the road or fibre to the home was going to be really important and it may well be but what is the role of mobility, what about wires? Very difficult to make judgements about where technology is going to be in 20, 30 or 40 years' time. Goodness knows it's difficult enough to work out where it's going to be in five years' time.

So knowing what projects come next are really - well they may be the things that matter most of what come next is not necessarily the building with more [high] infrastructure, it might be the way in which we use smart systems to make better use of existing infrastructure. That may prove to be the single most compelling thing in 2025 to 2035, making best use of what we've got as technology changes the way we can use what we have already. So I think you and I are affected on this throughout our report together, we found ourselves thinking well if the world stays the same, and of course if it doesn't, you might build this, this, this and this. However, if technology changes the way in which infrastructure is used, are they the right things to do?

So I think you've got to make some calls about what you do in the immediate relatively short-term future, the next four or five years but what you might do in 10 or 15 years is much more difficult. I think that makes the work of bodies like Infrastructure Victoria and Infrastructure Australia more difficult but I think they address that in their own thinking now. I see plenty of examples now where those sorts of issues are being woven into the thinking of the bodies that are supposed to be [debriefed].

Unidentified Participant: [Unclear]. Rod, with the large ... areas in the Melbourne region ... [outside] the CBD, it's Melbourne Airport The airport is currently doing around 36 million passengers a year, ... [in 12 years]. Interested in your views given your [background] on aviation. What you see in terms of aviation trends globally. How that might manifest here on the Western seaboard, particularly in Melbourne and importantly your views on [land size] access? [Unclear].

Sir Rod Eddington: They're really important issues. So my 30,000 feet view of infrastructure is that in modern economies the things that really matter are cities and their workability and [unclear] and our international gateways. Of course for the airports they are absolutely fundamental. It's one of Melbourne's great advantages, it has an airport that's 24 hours a day unlike Sydney which is curfewed and restricted in other ways on a relatively small land footprint. We can build more runways at Melbourne and so one of the priorities I believe for Victoria is a third runway at Melbourne Airport. I think that's important. It's important not only for passengers but for freight.





So one of my pleas to a room like this is when you last - when did you last visit the freight terminals at Melbourne Airport? If you want to get a sense of the Victorian economy, go and look at what's going out day in/day out from Melbourne Airport in the belly of passenger aeroplanes and on freighters. So I'll fly to Tokyo tomorrow on a Qantas A330. It will probably have 15 tonnes of freight [unclear] and some of that will be seafood and it will end up at Tsukiji market in Tokyo the next day. It's a really important part of the economy. So airports really matter not just for tourism and the like but it also matters for high value [unclear].

I said Melbourne was really well placed because it's got no curfew and it's got a big land footprint but there's another benefit that Melbourne has too and it's driven by the modern generation of aeroplanes. So if you look at what Boeing and Airbus have done over the last 10 years, their focus hasn't been on building bigger and bigger aeroplanes, the A380 which Airbus launched almost 11 years ago. Orders for it pretty much dried up. It's a very good aeroplane in many ways but it's very big. Most of the aeroplanes, the big aeroplanes that are being delivered today to airlines either here in Australia and in all parts of the world are big twins.

These aeroplanes bypass the hubs. So in the old days if you wanted to go from here to LA you would fly to Sydney and then you would get on a flight to LA. Today you could get on a Qantas A380 or you could get on at night on a 787 and fly non-stop. Twelve months ago there were no no-stop flights from here to Tokyo which seems strange because there had been a decade earlier. Japan Airlines started a flight in September last month with a 787, one of the new big twins and Qantas are now operating A330s on the route as well. Now I won't go into the reasons behind that about what it means because operating big twin [size] will always be an issue. Engine reliability and system reliability are so good now that the regulators allow.

So Melbourne acts - you no longer have to go via Sydney is what I'm trying to say. So we now have seven Chinese carriers which serve Melbourne direct. We have US carriers, Middle Eastern carriers. You don't need to go via Sydney anymore. You can go non-stop. So I think Melbourne is uniquely well placed to benefit from all of [these journeys]. So the question is land [unclear]. I think the first thing that really matters is the upgrades to the road networks because that's really important for freight as well as passengers.

There's a question at some point in the future about whether or not you need a rail link. I don't think there's much doubt we'll have one at some stage. There are always challenges with airport rail links. Historically they have not been profitable investments. I think you folks know that. You will understand that investment in infrastructure projects probably there aren't that many airport rail links that actually give a return, certainly on initial investments. I don't think there's any doubt at





some stage we will have one. You do need to think about freight and freight is not going to go by rail and you do need to think about the fact that people who land at Tullamarine Airport want to go to a whole range of places not just to Southern Cross Station. So investing in the airport and the service infrastructure that meets it in the city and the rest of the state is fundamental and it's one of our great advantages in Victoria.

You talked about bipartisanship earlier Scott, and the one thing that has to remain bipartisan is no curfew at Tullamarine ever. If you build under the flight path, you know that the airport was there before you were. When I was at BA I bought a home right under the flight path in a little village called Sherlock Road so when Mrs [Unclear] from Richmond wrote to me to complain about aircraft noise, I was able to sympathise with her but made the point that the airport was there before she was.

Thanks very much.

End of Transcript

