



AUSTRALIAN INFRASTRUCTURE BUDGET MONITOR 2018-19



About Infrastructure Partnerships Australia

Infrastructure Partnerships Australia is an independent think tank and intelligence unit. We are an executive member network made up of public and private infrastructure stakeholders. We exist to shape public debate and drive policy reform to help Australia achieve the best possible social and economic outcomes.

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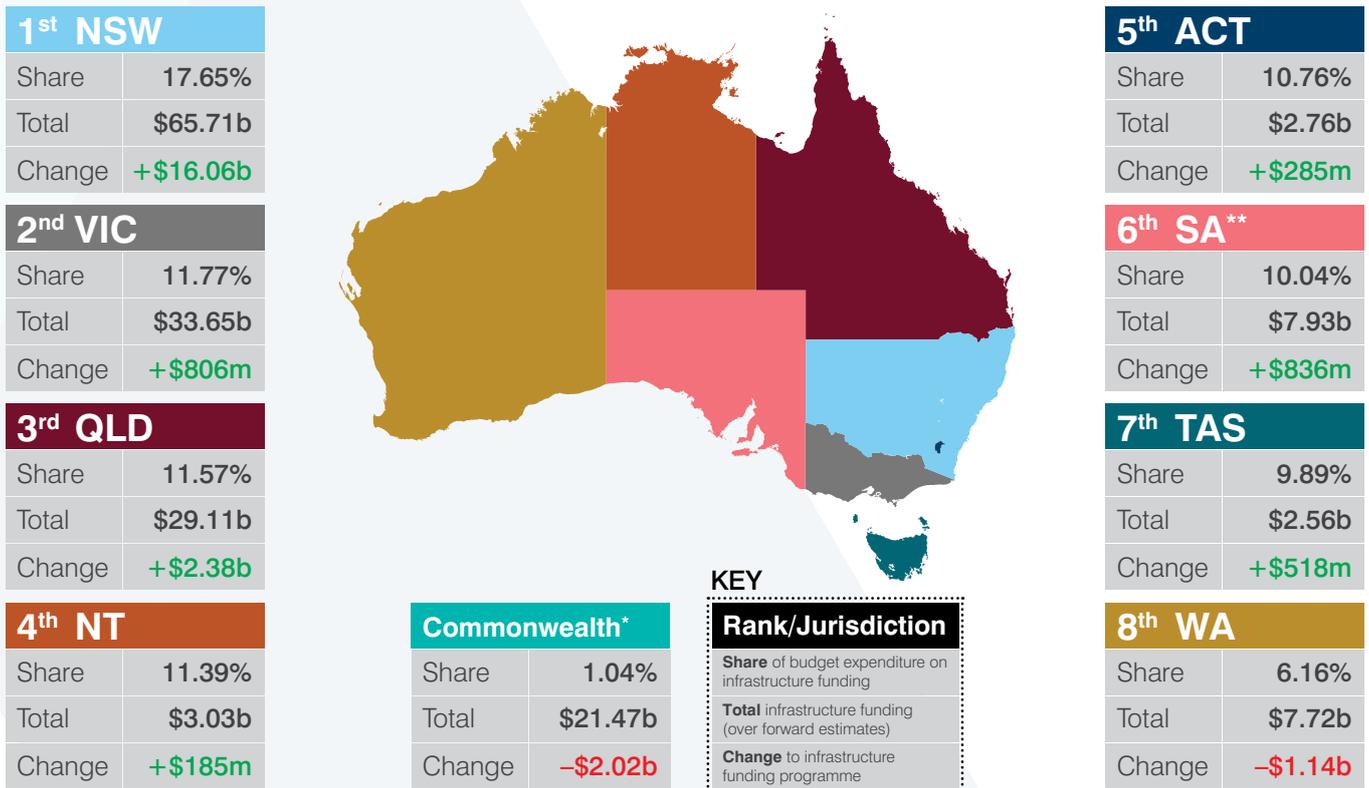
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INTRODUCTION

Figure 1: 2018-19 Australian infrastructure funding levels, ranked by share of budget expenditure



* The Commonwealth Government primarily funds state infrastructure projects. As such it is not formally included in the rankings. We include it in the report to provide a comprehensive view of funding commitments.
 ** Based on 2017-18 Mid-Year Budget Review
 Source: Infrastructure Partnerships Australia calculations, based on 2018-19 and 2017-18 Budgets

Analysis

The 2018-19 *Australian Infrastructure Budget Monitor* reaffirms the two-economy divide in infrastructure across Australia. NSW and Victoria, ranked first and second, have large infrastructure funding commitments facilitated by strong fiscal positions. Asset recycling continues to support growth, with both states benefiting from selling their shares in Snowy Hydro to the Commonwealth, among other asset divestments.

In line with NSW and Victoria, Queensland has also significantly increased its infrastructure funding levels this Budget by \$2.38 billion. However, it might prove difficult for Queensland to maintain infrastructure funding at current levels in the future due to burgeoning state debt. Western Australia is experiencing similar fiscal pressure and has reduced infrastructure funding levels by \$1.14 billion, with net debt projected to climb over the forward estimates. However, in contrast to Queensland, Western Australia is exploring some asset sales.



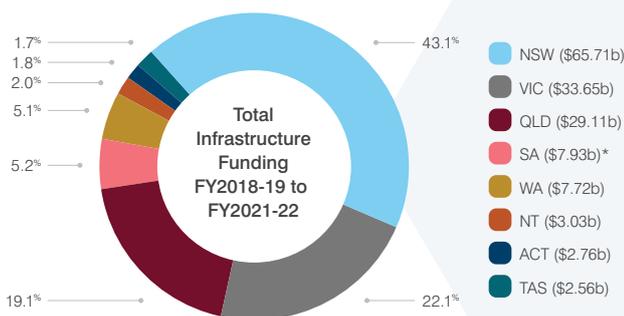
Apart from Western Australia and the Commonwealth, all other governments have increased their infrastructure funding levels this year. The Commonwealth has decreased hard dollar infrastructure funding levels to the states by \$2.02 billion this Budget. However, beyond the forward estimates, the Commonwealth intends to grow infrastructure funding levels out to FY2027-28 as outlined by an overview of the Commonwealth's 10-year infrastructure investment programme released by the Department of Infrastructure, Regional Development and Cities.

Insights

- Together NSW and Victoria account for 65.2 per cent of total infrastructure funding;
- General government infrastructure funding sums to over \$152.5 billion across the states over the four years; and
- The national average of infrastructure funding is \$6,156 per capita over the four years.

Figure 2 shows the breakdown of infrastructure funding by jurisdiction, with NSW and Victoria making up 65.2 per cent of infrastructure funding nationally. The Commonwealth is not included as its infrastructure funding contributes directly to state infrastructure funding. Of total funding deployed by the states, the Commonwealth Government contributes about 14 per cent, although the distribution of this funding varies across the states and territories.

