



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Inquiry into federal road funding

CANBERRA

Friday, 27 June 1997

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND
MICROECONOMIC REFORM

Members:

Mr Vaile (Chair)

Mr Albanese	Mr Peter Morris
Mr Ross Cameron	Mr Neville
Mrs Crosio	Mr Randall
Mr Hardgrave	Mr Tanner
Mr Lindsay	Mr Wakelin
Mr McArthur	Mr Willis
Mr McDougall	

The Commonwealth, under its roads program, provides funds to the States and Territories for the National Highway and Roads of National Importance. The Committee is asked to:

1. Review the Commonwealth role in road funding and identify the most effective means of fulfilling that role;
2. Assess the adequacy and extent of the National Highway as currently declared in meeting the objective of providing a national road system that meets the needs of industry and the community;
3. Assess the level of funding required to adequately fulfil the Commonwealth role. This should take into account the current condition of the asset, depreciation and maintenance requirements, as well as new investment required to meet demand growth, changes in technology (especially increased weight limits for heavy vehicles) and community expectations of road standards;
4. Examine whether current administrative arrangements have an adequate performance focus, promote effective and efficient use of funds and adoption by States and Territories of best practice, and provide an effective Commonwealth/State interface; and
5. Assess the scope to supplement Government funding through innovative arrangements for private sector involvement in the provision and maintenance of roads infrastructure and the scope for pricing of road services to reflect full resource costs.

In undertaking this review the Committee is to take into account the National Commission of Audit principles of clarifying the roles and responsibilities of Governments with the overriding objective of improving the outcome to clients and achieving value for money for the taxpayer.

CONDITIONS OF DISTRIBUTION

This is an uncorrected proof of evidence taken before the Committee. It is made available under the condition that it is recognised as such.

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Present

Mr Vaile (Chair)

Mr Ross Cameron

Mr Peter Morris

Mr Lindsay

Mr Randall

Mr McArthur

Mr Wakelin

Mr McDougall

Mr Willis

The committee met at 9.05 a.m.

Mr Vaile took the chair.

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform inquiry into federal road funding. The Canberra hearings, which conclude today, will complete the committee's 14-day program of hearings and inspections covering all states and territories. In addition to receiving evidence from national peak bodies and government agencies, including the Australian Automobile Association and the Office of National Tourism, today's hearing will allow the ACT government the opportunity to present its views on road funding, as have all other state and territory governments over the last few months.

The committee is investigating the underlying principles for funding Australia's national road system. I should emphasise at this point that in addressing the terms of reference, the inquiry should not be seen as a forum for advocating the funding of specific road projects.

On behalf of the committee I welcome everyone appearing before the committee today. Before proceeding, I wish to advise all witnesses that although the committee does not require evidence to be given under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. However, the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament.

LEUNG, Mr Leslie, Senior Engineer, Pavements, ACT Department of Urban Services, 12 Wattle Street, Lyneham, Australian Capital Territory 2602

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WOLFE, Ms Jane, Director, Infrastructure, Roads and Transport, ACT Department of Urban Services, 12 Wattle Street, Lyneham, Australian Capital Territory 2602

CHAIR—I welcome the witnesses appearing on behalf of the ACT Department of Urban Services. We have received your submission. Would you like to make a brief opening statement?

Ms Wolfe—Yes, thank you. As outlined in the ACT government's submission to this committee, the ACT government is recommending that this committee recommend to the Commonwealth Grants Commission that they assess a national capital allowance for the road network system in the ACT, including recognition of special fiscal needs for the capital costs associated with the national capital plan.

We recommend that the following national highway system objective be added to those already applying—to take account of particular anomalies, including state and territory physical and political boundaries which impact adversely upon efficient national resource allowance, international trade competitiveness, safety and reliability of access, regional development, or ecologically sustainable development.

We ask that this committee urgently bring to the attention of the committees dealing with the Sydney to Canberra high speed train options and the Federal Airports Corporation feasibility study on upgrading Canberra airport to international standard, the limiting impact which the current NHS objectives and extent has had on the capital region's true economic growth potential so that they may take those limitations into consideration in their deliberations.

