

More on the SRL – Living in Fantasy Land

Dr Eric Keys' opinion piece "*I'm a planning expert and have reviewed the SRL business case. It's no wonder the feds won't fund it*" In THE AGE - December 2, 2024. This article said all that was needed to bury this project as a monstrous white elephant, but it did not stop several "experts" promoting it on ABC.

Eric is correct when he states that a project must provide value for money and be compared to alternative options. There are well documented procedures for evaluating capital investment. The first capital investment manual for Vic Rail many years ago was developed to provide a rational basis for establishing priorities for capital investment, to ensure scarce capital funds were spent in areas of greatest need, provided greatest return on investment consistent with the corporate plan. It was also designed to take out the politics and reduce opportunities for political pork barrelling. The manual was later updated by VLine and became the model for the state government.

One of the essential requirements in the evaluation process is to compare a project proposal – not only with other options but also to a base case which in most cases is do nothing. As Eric correctly points out this is missing for the SRL despite the fact that far better options are available, such as the development of an integrated transit network based largely on buses. The government clearly fails in both respects but to proceed before outstanding evaluation and funding processes have been properly completed is of great concern and an abuse of proper process.

If capital investment priorities had been established with the appropriate knowledge and expertise by the relevant department, the SRL would never have been promoted. Instead this project was developed in secret by the premier as a political project and progressed without the relevant checks and balances.

What has not been discussed or challenged by anyone to-date that I am aware of is the underlying assumptions on which the business case is based: that is the need to plan for continuing population growth and a city population of 8 million by 2050 and the inherent risks associated with this project. Both are critical and are discussed below.

One has to ask how this figure of 8 million was arrived at and how it can be justified. This is fundamentally important – not just for the transport portfolio but planning for all government portfolios.

Population forecasting has always been difficult, being subject to a range of factors, many of which are outside the control of government. Some of these disrupters were listed in the TfM paper **A Review of Plan Melbourne 2017-2050** which are repeated as follows:

- Climate action failure
- Extreme weather
- Biodiversity loss
- Social cohesion erosion
- Livelihood crises
- Infectious diseases
- Human environmental damage
- Natural resource crises
- Debt crises

- Geoeconomic confrontation and wars.

All of these have seriously disrupted economic and population growth in the past and will do so in the future although it is likely that many will occur simultaneously and their impact will be mutually reinforcing. We are seeing increasing evidence of this throughout the world. The Review of Plan Melbourne 2017-2050 discussed three areas of concern ie food security, liveability and transport sustainability.

Since the GFC, the federal government has avoided recession by using immigration to stimulate an otherwise ailing economy. Without it population growth would have been close to zero, but despite the population stimulus real wages and productivity per capita declined during this period and delivery of essential services and physical infrastructure, including housing, which are essential for maintaining the liveability of our city and country generally failed to keep pace with population growth. This resulted in a steady decline in liveability for the country as a whole, increased inequality and other social problems, a trend that is likely to continue in the future.

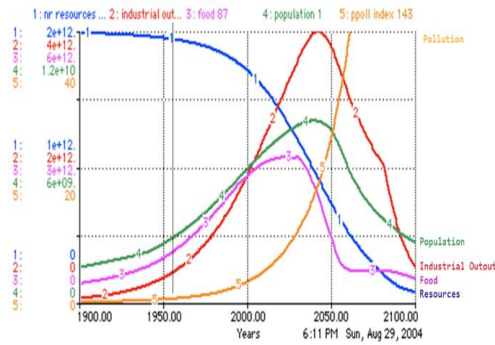
Australia copied this policy from the UK Blair government which is paying a huge price. The new PM has declared the UK economy broke and broken. New Zealand appears to have followed a similar path and is now in recession. Government responses to the Covid pandemic made matters worse and in Victoria the cost has been high, however borrowings and asset sales (Port of Melbourne etc) which had been reliable sources of government revenue and the increased repayments on borrowings have weakened government finances and reduced its capacity to respond to another crisis. This has occurred at a time when the global economy appears to be slowing with the potential for further disruption that may result from a financial crash within the US. It is difficult to predict when a crash will occur.

Like most financial crashes these can occur suddenly with little warning. Economic commentators have been warning that US debt levels are so high that a crash is inevitable and may occur as soon as 2025, compounded by the establishment of BRICS and a selloff of US bonds, particularly by nations like China and the increasing reluctance of nation states to buy new ones to finance US debt. Sanctions, tariff wars and the risk of conflicts in the middle east developing into a regional war that could become nuclear have consequences for all economies including Australia.

