

# FINANCIAL REVIEW

## News

### Project blitz to help soft economy

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#### Exclusive

The Morrison government is examining which public infrastructure projects can be rolled out faster than scheduled to support the economy through a soft patch.

The government is looking into small-to-medium projects such as roads, railways and local community infrastructure that could begin sooner than originally planned, government sources said.

The potential acceleration of infrastructure spending could complement the government's planned income tax relief and the Reserve Bank of Australia's interest rate cut last week that is likely to be followed by another rate cut to 1 per cent in the next couple of months.

The bringing forward of shovel-ready infrastructure projects comes after annual economic growth fell to a nine-year low of 1.8 per cent in the year to March 31.

To ease the burden on monetary policy, RBA governor Philip Lowe has called on federal and state governments to consider greater infrastructure investment and economic reforms to help lower unemployment, lift wages, boost inflation and drive economic growth.

Any acceleration of public infrastructure spending is unlikely to include mega projects that cannot be rolled out quickly and cost the budget large amounts of money and would risk the government's election commitment to deliver budget surpluses from 2019-20 onwards.

Last month's jump in the iron ore price to above \$US100 a tonne - due to a mine outage in Brazil - will deliver the government a temporary tax revenue windfall for 2018-19 and at least the early months of next financial year.

ANZ chief economist Richard Yetsenga said the government's fiscal position was improving so it could

afford to provide more fiscal support to help the RBA, which is running out of space to cut interest rates.

"Public and private infrastructure spending across the economy is already high at about \$20 billion a year, but there is a bit more space for infrastructure investment," Mr Yetsenga said. "But the infrastructure sector has been displaying capacity constraints with cement hard to get hold of."

The Morrison government has earmarked \$100 billion for infrastructure spending over a decade, but less than half of that is due to be injected into the economy over the next four years.

Treasurer Josh Frydenberg hinted at efforts to accelerate "shovel-ready" projects following the release of subdued GDP growth figures.

"Where projects can begin, they will begin," Mr Frydenberg said last week.

"We're always looking for opportunities to bring infrastructure projects on line.

"But you've to tick the boxes, do the business cases, get planning approvals and the personnel to build these projects. It's sometimes difficult to get all the major inputs you need for these projects."

Mr Frydenberg urged the Victorian Labor government to support the East West Link road, for which the Morrison government has pledged \$4 billion.

The government is declining to use the word "stimulus", a connotation associated with the Rudd government's massive \$52 billion stimulus in response to the global financial crisis in 2008-09, including the controversial building of school halls, pink batt installations and \$900 cheques to households.

The government's independent adviser, Infrastructure Australia, in February published a project priority list.

High-priority projects that could be built in the near term included the M4 Motorway upgrade in outer-

western Sydney, M80 Western Ring Road upgrade in Melbourne, the Brisbane Metro and the METRONET in Perth.

The federal government would require the assistance of state and local governments to speed up infrastructure building. These provincial governments receive commonwealth grants for infrastructure and are often responsible for delivering the construction.

The RBA's Dr Lowe said last week because monetary policy had limitations federal and state governments could consider fiscal support, "including through spending on infrastructure".

"This spending not only adds to demand in the economy, but it also adds to the economy's productive capacity. So it works on both the demand and supply side," Dr Lowe said.

"Another option is structural policies that support firms expanding, investing, innovating and employing people."

Group of 20 finance ministers and central bank governors in Japan on the weekend said infrastructure is a driver of economic growth and prosperity.

"An emphasis on quality infrastructure is an essential part of the G20's ongoing efforts to close the infrastructure gap," the G20 said. "In this context, we stress the importance of maximising the positive impact of infrastructure to achieve sustainable growth

and development while preserving the sustainability of public finances."

Finance Minister Mathias Cormann said on Monday the Australian economy faced "downside risks".

"The Australian economy is an open trading economy.

"We are part of the global economy.

"Whatever risks are faced by the global economy are relevant to the Australian economy, which is why it is so important that we continue to do everything we can to put ourselves in the strongest possible position domestically, which is why it is so important that we pass our income tax relief plan in full."

Mr Frydenberg has urged Labor to support the government's \$158 billion in personal income tax cuts, including rebates of up to \$1080 for low-to-middle income earners who would receive the refunds after filing their tax returns.

The Treasurer has argued the immediate tax relief will support the economy in the near term, and the flattening of the income tax scales from 2022 and 2024 will be a structural reform to boost work incentives and lift productivity.

Ultimately, 94 per cent of taxpayers would face a top marginal income tax rate of 30 per cent from July 2024.