We ask that the NHS be redefined or extended to include links which contribute to national development, specifically through strengthening regional development. We ask that the NHS be further extended to help facilitate links to major overseas and interstate transport terminals and that the NHS be extended within the ACT borders to include, firstly, Northbourne Avenue into the city and, secondly, Majura Road and road linkages to that part of the Monaro Highway which extends into Fyshwick.

In summary, in identifying the most effective means by which the Commonwealth can fulfil its role in road funding, the ACT government would propose that as the ACT government has had a close working relationship with the federal government in the federal road funding arrangements that have applied to date, and officers of the two governments have worked together in determining the needs of the territory under the arrangements in recent years, all things being equal, the ACT would like to see the same cooperative arrangements continue.

However, given its unique status as the national capital and seat of government, the ACT would like to see the Commonwealth more involved in funding works on major regional roads and providing satisfactory

funding levels to the ACT government to maintain and develop the existing road network system in Canberra.

CHAIR—Your submission notes that the Commonwealth should extend its funding involvement in roads to include roads of regional importance. Would you like to elaborate on that?

Mr Palmer—The ACT, being very small compared to other states, is somewhat disadvantaged in that its major roads tend to have more of a regional focus even though they are carrying a lot of traffic into Canberra which is the nation's capital. Many people visit Canberra from the region and from the other states by travelling on roads that are actually not classified as national highways. For instance, roads leading into Queensland, the road to Darwin, the road to Sydney and the road to Melbourne are all covered by the national highway system. In the ACT, we do not enjoy quite that same privilege. Our network stops somewhat out of town. It does not get you to the commercial hub. It does not get you to the national capital attractions; it does not get you to Parliament House; it does not get you to our major freight terminals, the airport or any of the major connectors to serve commerce and industry better.

Our concern is with our smaller nature and our late entry into the scheme. The ACT enjoyed federal funding completely up until self-government and then went through a period of no funding on what is now the national highway network until 1994 when the Commonwealth accepted full funding responsibility for the current 19 kilometres of national highway system. Now we do enjoy a parity with the states but for a little while there was no funding.

One of our difficulties is that New South Wales sees the regional roads in a state priority system and we try to focus on the importance of the national capital as part of New South Wales.

CHAIR—Ms Wolfe mentioned that the national highway system does not connect with the city. You wanted to see it extended down Northbourne Avenue into the centre of the city. Where does it actually end? At the border?

Mr Palmer—At the common boundary. Where the Federal Highway comes down to meet the Barton Highway at a point some five kilometres out of town, at that common junction is where the highway stops.

CHAIR—Are you suggesting that the national highway within the network should be continued right in and through the city?

Mr Palmer—At least to the CBD. We are also looking at the need for connection with what is becoming slowly but surely the bypass of Canberra, the Monaro Highway. I am not sure how much local knowledge the committee enjoys but, to the east of Canberra, we have a road called Majura Road which runs past the airport, connects to the Federal Highway and ultimately connects through to the snowfields. It goes through our Fyshwick industrial estate, which is a major transport hub, and past the airport.

CHAIR—Do you find that that road carries a lot of the transport operators rather than them coming through the centre of the city?

Mr Palmer—It is carrying an increasing quantity of transport and it is not in a good state at the

moment. There are a couple of intersections along that way that were not designed for what is now being asked, particularly as the NRTC is moving to increased loadings on B doubles and the like.

CHAIR—Has there been any planning undertaken by the ACT government with regard to upgrading Majura Road?

Mr Palmer—It is something that we wish to do. At the moment, it is something that is probably beyond our means.

CHAIR—I am only talking about planning or design work. Has there been any preliminary work done?

Mr Palmer—There has been work done on what we are calling an eastern parkway and there are notional road reserves to that end. The next group to give you a submission, the National Capital Authority, sets our planning requirements for those broader structural issues and have had on their plans notional alignment for that road.

CHAIR—In terms of economic value though, if you talk of freight hubs at airport and the industrial area at Fyshwick, that would be the logical route and then connecting—

Mr Palmer—Absolutely, yes.

Mr McDOUGALL—Being an outsider, what I am trying to understand about the ACT is that when one comes in here and looks at the roads you wonder why you need any new roads with the amount of traffic that we see. What is your biggest cost problem? Is it capital funding for the future and future planning or is it maintenance?