Figure 2: Who's funding what? National infrastructure funding, share of total, by jurisdiction (FY2018-19 to FY2021-22)

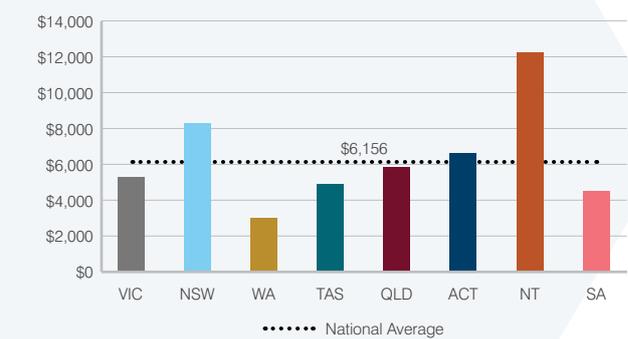


Source: Infrastructure Partnerships Australia analysis
*Based on 2017-18 Mid-Year budget Review

Figure 3 shows the infrastructure funding per capita for each state and the national average. Infrastructure funding per capita reflects the investment priorities of governments as well as the varied infrastructure needs of different populations. Jurisdictions vary widely in the geographic and demographic distribution of their populations and factors such as urbanisation and concentration of population are key influencers of infrastructure funding per capita.

By analysing infrastructure funding per capita, we can see that although Northern Territory ranks fourth on GGE allocated to infrastructure, it has the highest funding per capita, at \$12,264 per person. NSW and ACT are the only other jurisdictions above the national average, allocating just \$8,301 and \$6,632 per capita respectively. The national average is \$6,156 per capita over the four years.

Figure 3: State infrastructure funding per capita FY2018-19 to FY2021-22



Source: Infrastructure Partnerships Australia analysis



ABOUT THE BUDGET MONITOR

Overview

Infrastructure Partnerships Australia's *Australian Infrastructure Budget Monitor* measures jurisdictions based on infrastructure funding commitments over the current budget year and forward estimates (FY2018-19 to FY2020-21). This report collates information from the latest Budget papers from Commonwealth, state and territory governments to compare their infrastructure investment programmes.

Purpose

The purpose of the *Australian Infrastructure Budget Monitor* is to inform the community, industry and researchers about historical and projected public infrastructure investment activity in Australia. It allows readers to compare and evaluate the commitment by governments to building infrastructure, which provides both a near term stimulation impact on the economy and the foundation for future economic and social development.

Methodology

The strength of each jurisdiction's infrastructure programme is assessed according to the total infrastructure funding commitment over the period FY2018-19 to FY2021-22 as a proportion of total expenditure. This methodology not only allows for a more even comparison of small jurisdictions compared to larger jurisdictions, but also provides insights into changes in

the importance of infrastructure as a government priority over time relative to other spending priorities.

Infrastructure funding figures reported in government budgets are used where available. In other cases, the sum of purchases of non-financial assets and finance leases (capturing Public Private Partnership type expenditures) is used as a proxy. This reflects the diversity of budgetary approaches across the nation and allows for a fair comparison between jurisdictions.

The *Australian Infrastructure Budget Monitor* uses general government total expenditure (GGE) as a consistent measure of total government spending. Total expenditure is calculated by adding total expenses and net acquisitions of non-financial assets.

The general government sector accounts for spending on non-commercial aspects of the government, therefore spending by government-owned corporations (e.g. public utilities and government owned ports) is excluded from this analysis. This provides a sound basis for comparison, and appropriately isolates the analysis to infrastructure which is paid for by taxes rather than paid for by users.

All project costs and funding commitments quoted in the *Australian Infrastructure Budget Monitor* are provided in real terms. To account for inflation, we have used the Australian Bureau of Statistics' March 2018 quarter Consumer Price Index numbers.



1ST PLACE: NEW SOUTH WALES¹

NSW has once again ranked first, funding over \$65.71 billion in general government infrastructure over the forward estimates. The allocation to infrastructure has increased by \$16.06 billion over four years to FY2021-22, an increase of 32 per cent compared to the 2017-18 Budget.

The 2018-19 Budget included significant proceeds from the lease of State assets – totalling an estimated \$24.9 billion (as at 30 June 2018) which has been deposited into the Restart NSW Fund. A further \$4.2 billion was received after the Budget from the sale of the State's share of Snowy Hydro. The Snowy Hydro proceeds have been placed into a Legacy Fund which will be used for regional development.

The NSW Government's asset recycling programme has allowed the State to substantially increase its infrastructure funding levels across successive State budgets.

This increase in infrastructure allocation is primarily driven by new policy measures including new investments across all sectors and the forecast impact of spending a further \$5.4 billion over the four years to FY2021-22, which has been held in reserve in the Restart NSW Fund.

When government-owned corporations, such as publicly held utilities businesses, are included in the total infrastructure funding figures, total state infrastructure investment rises to \$87.2 billion over the four years to FY2021-22.

The Budget saw major allocations to health (\$8 billion) and education capital projects (\$6.8 billion, including \$6 billion for 170 new or upgraded schools) over the forward estimates. This is on top of the already record \$51.2 billion four-year transport infrastructure programme, headlined by the \$3 billion allocation for Sydney Metro West, which will require further funding commitments as the project progresses.

On roads, the 2018-19 Budget allocated \$1.2 billion towards Stage 1 of the [F6 Corridor](#), and \$556.2 million to continue planning and early works for the [Western Harbour Tunnel](#) and [Beaches Link](#). This signals that the F6 Corridor is the next major priority road project for Sydney.

While the 2018-19 Budget increased capital funding for social infrastructure, it is largely silent on delivery models. The 2018-19 Budget lifted health infrastructure investment to \$8 billion over the forward estimates but did not provide details on delivery models. Given recent trends, the majority of delivery is likely to take place as

traditional procurement, although the NSW Government has previously used sophisticated models such as Public Private Partnerships (PPPs) or the 'turn-key' approach piloted on the Northern Beaches Hospital.

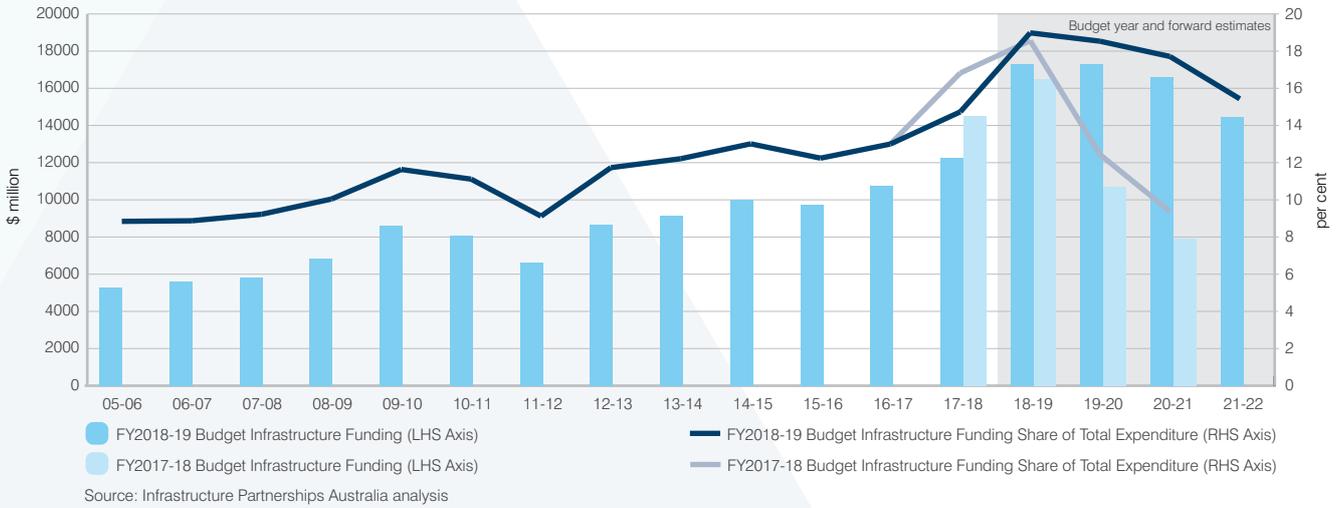
Besides phase two of the [Social and Affordable Housing Fund](#), no social infrastructure PPP-style procurements have been planned since the Government's policy reversal on private sector delivery and operations for the Regional Hospitals Package.