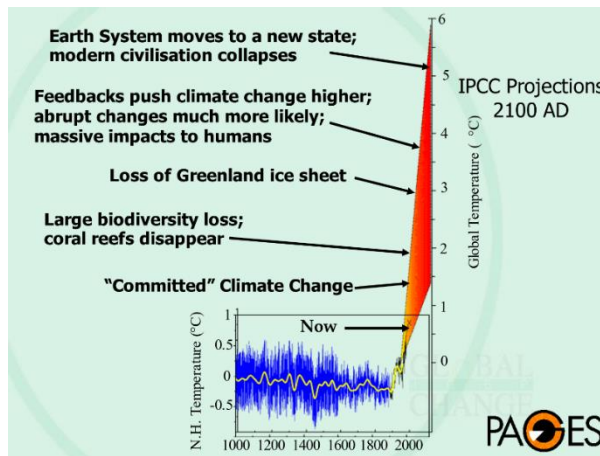
These are short term risks but the longer term is more challenging. Governments are increasingly exposed to an array of environmental pressures linked to resource depletion, environmental degradation, species loss, pollution etc which were the subject of Limits to Growth, the first report to the Club of Rome in 1972, and climate change and global warming, the impacts of which are becoming increasingly apparent and will make the planet's increasingly hostile and reduce its capacity to support all forms of life, including the human species.

Some of the important environmental indicators and trends provided below have been taken from presentations made by Dr Graham Turner (CSIRO Canberra) and Prof Will Steffen at the Sustainable Cities Sustainable Transport forum in 2009, and the situation has deteriorated since.

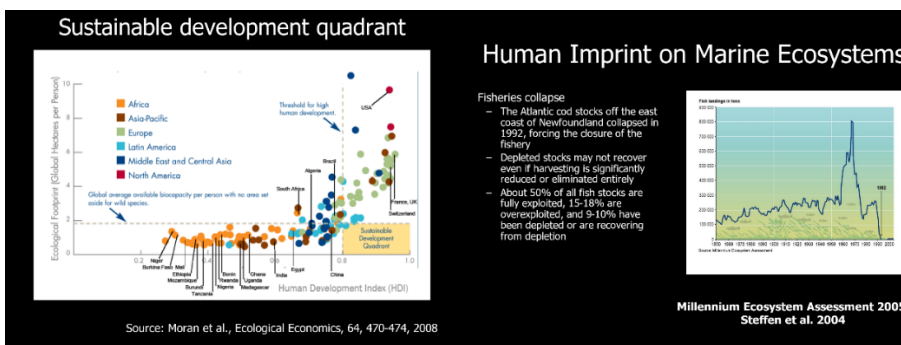
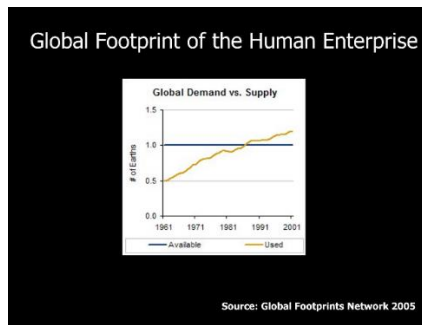
For those who are not familiar with the Limits to Growth report to the Club of Rome in 1972 we are still tracking the Standard Run below.



Global warming projections presented by Prof Will Steffen at the sustainable cities forum in 2009 are also critical. At this stage scientists tell us the best we can hope for is a 3 degree warming, which for Australia is 4 degrees which is unliveable.



The figures below highlight the extent to which humanity is living beyond the means of planet earth to support us.



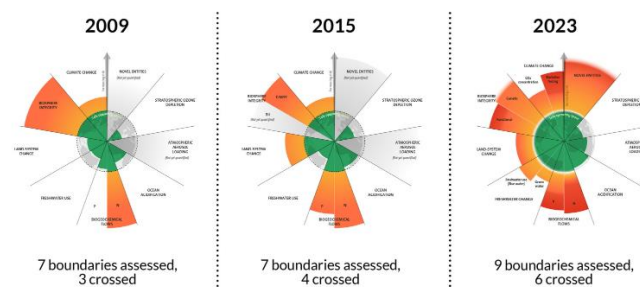
Source: Moran et al., Ecological Economics, 64, 470-474, 2008

Millennium Ecosystem Assessment 2005, Steffen et al. 2004

As Steffen noted in his presentation, human activity has created a state of “overshoot”, which is increasing as the global population continues to grow and consumption of the planet’s natural resources increases at a rate that can only be maintained by mining the planet’s natural resources”, physical and biological.

No government is meeting its environmental targets and the magnitude of overshoot continues to increase. Governments’ main focus is geophysical ie reducing greenhouse emissions. Targets for these are not being met and for transport the trends are heading in the wrong direction. But this is only part of the problem. Actions to respond to the degradation of the biosphere are more critical and the biosphere will soon overtake the geosphere as the main driver of climate change and global warming, but this is not the whole story either.