Mr Palmer—Both. The roads are there for the long haul. We recently made a submission to the Grants Commission. Our concern is that we have been given a lot of road by the federal government but, unfortunately, a lot of it was not built all that well and the maintenance cost of that has been coming increasingly to our attention. It is significantly high and there are a number of factors in that.

I do not want to go into all of the details associated with that, but one very important factor is that the Commonwealth government did not create any load limiting legislation during its management of the territory. It was not until the ACT government came into force that there were load limiting laws. So we had trucks that were able to be totally overloaded and uncontrolled. That caused a lot of damage on our roads.

I am not going to go into the conjecture as to why the Commonwealth did not do that. I just make the comment that it did not. Within 12 months of self-government, we had legislation to limit weights on trucks. That, I am sure the committee would be aware, is the damaging component. The overloading of trucks has caused a lot of damage to our roads.

We have a lot of good looking roads, yes. We have smooth surfaces on our roads but, unfortunately, some of the pavements are not thick enough for the heavier trucks. It has essentially been forced upon us by

other legislators that we have to carry these heavier trucks.

Mr McDOUGALL—Ms Wolfe, in your opening comments, you made some comments in regards to the Grants Commission. What is the relationship of your problem with the Grants Commission and that maintenance issue?

Mr Palmer—We are concerned that the Grants Commission needs to allow a national capital factor. We think Canberra has an importance to Australia, so it needs to be given a greater emphasis than the other states. We think the things that have been imposed upon Canberra, as the territory of the Australian capital, have not been dealt with in the funding formulae.

Mr McARTHUR—Leading on from that question, how is the ACT now handling a more normal funding regime compared with the largesse of the Commonwealth government over the last 30 years? How are you able to cope with more normal road funding arrangements? The roads in the ACT strike me as being the best and most extravagant in Australia. How are you now coping with a more normal funding regime?

Mr Palmer—We are struggling. In 1992, we undertook a survey which indicated that, compared with peer cities like Wollongong, Newcastle and others, the ACT were spending significantly less.

Mr McARTHUR—You have an infrastructure that most capital cities around Australia would give their eye teeth for.

Mr Palmer—We argue that it looks good, but it is costing us a lot to maintain. Unfortunately, it was built with some inherently poor design concepts. We have been given a road network that is meant to look smooth and drive smooth. Most other jurisdictions would probably have a chip seal and we tend to have a hot mix surface, which is very smooth. Unfortunately, it is not quite thick enough to withstand the heavy traffic.

Mr McARTHUR—So you are going to have to resurface the whole of the Canberra network, are you?

Mr Palmer—We are in the process of doing that in a programmed way. But we are unable to keep up with the demand that that network places on the small—

Mr McARTHUR—But you concede that there has been a largesse of funding for Canberra over the last 30 years?

Mr Palmer—I concede that we have a very inefficient road system that we are not continuing to construct. We have very grandiose roads. We have dual carriageway roads through suburbs that do not need to have them. It is very difficult to pull those roads out. We have very wide roads, but we have to pay for that. We were given these very, very wide roads, and we are now trying to find our way through the funding and maintenance of that wide network. Yes, it might look good, but it is not a very efficient use of our scarce resources.

Mr WAKELIN—In terms of pavement, as Mr Palmer just said, we have these wide roads and Mr McArthur has acknowledged that they all very good. Whenever you talk to anyone outside Canberra, they are

always very jealous of this wonderful system. How do you actually deal with the pavement in the management sense? Obviously, that is your expertise. In terms of the climate and what you have inherited in trying to deal with it, what are the specific management problems? How do you try, in a pavement sense, to address those specific issues of Canberra roads?

Mr Leung—The problem is at the moment that in most of the pavement work the level is controlled by the kerb and gutter on the side. What that means is, if the surface is damaged or distressed, we remove the surface and have to get a deeper surface with the hope that we have proper compaction underneath and then get a thicker surface to reinforce it. We cannot put an overlay on top of it because, if you keep an overlay on top, your surface drainage will have a problem and you can even cover the gutter. This is one thing.

In terms of the climate problem, we face important criteria because in the whole of the country we did enough research on hot weather climate and also in normal weather—Sydney and Melbourne—but cold weather climate we did not research. What we have to pick up is all the technology from overseas which might not be applicable in the Canberra situation. Most of the time we have to do a lot of pavement trials to see whether they are working for us. The trial takes a long time to see whether or not it will work. So after the trial and if it is working all right we then try a bit further. So bit by bit, we go in different stages.