On balance, the NSW Budget was excellent for infrastructure and was largely 'steady as you go', maintaining continued high levels of funding, but with no substantial changes to project priority, plans or procurement models. However, while not a budget measure, delivery approaches (particularly related to risk allocation) are likely to change for transport infrastructure, as the NSW Government implements its recently released action plan entitled, *A ten-point commitment to the construction sector*, which aims to enhance collaboration with industry for major project procurement.



1. Using Capital Expenditure which is purchases of non-financial assets plus assets acquired under finance leases.

Figure 4: New South Wales General Government Infrastructure Funding



New South Wales infrastructure statistics:

Value	Description
17.65%	Share of budget dedicated to infrastructure
11.87%	Decade average share of budget dedicated to infrastructure
\$65.71b	Total infrastructure funding over forward estimates
+\$16.06b	Increase this budget

Major new funding allocations in New South Wales:



RAIL

\$3 billion

Sydney Metro West



ROAD

\$1.2 billion

F6 Corridor Stage 1



EDUCATION

\$2.2 billion

for education infrastructure



HEALTH

\$740 million

Liverpool Health and Education Precinct

2ND PLACE: VICTORIA

Victoria has jumped to second place in the rankings this year, committing \$33.65 billion to general government infrastructure funding. This is an increase of \$806 million on last year, with more major projects to come.

Victoria's asset recycling policy has allowed the infrastructure programme to expand. The Victorian Government has indicated that it will continue to explore opportunities for future asset recycling, signalling that strong infrastructure funding will endure.

The 2018-19 Victorian Budget included \$7.9 billion in funding for new infrastructure initiatives. In the transport sector, key investments included \$1.9 billion in upgrades to metropolitan and regional public transport as well as \$2.2 billion for the Suburban Roads Upgrade package (formerly Outer Suburban Arterial Roads) for north and south-east Melbourne.

The announcement of the next two phases of the Suburban Roads Upgrade package reaffirmed the Victorian Government's commitment to innovation in infrastructure delivery. The \$2.2 billion package will provide funding for upgrades of 13 suburban arterial roads in north and south-east Melbourne. The upgrades will be delivered using an availability-based PPP, similar in form to the [Western Roads](#) package.

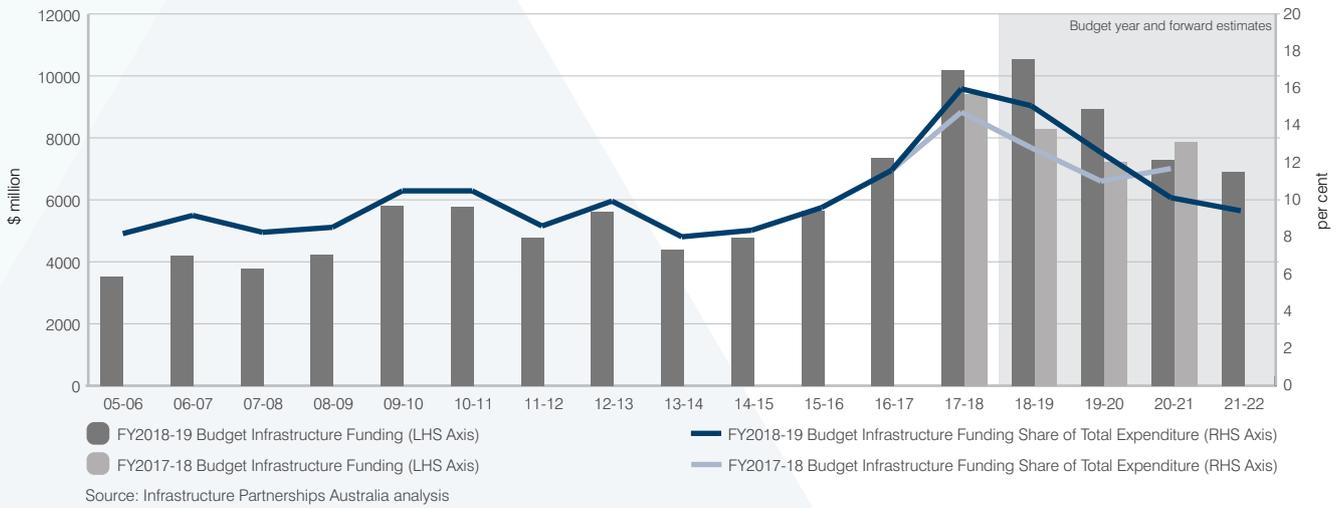
The Victorian Budget also announced that it will deliver the tunnel section of the \$15.8 billion [North East Link](#) via an availability-based PPP, with \$110 million committed for planning in this Budget.

Further, the 2018-19 Budget confirmed that the Victorian Government will work closely with the Commonwealth to progress planning for the [Melbourne Airport Rail Link](#) (MARL). However, the nature of this partnership has not been specified although both governments have each committed \$5 billion to the project. The Commonwealth Government has expressed the desire to make an equity contribution or use another public finance mechanism. However, until the funding model is determined, the Commonwealth Government has accounted for the commitment as grant funding in its Budget. In addition to funding from the Commonwealth and Victorian governments, the project's funding model will also include user charges.

In social infrastructure the 2018-19 Victorian Budget committed \$1.4 billion in capital investment for acute and mental health services, including \$543 million for the [Victorian Heart Hospital](#). In education the Victorian Government made \$1.3 billion worth of new commitments for new and upgraded school infrastructure, as well as education modernisation programmes. Justice infrastructure also saw a new \$689 million commitment for the expansion of the Lara Prison Precinct.



Figure 5: Victoria General Government Infrastructure Funding



Victoria infrastructure statistics:

Value	Description
11.77%	Share of budget dedicated to infrastructure
10.14%	Decade average share of budget dedicated to infrastructure
\$33.65b	Total infrastructure funding over forward estimates
+\$806m	Increase this budget

Major new funding allocations in Victoria:



ROAD

\$2.2 billion

Suburban Roads Upgrade



JUSTICE

\$689 million

Lara Prison Precinct Upgrade



RAIL

\$572 million

Cranbourne-Pakenham and Sunbury Line Upgrades



HEALTH

\$396 million

Victorian Heart Hospital

3RD PLACE: QUEENSLAND

Queensland moves up the rankings to third place from fourth place last year, reversing the trend decline in infrastructure funding. \$29.11 billion of general government sector infrastructure funding was committed over the forward estimates, which is an increase of \$2.38 billion (nine per cent) compared to last year's Budget.

