



Déjà Vu In Dan Andrewstan

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“For those of us who are old enough to remember it is starting to feel like 1990 has come again,” James Campbell, the National Political Editor of the *Herald Sun*, [wrote this week](#) regarding the state of affairs in Victoria.

The re-introduction of Stage 3 lockdowns in Victoria should be of concern to all Australians. Not only has the Victorian Labor government completely botched the handling of the COVID-19 lockdown, but it has mismanaged the state’s finances for years on fantastically expensive infrastructure programs.

This meant that the Victorian economy was structurally weak going into the COVID crisis, with a high reliance on mass migration, international students, and construction.

If the original COVID lockdown, which was already the most draconian in the nation, pushed the Victorian economy to the brink, then this addition six weeks will push it over.

To give a sense of the scale of the infrastructure programs in Victoria, based on official estimates there are currently some 150 major transport projects being constructed or scheduled to be

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constructed in Victoria with a total estimated investment value of \$74 billion.

Many of these projects seem to cost more in Victoria than anywhere else in the world.

The Metro Tunnel project – a CBD rail project – will cost \$1.22 billion per kilometre of track. The similar UK Cross Rail in the heart of London will only cost \$0.33 billion per kilometre.

A labourer in Melbourne costs more than Toronto, Munich, Amsterdam and London. For example, an entry-level labourer with just three months experience receives a \$143,199 annual wage on the CityLink Tulla Widening project, which is a major road project.

And removing a level crossing cost \$80 million five years ago, whereas it now costs \$250 million to \$300 million each time.

The proposed Suburban Rail Loop is the exemplar of the extent to which Victoria is broken. In 2019 the Victorian government blithely committed to building a 90 kilometre underground heavy rail suburban loop Lline, with no published studies or identified funding sources. At the time the headline cost figure of \$50 billion was presented as emblematic of the Government's vision rather than a deep cause for concern.

The financing requirements for a project on this scale is leading the Government into uncharted territory. Alone among the Australian states, and against the wishes of the federal government, the Andrews Government has committed to the Chinese Government's One Belt, One Road scheme, which is just one aspect of China's broader geopolitical strategy of expanding its global influence.

Under the CCP's scheme, China provides funding for infrastructure around the world and, in return, they can receive an ownership stake and access to the key construction and related contracts.

As a colony and a State, Victoria has endured three great economic crises: in the 1890s after the land boom, in the 1930s when the stock market crash and economic collapse left it struggling to service borrowings, and in the 1990s in the aftermath of the Cain-Kirner government (1982-1992) spending splurge and financial mismanagement when the State Bank of Victoria had to be sold and there were severe credit rating downgrades. In each case, much of the debt burden could be directly attributed to capital expenditure and operating subsidies for public transport networks.

Now, history is repeating

Victoria is currently spending upwards of a billion dollars more than it earns each month.

The result is 100 billion of debt *before* COVID spending is factored in.

Don't think for a moment that a collapse of the Victorian economy can be quarantined like a coronavirus patient.



Firstly, the Victorian economy is the second-largest in the nation. Any downturn will reverberate to other states due to factors such as cross-border supply chains.

Secondly, the structure of Australia's federation means that a federal government — which, in practice means the other states — bail-out of a failing state is baked-in.

According to the 2019-20 Victorian budget, some 52% of the government's revenue is funded by the Commonwealth with 28% coming from the GST and 24% from other grants.

A collapsing economy means collapsing revenue which means the federal government will distribute more money to Victoria through the GST system at the expense of better performing states.

Victoria is currently being treated as a pariah, but it will soon become apparent to the rest of Australia that isolation is not an option.

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