Mr WAKELIN—I am also wondering, in the many decades before of the Commonwealth funding, whether someone had not rather extravagantly decided to do a bit of testing of various pavements and whether there was not something obviously standing out better than something else.

Mr Leung—It is a different technology. In 1987, the country decided to have one design—we call this a mechanistic design. Before then we used the empirical method, which means that you compact whatever gravel you can put in and then you put on the chip seal or a thin layer of asphalt. This will be fine for most of the highway systems.

After 1987, we used to calculate the stress in different moduli to see which way it will fail first. From that point onwards, we found out our pavement systems were not as good as they seemed to be. In the past, we put the gravel down and after that the National Capital Development Commission used a certain thickness such as two or three inches of AC surfacing. It was proven in today's technology that that contributed to the earlier failure of the pavement.

Mr LINDSAY—Is a possible solution to your funding of roads in the ACT disbanding the ACT government to become a city council?

Ms Wolfe—That is not a matter that we can comment on to this committee.

Mr LINDSAY—Have you measured road roughness in Canberra?

Mr Leung—Yes, we have.

Mr LINDSAY—How does it compare to the rest of the country?

Mr Leung—The roughness itself is not too bad in comparison to the other cities. Apart from the roughness, we also have another important factor; that is, cracking, which does not actually contribute to the roughness directly, but we got the earlier cracking with a very smooth surface.

Mr LINDSAY—Do you have any problems with bridges?

Mr Leung—We do not have many problems with bridges.

Mr LINDSAY—In your second recommendation—and I am just taking bits out of it—you have asked us to take account of particular anomalies which impact adversely upon a number of things. The last one is ecologically sustainable development. That is in the summary of recommendations and you are saying ‘anomalies which impact adversely upon ecologically sustainable development’. Can you explain that?

Mr Palmer—In the broad sense of the word, we are saying that if we have an efficient transport system, then it will be efficient for all aspects, including the sustainability of our ecologies; that a system that at the moment is allowing our major transport elements to have to go through the main part of town, as distinct from bypassing it, is not in the best interests of everybody.

Mr LINDSAY—Okay. The fifth recommendation, in the summary, says:

That the NHS be further extended to help facilitate links to major overseas transport terminals.

You did touch on that in your preamble. Can you elaborate on that in relation to what it means for Canberra? Where are the links to major overseas and interstate transport terminals?

Mr Palmer—Part of this submission is looking to the future. The ACT government has been very keen to establish an international airport and is looking very keenly to a very fast rail link to Sydney. We believe that the establishment of that sort of infrastructure within Canberra will take pressure off Sydney. We can handle those sorts of things in our environment perhaps more ecologically sustainably than can Sydney, which is relatively congested. There are talks of ports and fast sea movements out of Eden. Some of this is about the vision in the future, and it is in that broader context of trying to take Canberra forward.

Mr LINDSAY—Yes, I understand that. Thank you.

Mr WILLIS—If I could just make an observation, I would say that from my awareness of the road system in this territory the roads are comparatively very good but the footpaths are terrible. Perhaps that reflects the relative priorities that are appropriate for the area, where virtually no-one seems to walk. But, firstly, what do you get by way of identified road grants from the Commonwealth?

Mr Palmer—We get untied funding for the state type of roads and untied funding for the municipal type of roads. It is roughly \$17 million for those two categories. I cannot off the top of my head recall the breakdown. It could be \$9 million and \$8 million.

Mr WILLIS—In so far as part of that \$17 million is equivalent to identified road grants to the states,

don't you think that is meant to take account of roads of regional importance?

Mr Palmer—Absolutely—it is meant to. We argue that it is inadequate to do so.

Mr WILLIS—Every state argues that.

Mr Palmer—We are obviously consistent.

Mr WILLIS—But that is a Commonwealth contribution to roads of regional importance which you are asking us to formally accept some responsibility for.

Mr Palmer—Sure. Our argument to the Grants Commission was that the system we have is serving the nation as well as the people of Canberra, that it is serving the seat of government. One of the factors that we have argued in those submissions is that there is a justifiable case for additional funding to the territory to maintain these elements of the network, particularly those that are in the national capital interest.