Infrastructure funding over the forward estimates as a share of total expenditure sits at 11.57 per cent, compared to the 13.63 per cent decade average. However, Queensland continues to be constrained by high levels of state debt, so will struggle to maintain these funding levels over the long-term without broader reform. These funding constraints are reinforced by the Queensland Government's formal policy not to undertake asset recycling, which has proven to be an effective measure for boosting infrastructure funding in both NSW and Victoria.

Beyond the general government sector, the total capital programme, which includes government-owned corporations, sees a total funding commitment of \$45.8 billion over the four years to FY2021-22.

On a project level, the Budget allocated \$733 million for the Cross River Rail Delivery Authority in FY2018-19 to continue to progress the planning, procurement and development associated with the \$5.4 billion [Cross River Rail](#) project. The Queensland Government is on

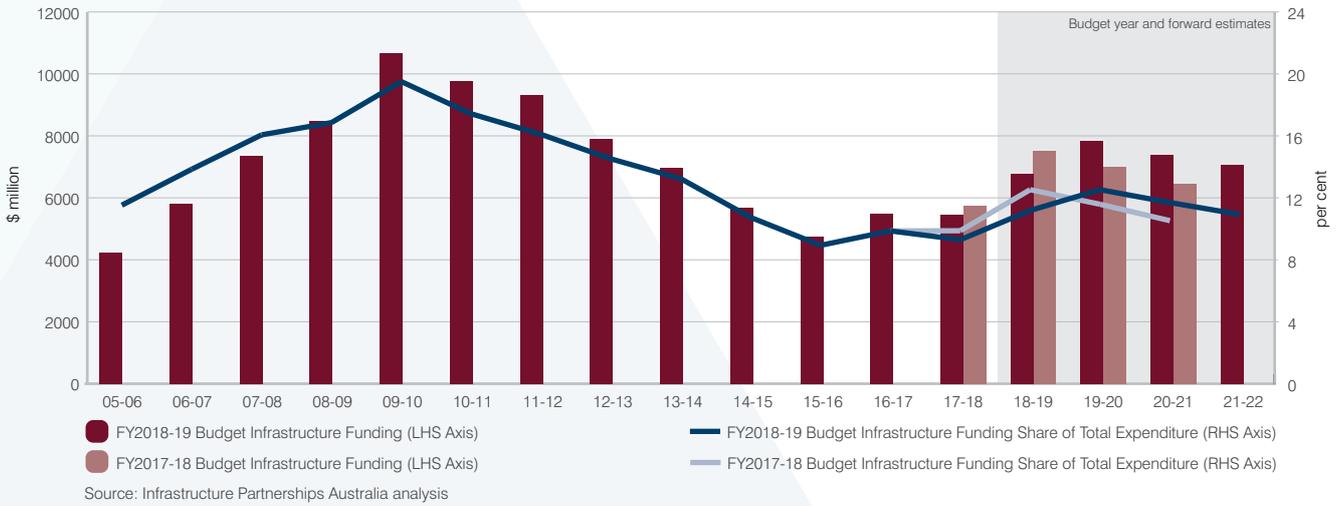
track to fully fund the Cross River Rail project, with the allocation of \$914 million in the final year of FY2021-22, bringing total funding to \$3.7 billion to the end of the forward estimates. A further \$1.7 billion is expected to be allocated in future budgets, over the period to FY2023-24, to finalise delivery of the project.

The transport sector also received confirmation of a New Public Transport Ticketing System to be implemented over the next four years through a \$371 million allocation. The new system will complement the current 'go card' and paper tickets by allowing payment to also be made using contactless credit and debit cards, mobile phones and wearables.

In social infrastructure, capital funding has remained stable, with only minor increases in both education and health. The health portfolio saw a capital allocation of \$985.5 million in FY2018-19, while in education it was \$674 million. Additionally, the Budget allocated \$339 million over FY2018-19 for the construction and upgrade of social housing stock.



Figure 6: Queensland General Government Infrastructure Funding



Queensland infrastructure statistics:

Value	Description
11.57%	Share of budget dedicated to infrastructure
13.63%	Decade average share of budget dedicated to infrastructure
\$29.11b	Total infrastructure funding over forward estimates
+\$2.38b	Increase this budget

Major new funding allocations in Queensland:



RAIL

\$914 million
Cross River Rail



ROAD

\$626.5 million
Pacific Highway M1 upgrades



TRANSPORT

\$371.1 million
for New Public Transport Ticketing System



WATER

\$352 million
Lower Fitzroy Infrastructure Project (Rookwood Weir)



4TH PLACE: NORTHERN TERRITORY

Northern Territory is punching above its weight in infrastructure funding, committing to the highest level of infrastructure funding per capita over the forward estimates. A marginal increase in real funding sees the share of GGE spent on infrastructure increase to 11.39 per cent from 11.07 per cent.

The increase of \$185 million in infrastructure funding is welcome but may be difficult to maintain over the coming years due to a deteriorating fiscal position. However, in terms of infrastructure funding per capita, Northern Territory has committed \$12,264 per person. This is the highest commitment per capita and double the state/territory average of \$6,156 per capita. While the high infrastructure funding per capita reflects some structural features of the Northern Territory, such as a small and widely dispersed population, it does still demonstrate a sustained focus on improving the Northern Territory's infrastructure.

The infrastructure focus of this year's Northern Territory Budget was predominantly on housing and transport

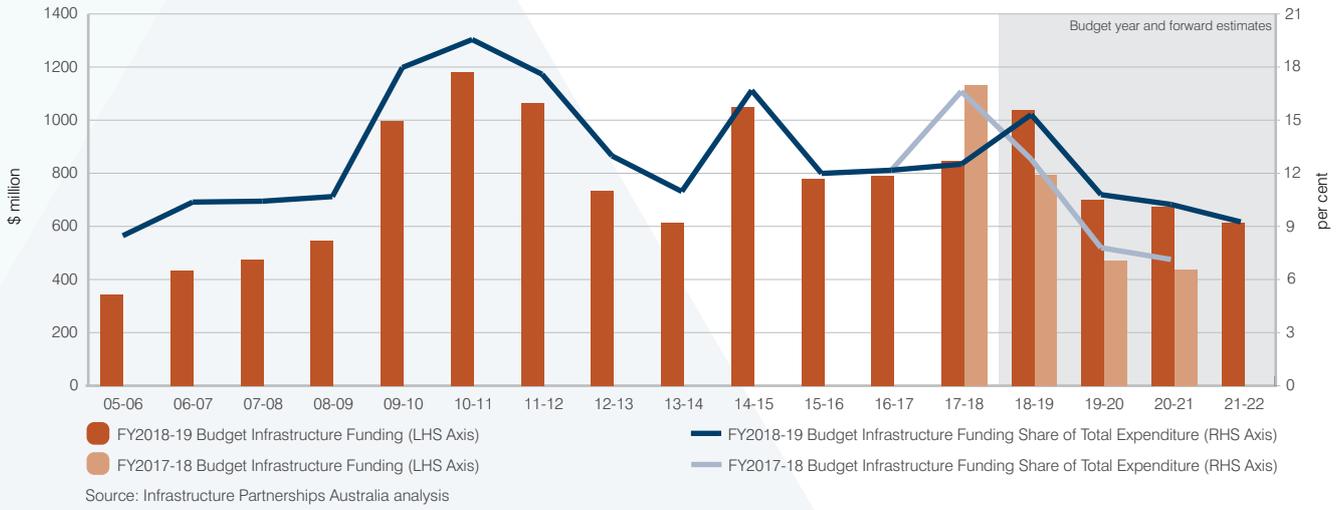
related infrastructure, which together make up over 60 per cent of the works programme in FY2018-19. The majority of this funding is provided by the Commonwealth Government.

