

Standing Committee on Finance and Public Administration

ANSWER TO QUESTION ON NOTICE

Supplementary Budget Estimates Hearing – October 2009

Department of Finance and Deregulation

Finance and Deregulation Portfolio

Outcome 1, Program 1.1

Topic: Finance's involvement in costing and analysis of Nation Building Plan for the Future measures

Question reference number: F53a to F53g

Type of Question: Hansard F&PA Page 54 and Page 55, 20 October 2009

Date set by the committee for the return of answer: 4 December 2009

Number of Pages: 3

Senator Coonan asked:

What was Finance's role in any costing or financial analysis in respect of the Nation Building Plan for the Future projects announced in the 2009-10 Budget?

The projects that had been recommended with 'real potential', which were the words used, but nonetheless had not been fully assessed by Infrastructure Australia, How would each project estimate have been arrived at?

There are two other projects that also received funding that were not endorsed by Infrastructure at all. If these two projects were not recommended by Infrastructure Australia, how would Finance approach the costing to allow those matters to proceed?

Did Finance cost the remaining seven projects, how was it determined how much should be contributed by these funds?

Is it usual that funding would be committed for five of these projects despite the recommending body, Infrastructure Australia, clearly saying that further project development and analysis was required?

Answer:

The projects in the Nation Building Plan for the Future measures involve the Commonwealth providing financial contributions towards projects proposed by State and Territory Governments.

The development and estimation of project costs are initially the responsibility of the project proponents. For projects funded under the Building Australia Fund (BAF), Infrastructure Australia (IA) undertook analysis of the benefits and costs of the projects. IA has a statutory function under the *Infrastructure Australia Act 2008* to evaluate proposals for investment in, or enhancements to, nationally significant

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infrastructure. Under the *Nation-building Funds Act 2008* the Minister for Infrastructure, Transport, Regional Development and Local Government must not make a recommendation for a payment from the BAF unless IA has advised that a payment satisfies the BAF evaluation criteria (Attachment A). As stated at the Committee meeting, Finance relied on the analysis done by IA.

The projects proposed to be funded from the BAF are:

- Victorian Regional Rail;
- Victorian East West Rail Tunnel;
- Hunter Valley Expressway;
- Kempsey Bypass (Pacific Highway);
- West Metro (next steps);
- Gold Coast Light Rail (initial equity);
- Ipswich Motorway;
- Gawler rail electrification;
- Noarlunga Rail;
- Oakajee Port(equity); and
- Darwin Port (equity).

The BAF projects listed in the Budget included both IA Board approved projects and projects subject to IA Board approval. The Budget is a statement of intentions and the Government included those projects subject to IA Board approval in the Budget to project the most accurate forecast of fiscal estimates. All budget proposals are subject to proposed expenditure meeting the necessary program terms and conditions before expenditure is made. In this case, a positive IA Board recommendation remains a requirement before any Commonwealth BAF funding is provided.

The non-BAF projects are:

- Brisbane Inner City Rail Feasibility Study;
- O'Bahn Extension;

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- Northbridge Link; and
- Bruce Highway (Cooroy to Curra B).

Estimated costs of projects were provided to the Department of Infrastructure, Transport, Regional Development and Local Government (DITRDLG) by the relevant State Government agencies undertaking the projects. Finance received total project cost estimates and a description of the projects from DITRDLG. Finance worked with DITRDLG to finalise the grant estimates so an agreed costing of the grant level could be put to the Government ahead of its consideration. The value of the grants are based on the estimated funding requirement as discussed with the States and Territories.