Mr WILLIS—I suppose others would argue that the inherited asset was itself a great advantage and should not necessarily be followed by further advantageous payments. If that is the situation that you are putting to us, do you really think there is a case for us to be looking seriously at roads of regional importance, given that if we were to do that we would open up a tremendous number of requests from all around the country for roads of regional importance to be funded? It would be a major development, not just some partial additional thing, to go from the national highway system, roads of national importance, to roads of regional importance. That would be an unending bucket of money that would be sought from us.

Mr Palmer—Well the Pacific Highway has got itself up as a road of national importance—

Mr WILLIS—Indeed.

Mr Palmer—and some would argue that there is a regional impact as well.

Mr WILLIS—Every road has a regional impact.

Mr Palmer—We are trying to make the connection that national has a regional implication. With the roads that connect us to Sydney and Melbourne, one travels to the north when we are intending to travel to the south and, at the moment, that is a difficulty for Canberra. Canberra, as you are aware, was not built on a transport system. It was created and it is establishing its own transport system as it goes along. It suffers a bit in that historical sense. Sydney was always very much a transport centre. Every road left from Sydney whereas Canberra, as a railway system, was a branch line of a branch line. We struggle from the history of being out in a series of paddocks and having a large population dumped on them. It does not fit well in the region.

Canberra is a nationally important institution and I guess we are really interested in the Commonwealth government's interest in Canberra as the seat of government and in trying to fit it into the region in a national way. It is a matter of the connection between regionality and nationality; we are trying to

make a wider connection specifically for Canberra, given its importance to Australia.

Mr WILLIS—To what extent is your capacity to fund roads being affected by the continuing economic recession in Canberra and the likely continuance of it under present policies?

Mr Palmer—There are a lot of wide issues in there that I am not at liberty to discuss. This year the ACT government has put a sizeable amount of capital works towards roads, recognising their importance, perhaps more so than we have in the last couple of years. It is what commerce is all about; it is something that we take for granted—this is from an ACT perspective.

Mr WILLIS—I am really asking you about what has happened to the ACT's own-derived revenues as a result of economic recession in the territory and the impact that is having on your capacity to fund roads.

Mr Palmer—We are all struggling but if we put a little bit more in—Given that there was a reduction in our ability to do so, we have probably put in a bit more proportionally this year than we did last year, for instance.

Mr WILLIS—Do you know what has happened to overall ACT own-derived revenues?

Mr Palmer—I am not in a position to—

Ms Wolfe—We could take that on notice and ask our financial manager.

Mr WILLIS—Would you give us a comment on that?

Ms Wolfe—Certainly.

CHAIR—In evidence yesterday from both the Grants Commission and the Office of Local Government, and again from the Australian Local Government Association last night, it was interesting that the indication was that most local government bodies from around Australia—and their research indicated all local government bodies bar one across Australia—spent well in excess of the untied funding that came to them from the Commonwealth. In some cases it is sixfold. I think Mr Willis was really looking at whether your economic bases had diminished or not. You could take that question on notice and you might be able to give us some information on that. I am just interested to see if the ACT government spend four or five times as much on road funding as what is provided in untied grants from the Commonwealth.

Mr Palmer—I do not think it as high as four or five times. It is certainly a lot more and I think it is of the order of double.

CHAIR—Would you like to take that on notice and give us some information?

Ms Wolfe—Certainly.

CHAIR—That would be interesting to compare.

Mr Palmer—It depends on what you include and what you do not include. Some of our roads are developed through the private sector and we are not necessarily able to extract what has been spent on some of our roads. It depends on which roads we are including and which roads we are not. We could make estimates.

CHAIR—I would suggest all the roads within the ACT. You do not have privately owned and operated constructions in the ACT.

Mr Palmer—No, but our municipal roads are privately developed. We sell the land to a developer who builds the roads and who then sells them. We end up with the roads.

CHAIR—We are really interested in the ACT government's budget because the basis for the question is: how can the Commonwealth government be assured that untied grants going to—and I know local government is a little bit related and a little bit not—

Mr Palmer—There is no change.

CHAIR—With untied grants that the Commonwealth provides to local government, how can the Commonwealth government be assured that money is being spent on roads? The answer we got yesterday was 'because we spend up to six times as much on our roads.' We are just interested in getting those statistics from you, if we could.