The Northern Territory Budget allocated \$637.8 million to housing and related infrastructure for FY2018-19. This is over a third of the total capital works programme and is a significant increase on last financial year. Of this, \$545.4 million is allocated to remote indigenous housing with the difference shared across public housing, government employee housing and other investments.

Road and transport infrastructure received the second largest share of funding, at \$543.8 million for FY2018-19 of which \$58.2 million is for new projects.



Figure 7: Northern Territory General Government Infrastructure Funding



Northern Territory infrastructure statistics:

Value	Description
11.39%	Share of budget dedicated to infrastructure
14.30%	Decade average share of budget dedicated to infrastructure
\$3.03b	Total infrastructure funding over forward estimates
+\$185m	Increase this budget

Major new funding allocations in Northern Territory:



HOUSING

\$440 million
for housing and related works



TRANSPORT

\$58.2 million
for new projects



JUSTICE

\$70 million
Youth Justice Training Centre

5TH PLACE: AUSTRALIAN CAPITAL TERRITORY²

ACT holds infrastructure funding steady, with the \$2.76 billion committed over the forward estimates broadly consistent with last year's Budget.

The ACT Government continues to be in a strong fiscal position, forecasting net operating surpluses over the forward estimates. ACT's infrastructure funding per capita is \$6,632 over the four years. This is above the national average of \$6,156 and on this measure, ACT ranks third after NT and NSW. Of the \$2.76 billion infrastructure funding committed, \$1.1 billion is for capital provisions, which is funding set aside for significant capital works projects where budgets are yet to be settled or which are commercially sensitive.

The 2018-19 Budget saw additional funding provisions made to replace the high capital expenditure levels previously seen as the result of major PPP projects, such as the ACT Light Rail – Stage 1 and ACT Law Courts projects.

The 2018-19 Budget also outlined the ACT Government's expected receipt of funds from the Asset Recycling Initiative. The ACT received \$114.91 million in Commonwealth incentive payments for asset sales in FY2017-18, as well as additional payments due to be received in FY2018-19.

The 2018-19 Budget included \$249 million of funding for roads and public transport projects, with the largest

transport allocation being \$100 million over five years from FY2018-19 towards the Monaro Highway Upgrade. This matches the Commonwealth Government's funding under the *National Partnership Agreement on Land Transport Infrastructure Projects* programme for the Upgrade.

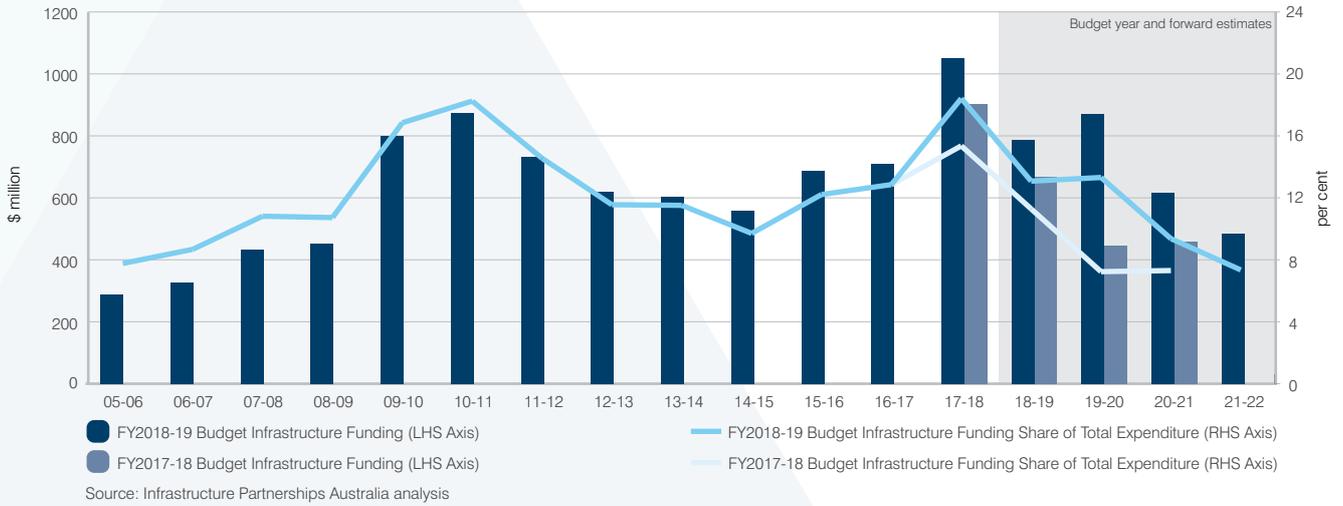
In the health sector, major projects underway which continued to receive funding over the 2018-19 Budget year and forward estimates included \$15 million towards upgrading and expanding the Calvary Public Hospital and \$13 million towards the new [Surgical Procedures, Interventional Radiology and Emergency Centre](#) at Canberra Hospital. Additionally, the Budget foreshadowed further health investments such as an expansion of the Centenary Hospital for Women and Children and assessment for a future Northside Hospital.

The Budget saw \$302 million allocated specifically to education infrastructure (including schools and the Canberra Institute of Technology) over the four years to FY2021-22. Significant new capital works projects to be delivered under the More Schools, Better Schools programme include \$42 million for delivery of Molonglo P-6, \$20 million for Gungahlin schools, and \$18 million for roof replacements.



2. Total Capital Works Program plus Infrastructure Investment Provisions. This includes public private partnerships. All previous years up to 2017-18 are 'revised capital works program' taken from the Budget Review. This is different from the 2017-18 Budget Monitor and is not directly comparable.

Figure 8: Australian Capital Territory General Government Infrastructure Funding



Australian Capital Territory infrastructure statistics:

Value	Description
10.76%	Share of budget dedicated to infrastructure
13.65%	Decade average share of budget dedicated to infrastructure
\$2.76b	Total infrastructure funding over forward estimates
+\$285m	Increase this budget

Major new funding allocations in Australian Capital Territory:



EDUCATION

\$80 million
for new works
in education



TRANSPORT

\$69 million
for new
transport works



HEALTH

\$88 million
for new works
in health

6TH PLACE: SOUTH AUSTRALIA³

Over the forward estimates, South Australia's infrastructure funding is projected to increase by \$836 million. Average infrastructure funding over the four years to FY2020-21 as a proportion of GGE has increased by one percentage point to 10.04 per cent, compared to the 2017-18 Budget.

South Australia's 2018-19 Budget has not yet been released, so this analysis uses the former South Australian Government's mid-year review as compared to the 2017-18 Budget. Both the 2017-18 Budget and mid-year review were published by the previous Labor Government. The 2018-19 South Australian Budget will be the State's first under the Liberal Government led by Premier Steven Marshall, who was elected in March this year. The 2018-19 South Australian Budget will be handed down on 4 September 2018.