In September 2023, a team of scientists quantified, for the first time, all nine processes that regulate the stability and resilience of the Earth system. These nine Planetary Boundaries were first proposed by former centre director Johan Rockström and a group of 28 internationally renowned scientists in 2009. The Planetary Boundaries are the safe limits for human pressure on the nine critical processes which together maintain a stable and resilient Earth. The 2023 update not only quantified all boundaries, it also concluded that six of the nine boundaries have been transgressed.



Crossing boundaries increases the risk of generating large-scale abrupt or irreversible environmental changes. Drastic changes will not necessarily happen overnight, but together the boundaries mark a critical threshold for increasing risks to people and the ecosystems we are part of.

Planetary Boundaries are interdependent, meaning that if we cross one Boundary, we will affect others, or even cause them to cross out of the safe operating space. The state of the environment has continued to deteriorate since 2023. The latest research in 2024 reveals with current global warming levels, we are already within the uncertainty range for 5 tipping points. The Paris Agreement's target range of 1.5-2°C of warming still puts us at risk of crossing 6 or more tipping points, including ice sheet collapse and widespread permafrost thaw. **Crossing these tipping points will change the world as we know it.**

So there will be a series of corrections which will have profound implications for all human societies. Collapses of this kind have occurred on numerous occasions throughout the course of human history and the impacts have been documented. In many cases these occurred suddenly and this is likely to be the case again and occur initially on a regional scale that could quickly become global. Impacts will be felt most in areas on the margins. In this respect Australia, with its relatively dry and variable climate is particularly vulnerable. Long and severe droughts have always been a feature of the Australian countryside and severely impacted Australia’s main food bowls. The impact of the last drought in south east Australia left the Murray Darling river system severely weakened, and it may

not recover from the next. If this happens Australia's main food bowl may be lost and food security will become a major issue.

Adapting to these pressures will become increasingly challenging and put all communities, and the governments that represent them under increasing pressure. In short, all communities and governments will be forced whether they like it or not to adapt to an increasingly harsh and hostile world, one which will make life increasingly difficult, forcing people to do more with less, a world that supports fewer and fewer people. **This is the future we need to plan for.**

Risks associated with the SRL are obvious and profound. In the short term it will divert precious funds away from works of a much higher priority, both of a capital and recurrent nature, but it will weaken government's capacity to respond to a growing array of challenges that will be increasingly driven by environmental factors. There are many ways transport outcomes can be improved for our city that not only cost less but can be implemented quickly or in some cases almost immediately. Some of these measures can help shape the development of the city in a way that is better able to adapt to the future we must plan for.

Mega infrastructure projects like the SRL have long lead times and there is a risk that by the time it is completed the project will no longer be of value, and will be overtaken by other priorities. We are seeing evidence of this today in the form of a housing crisis but there will be others such as food and water security to name a couple.

There is also a risk that growing financial pressures and the debt burden will be such that government funds will not be available to complete the project. The impact of a major recession, another pandemic and other events listed earlier etc which are very likely if not inevitable in the long run would dramatically impact government finances, and would not be helped by major cost over runs, which are also inevitable for projects such as this.

As noted above progressing the SRL creates opportunity costs ie in terms of benefits that can be realised by far better projects but may also compromise government's ability of carry out works and services that address critical issues such as food and water security and renewal of other critical infrastructure that has reached the end of its economic life and becomes increasingly costly to maintain. The government is already struggling to maintain essential infrastructure, particularly country roads and is raiding funds from agencies such as the TAC to balance its books and pay for essential services.

None of the issues/risks above have been taken into account in the state government's population forecasts. Government thinking is silo thinking, living in a bubble ignoring what is happening in the real world. It is thinking based on a fantasy land in which growth and business as usual can continue indefinitely.

So how should government plan for the future?

TFM has provided many ideas on this ever since it was established more than 11 years ago. These have been discussed in our forums, with practical proposals for implementation. Transport planning must be an integral part of the city plan which exists within a larger social/economic/political/environmental system in which environmental pressures increasingly dominate – ie it cannot be carried out in a vacuum in the way it is by transport and policy makers today.

Given the increasingly uncertain future we must plan for, government policies should focus on measures and investments which generate a high rate of return in terms of social and economic benefit, delivered as quickly as possible at minimal risk.

Environmental pressures are also forcing societies to do more with less – the subject of our latest forum in November 2024. This includes travel and the transport of goods and services. The bottom line is the imperative to travel and transport goods and services less, over shorter distances, less often as well as more efficiently, and do this in a way that places less demand on supporting infrastructure and services. Governments must therefore plan for de-growth – something that will be forced upon all societies whether they like it or not. The evidence is clear but politicians and most of the community are living in a fantasy land and refuse to believe it.

The implications for transport policy are profound, and require a fundamental change in mindset, one that is totally at odds with government policy thinking today. The social and economic challenges ahead are daunting. It is time governments faced this reality and developed an adaptation strategy based on more frugal use of the planet's resources and degrowth.

All of this must be taken into account in the city and transport plan – one without an SRL.