Mr PETER MORRIS—What we want to see is the level of road efforts since the untied grants for local roads systems were introduced in 1991. It is all right if you are spending four or five times, but we want to see, within that picture, whether you have been maintaining, whether you have increased your effort. In other words, what is your priority on roads since you got that additional money—the level of road effort over that period?

Mr Palmer—If I could add in an unquantified way, since about 1992 we actually have increased significantly the amount of maintenance we are spending on roads.

Mr PETER MORRIS—That is the sort of thing we want to see. Given the contribution that the ACT makes to the coastal economy—if you pull the ACT out most of the New South Wales south coast, certainly land values, would collapse—is there an improving liaison between the New South Wales government and yourselves in respect of prioritising roads for those connections? You are the end of the line coming across from the coast.

Mr Palmer—I guess some of our submission is about how we improve things in New South Wales. We are saying that that is nationally important. It is regionally important, but in a spin-off, it becomes nationally important.

Mr PETER MORRIS—Is there a formal mechanism? How do you do this? It is no good just saying, 'Give us some more money,' but it is really the New South Wales priority to determine how quickly the

Kings Highway gets—

Mr Palmer—We liaise very closely with the New South Wales authorities. There are a number of officer level and high level interactions between ourselves and New South Wales that look to make sure that we both do as well as we can, given our own—

Mr PETER MORRIS—That is not what I am asking. In the development of the priorities by the New South Wales government, where they spend their money on that road and other competing roads, do they take notice of your priorities there? Is it all solely New South Wales, do they have their own thing, or do you have a fair amount of influence with them?

Mr Palmer—I think to a large degree, where the money becomes an issue, then New South Wales has the upper hand. I do not think I fully understand your question.

Mr PETER MORRIS—I will rephrase it. Does New South Wales determine its own priorities for the upgrading of the roads between here and the coast?

Mr Palmer—Correct.

Mr PETER MORRIS—That is one of the sections you have mentioned here in your submission. What kind of liaison is there between your government and the New South Wales government so that they take into account the pressing priorities for you, but which may not be pressing for them? Do they just do their own thing and say, ‘Sorry about that’?

Mr Palmer—We talk with them, but at the end of the day, they make the final decisions. There are some—

Mr PETER MORRIS—Really what you are saying to us is, ‘We are not getting priority from them, so therefore we want more money, or we should change the classification of that road.’ That is what you are saying in your submission.

Mr Palmer—I am not sure if I can answer that further—

Mr PETER MORRIS—It does not matter.

Mr Palmer—There have been a few good examples where we have worked closely together. We have worked very closely about—

Mr PETER MORRIS—Okay. I have a mischief question. I am looking at your international airport there and you want some more money for a national highway system being changed. What thought have you given to the establishment of Parkes as an international airfreight gateway? What impact does that have on your proposal?

Mr Palmer—I do not know the answer to that question.

CHAIR—I have one closing question which is of interest to the committee. Your submission notes that the current practice of making annual appropriations for the national highway system is not considered suitable for longer term planning. Would you like to elaborate on that?

Mr Palmer—One of the difficulties recently we had with the black spot program is that the late provision of funding, and then the expectation to have the money spent within that same year, put pressure on everybody, not the least of which was the ACT. I am sure the other jurisdictions had even greater problems that we did. But one of the difficulties with the process is that it is often some months into the financial year before matters are finally resolved. It would seem to us that a more strategic approach to this arrangement would enhance everybody's outcomes. We would know what was coming down the track and be able to plan better for it.

CHAIR—Does the ACT government run its strategic planning on a rolling three- to five-year basis?

Mr Palmer—Yes, to a large degree. Our maintenance funding is done that way and we effectively have a 10-year rolling program for capital works. Maintenance is essentially an ongoing process from a base and we are trying to increase it.

CHAIR—For clarification, as a result of discussions this morning, I think the emphasis you are wanting to put on regional roads of national importance is support for a second tier of national involvement below the national highway system for roads of national importance, roads of economic importance or whatever.

I take the point that Mr Willis made about regional roads. When we think about regional roads, we think about truly regional roads. But I think what you are talking about are roads like the Majura Road which, to my mind, would probably be more of a missing link in a roads of national importance category. So I take it that you do support the concept of that second-tier category of the Commonwealth?