One of the key election commitments of the new South Australian Government was to establish an infrastructure strategy and planning agency for the State, to be named, Infrastructure SA (ISA). Legislation to establish the body was introduced in June this year. Under the legislation, ISA would be required to prepare a 20-year *State Infrastructure Strategy* to be updated every five

years. In addition, five-year infrastructure plans would be developed on an annual basis to identify priority projects. The legislation also stipulates that ISA will advise Government on planning, funding and delivery of major projects; as well as maintaining oversight of projects with a capital value of \$50 million or more.

On energy, the Government has promised to commit \$200 million to develop a new interconnector between South Australia and New South Wales to promote energy security.

In freight, the Government is examining options for the proposed *GlobeLink Master Plan*, having issued a tender for business case development of the plan. The *GlobeLink* proposal seeks to divert road and rail freight around the back of the Adelaide Hills, to get heavy vehicles off main metropolitan roads and freight trains out of built-up areas. The proposed plan involves developing an alternate corridor for heavy freight and a possible connection to the Northern Connector.

Other elements of the proposed plan include:

- connecting the South Eastern Freeway to the Sturt Highway and the Northern Connector;
- exploring options to build a new curfew free freight-only airport near Murray Bridge; and
- creating a new Intermodal Export Park near Murray Bridge.

If the project were to proceed, it is envisaged that State and Commonwealth funding, as well as user contributions, will be used to deliver the project, with the business case expected to review possible options.

Also in transport, the Government committed to establish a South Australian Public Transport Authority which would be responsible for all operational elements of South Australia's public transport network.

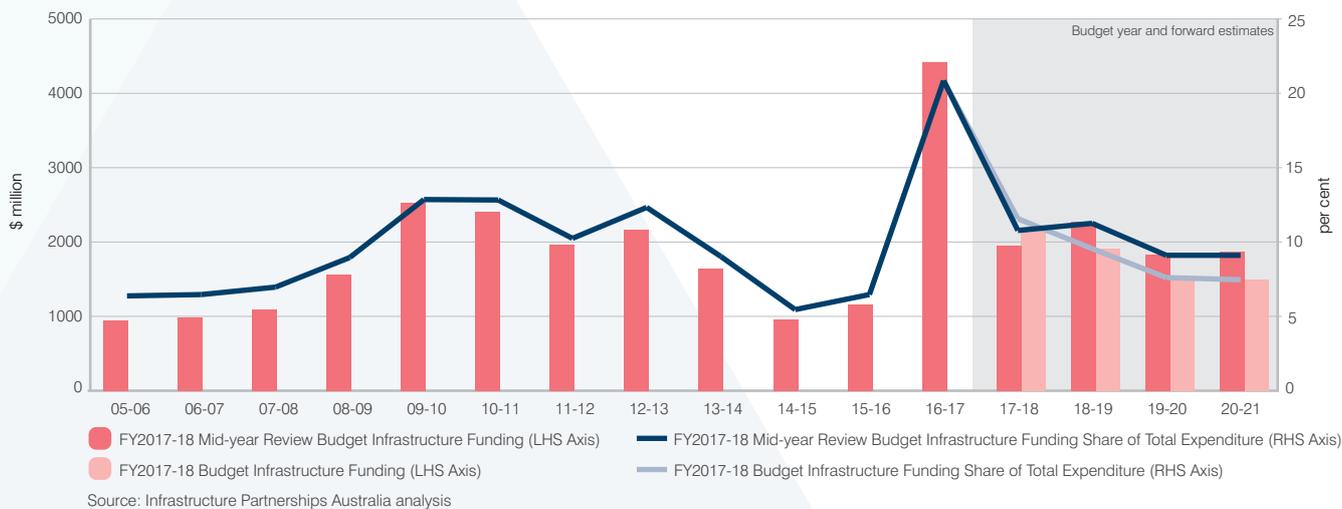
In health, the Government has committed to delivering a new Women's and Children's Hospital (co-located with the new Royal Adelaide Hospital) by 2024.

Detailed analysis of the 2018-19 Budget will be provided in Infrastructure Partnerships Australia's *Infrastructure Report*.



3. The South Australian Government has not yet released its 2018-19 Budget. This analysis is based on the mid-year report and will be updated on the 2018-19 Budget release in September 2018.

Figure 9: South Australia General Government Infrastructure Funding



South Australia infrastructure statistics:

Value	Description
10.04%	Share of budget dedicated to infrastructure
10.58%	Decade average share of budget dedicated to infrastructure
\$7.93b	Total infrastructure funding over forward estimates
+\$836m	Increase this budget

Major new funding allocations in South Australia:⁴



ROAD

\$354 million

North South Corridor
– Regency Road to
Pym Street



RAIL

\$462.5 million

Gawler Rail
Electrification
Stage 2



HEALTH

\$270 million

**Queen Elizabeth
Hospital Upgrades**

4. Based on election commitments of the Marshall Government with some funding allocated outside the forward estimates'

7TH PLACE: TASMANIA⁵

Tasmania increases infrastructure funding share above 10-year average to 9.89 per cent. The Government has improved its budget position, allowing an increase of \$518 million in infrastructure funding.

The Tasmanian Government has allocated \$2.56 billion in infrastructure funding over 2018-19 and the forward estimates. Several significant allocations include \$1.1 billion for roads and bridges, \$475.6 million for health, \$205.3 million for human services and housing, \$192.2 million for education, as well as \$169.7 million for justice projects.

Key projects include the \$576 million new [Bridgewater Bridge](#) and the \$270 million new Northern Prison which have both received partial funding over the forward estimates.

There are also several potential projects of nationwide significance being progressed by the State's electricity businesses, in particular a [second electricity](#)

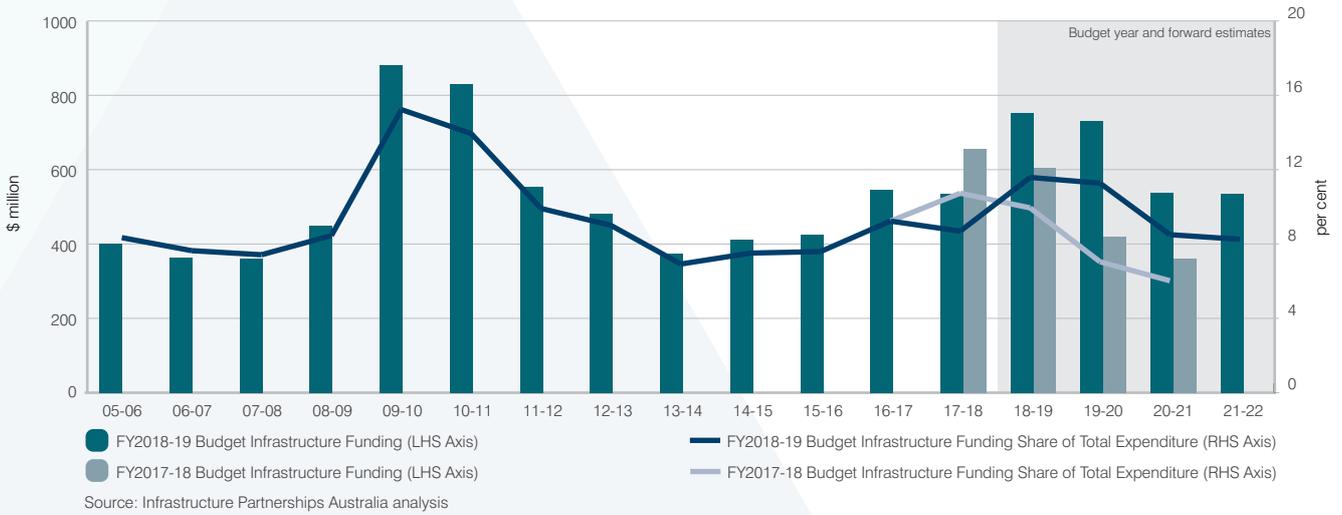
[interconnector](#) between Victoria and Tasmania and the Battery of the Nation project. If these projects progress, Tasmania will see a significant increase in infrastructure investment over the next decade, albeit outside the general government sector.

In preparation for the State's growing infrastructure investment, the Government released a 10-year *Infrastructure Pipeline* in July 2018, which details the State's major infrastructure projects. The Government also plans to develop a *30-year Infrastructure Strategy* in 2018 as well as the establishment of a construction industry roundtable to improve collaboration between the State Government and the private sector.



5. Using the Tasmanian Government's infrastructure investment figures, including funding provided by the Commonwealth Government.

Figure 10: Tasmania General Government Infrastructure Funding



Tasmania infrastructure statistics:

Value	Description
9.89%	Share of budget dedicated to infrastructure
9.64%	Decade average share of budget dedicated to infrastructure
\$2.56b	Total infrastructure funding over forward estimates
+\$518m	Increase this budget

Major new funding allocations in Tasmania:



ROAD

\$121 million

New Bridgewater Bridge



HOUSING

\$100 million

Affordable Housing Strategy Stage 2



JUSTICE

\$45 million

for new Northern Prison



8TH PLACE: WESTERN AUSTRALIA

Western Australia lags on infrastructure funding with this Budget continuing the declining trend. The \$1.14 billion decrease reflects the Government's fiscal constraints.

The 2018-19 Western Australian Budget projected \$7.72 billion in general government sector infrastructure funding over the four years to FY2021-22, with \$2.9 billion allocated in FY2018-19. There is a \$1.14 billion reduction in infrastructure funding over the forward estimates compared to the 2017-18 Budget. The Western Australian Government's allocation towards infrastructure expenditure averages 6.16 per cent of GGE over the four years to FY2021-22. This represents a significant change compared to the decade-average (FY2008-09 to FY2017-18) of 11.13 per cent of GGE. The Government is likely to remain fiscally constrained as net debt is projected to climb over the forward estimates.

Total state investment in infrastructure, including general government and public corporations is \$21.5 billion. The public corporations will account for 55 per cent of the investment programme in 2018-19, increasing to 74 per cent by 2021-22.

The Government allocated \$15.3 million over the forward estimates for the establishment of Infrastructure Western Australia (IWA), which will provide advice to the Government on the infrastructure needs and priorities of the State.

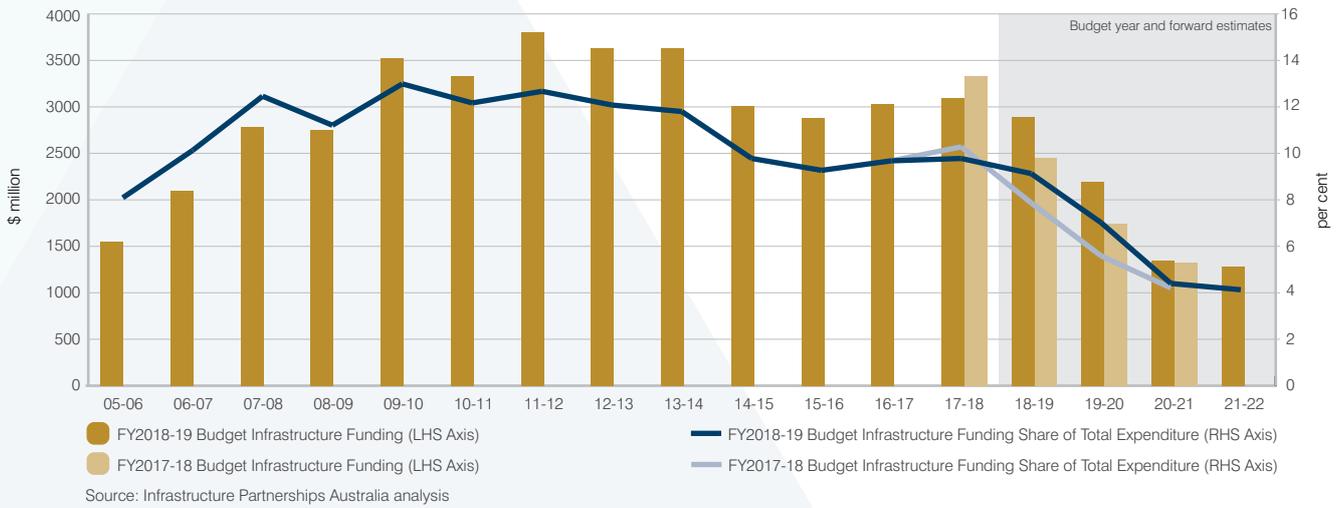
WA benefited from \$1.2 billion in grant funding from the Commonwealth Government over the forward estimates, which includes \$729 million over FY2017-18 to FY2021-22 for the \$2.9 billion METRONET programme. A further \$323 million of funding is outside the forward estimates. Total additional METRONET funding this Budget amounts to \$750 million over the forward estimates, including for the [Morley-Ellenbrook](#) line and the [Byford Extension](#) on the Armadale line.

In health, the Western Australian Government is providing \$276 million to upgrade and redevelop hospitals. This is in addition to the Commonwealth Government's \$189 million in FY2017-18 to support hospital infrastructure in Western Australia.

The Commonwealth Government has also contributed \$140 million over the forward estimates towards the \$349 million [Myalup-Wellington Water Project](#), in addition to \$50 million in concessional loans for the project. The State Government had previously committed \$35 million from FY2018-19 to FY2022-23 for the project.



Figure 11: Western Australia General Government Infrastructure Funding



Western Australia infrastructure statistics:

Value	Description
6.16%	Share of budget dedicated to infrastructure
11.13%	Decade average share of budget dedicated to infrastructure
\$7.72b	Total infrastructure funding over forward estimates
-\$1.14b	Decrease this budget

Major new funding allocations in Western Australia:



RAIL

\$750 million

METRONET programme



HEALTH

\$276 million

Hospital Upgrades



ROAD

\$94 million

Bunbury Outer Ring Road



WATER

\$140 million

Myalup-Wellington Water Project

COMMONWEALTH GOVERNMENT⁶

Commonwealth Government infrastructure funding levels have declined this Budget. However, the 10-year Infrastructure Plan projects an increase over the medium-term.

Commonwealth Government funding levels for infrastructure declined this Budget compared to last, with funding over the four years totalling just \$21.47 billion, which is \$2 billion less than the previous Budget. Infrastructure funding as a share of GGE will fall significantly from the decade average of 1.56 per cent, to 1.04 per cent. The Government would need to commit \$10.7 billion in additional funding between 2018-19 and 2021-22 to maintain decade average infrastructure investment levels, as a percentage of GGE.

Although, Commonwealth four-year funding levels have seen a decrease, the Department of Infrastructure, Regional Development and Cities released an outline of the Commonwealth's 10-year infrastructure investment programme to complement the Budget, which shows a longer-term commitment out to FY2027-28 for infrastructure funding.

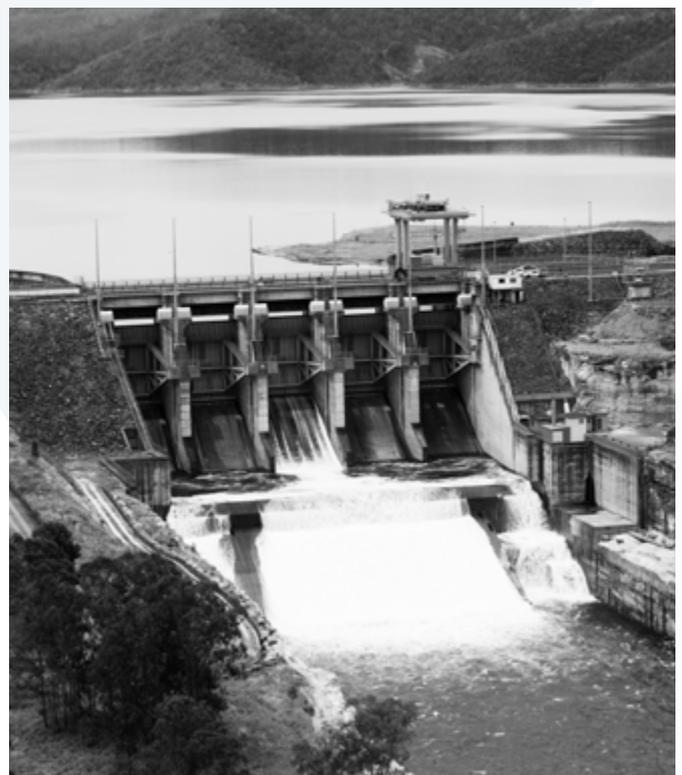
The largest proportion of Government infrastructure funding is towards transport projects. Much of the Government's planned investment is beyond the forward estimates or allocated through debt and equity allocations, rather than hard dollar grant funding. The Budget estimated that existing and proposed equity payments will total \$9.4 billion over the four years to FY2021-2022.

Significantly, the Budget confirmed a \$5 billion commitment for the [MARL](#), which has now been matched by the Victorian Government. It is also expected that private finance contributions will also be used to deliver the project. Although, the Commonwealth Government accounted for its \$5 billion contribution to MARL as grant funding, it has also expressed a desire to make an equity contribution or use another public financing mechanism for the project. The exact nature of the funding partnership between the Commonwealth and Victorian governments is yet to be made clear, but we note that a rail project of this nature would usually attract grant funding, rather than an equity investment which requires a return. Passenger rail in Australia typically requires a 75 per cent public subsidy to operate, excluding the substantial upfront capital cost, so while it is sensible to pursue economically viable rail connections to airports,

public finance cannot fill the funding gap required to make these projects provide a viable financial return.

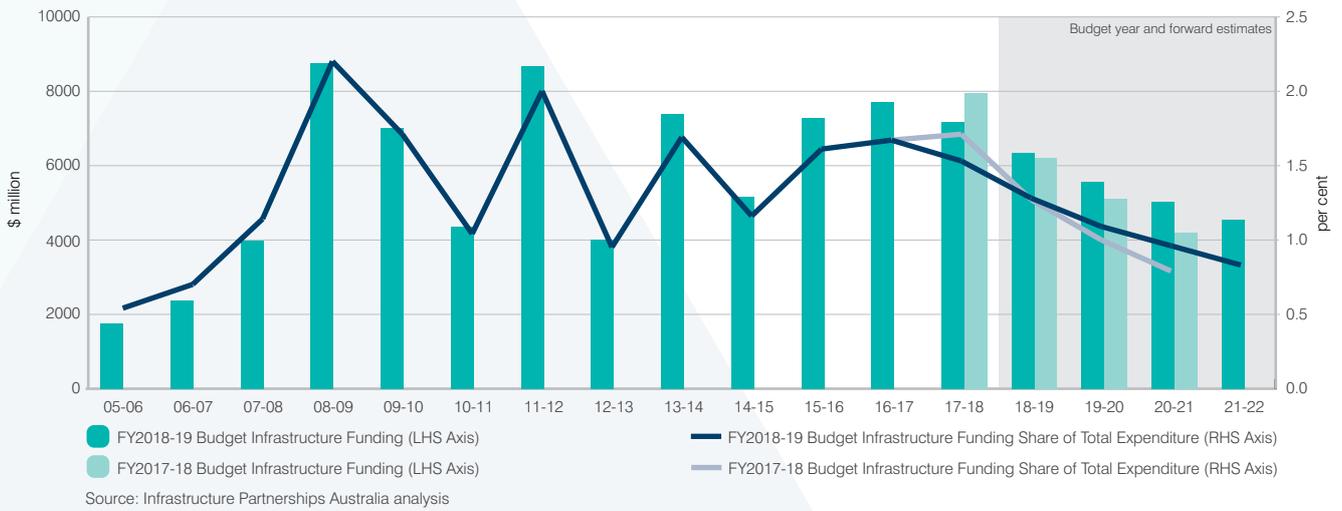
Also in rail, the 2018-19 Budget outlines that the Commonwealth and New South Wales governments will be equal partners in funding the first stage of the [North South Rail Link](#) (NSRL) connecting Western Sydney Airport with St Marys in Sydney's west. The Commonwealth Government will contribute up to \$50 million towards the development of a business case for Western Sydney Rail, which includes an investigation of the NSRL connection from Schofields to Macarthur. This business case funding comes as part of the Western Sydney City Deal.

The 2018-19 Budget also recorded the Commonwealth's recent purchase of the remaining stakes in Snowy Hydro, with a circa \$4.2 billion payment to the NSW Government which owned 58 per cent and \$2.1 billion to the Victorian Government which owned 29 per cent. The acquisition of Snowy Hydro prepares the Commonwealth to pursue a potential expansion of the Snowy Hydro scheme, under [Snowy 2.0](#) project.



6. Funding provided to the states for infrastructure under payments for specific purposes.

Figure 12: Commonwealth General Government Infrastructure Funding



Commonwealth infrastructure statistics:

Value	Description
1.04%	Share of budget dedicated to infrastructure
1.56%	Decade average share of budget dedicated to infrastructure
\$21.47b	Total infrastructure funding over forward estimates
-\$2.02b	Decrease this budget

Major new funding allocations for the Commonwealth:⁷



RAIL

\$5 billion

Melbourne Airport Rail Link (VIC)



ROAD

\$971 million

Pacific Highway – Coffs Harbour Bypass (NSW)



ROAD

\$3.3 billion

Bruce Highway (QLD)



RAIL

\$1.05 billion

METRONET (WA)

7. Note that the funding profiles for these projects are not available, and these figures are allocations over the next ten years.

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