Mr Palmer—Yes. Even the Prime Minister, late last year, made comments about the road from Tumut to Canberra and talked about how that could be an important road. He indicated that it was a possible candidate as a road of national importance when he was looking at the Australian capital region. We do not think we are out of line with what the federal government is wanting. How much it can afford is another matter but, in terms of what we want and think would be appropriate for this area, we support those things.

CHAIR—I thank the witnesses from the ACT government for making time available this morning. There were a couple of questions that you took on notice, so please provide that information back to us as we go into the deliberation stages and the drafting of the report. As soon as a copy of the evidence you have given this morning is available, we will provide it to you.

[9.42 a.m.]

BOLTON, Mr John, Director, Planning Projects, National Capital Authority, 10-12 Brisbane Avenue, Barton, Australian Capital Territory 2600

BURNHAM, Mr Keith, Senior Planner, National Capital Authority, 10-12 Brisbane Avenue, Barton, Australian Capital Territory 2600

RATCLIFFE, Mr Michael, Chief Executive, National Capital Authority, 10-12 Brisbane Avenue, Barton, Australian Capital Territory 2600

CHAIR—Welcome. Would you like to make a brief opening statement?

Mr Ratcliffe—Yes, thank you. I would like to briefly touch on three points by way of introduction. Firstly, a comment on the national significance of Canberra and the ACT; secondly, the role and interests of the National Capital Authority and, thirdly, a couple of summary points relating to the terms of reference of the inquiry.

In relation to the national capital, I think there is a recognition—and you have heard from the ACT government—of its role as the centre of a local region. I suppose we put the flip side of that position and look at it from the perspective of the national capital—the national interests in Canberra and the ACT.

It is obvious that Canberra is the seat of government and national government administration, but it is much more than that. It is the home of most of the national institutions, national associations and non-government organisations. Nearly all of the 90-odd diplomatic missions have a residence here. Canberra is something of Australia's window to the world in its external relations. That has been demonstrated in the last 12 months by the visits of the Chancellor of Germany, the Prime Minister of Japan and the US President.

Canberra has a significant international standing as well as its focus of federation and the national government. In that capacity, it is also a significant tourist centre and something of a centre of pilgrimage for many Australians. In other words, it has special requirements relating to accessibility and symbolism within a national and international context.

On the point of the role and interests of this authority, I should first make the obvious point that we are here today representing an authority position and we do not purport to be putting a Commonwealth government position. I think that the comments I make will not be inconsistent with the government's position, and some of those sentiments and a reference in our submission are echoed in a prime ministerial statement of 13 December 1996, which I am quite happy to table if you would accept that. In that certain references are made to both the Prime Minister's interests in roading in the ACT and those of the territory's ministers.

The authority's specific roles relate to its powers and interests and I suppose stem, firstly, from the Commonwealth's ACT (Planning and Land Management) Act. That spells out an overall planning interest in the ACT and its development. That extends into participation jointly with the private sector and the territory

government—and with other Commonwealth agencies—in the strategic development of Canberra.

The national capital plan, which is a creature of the Commonwealth legislation, also makes specific references to the authority having an interest in the planning of the major road network for the ACT. The authority, through other heads of power, has specific responsibility for land management, and construction and maintenance activities on certain roads within the ACT. These roads tend to be the roads in the peculiarly national areas, as opposed to, say, the local roads that you will have addressed in the last submission. For example, the care, maintenance and expenditure on those roads around Parliament House and of the major bridges across the lake—Kings and Commonwealth Avenue bridges—is directly a responsibility of the Commonwealth government.

The third broad point of introduction is, perhaps, to just summarise the position taken in the submission and to restate it in more general terms. I would make three broad points. Firstly, the authority supports the road funding criteria catering for specific highway links into Canberra; roads that you might otherwise call regional links but ones that tend to be the national highway type of road. Certainly, we would echo the ACT government's sentiment that that is premised on these being a level of national infrastructure. But I suppose we take the particular perspective that those roads can be supported under this criteria of improving the accessibility to the national capital.

Secondly, as part of the strategic development and helping the capital diversify its local economic base, one of its strategic initiatives is to become much more of a transport hub within the south-east region of Australia. Thirdly, sometimes some of the road building and road planning decisions are not appropriately progressed because of some cross-border issues to do with the ACT government administration arrangements vis-a-vis New South Wales and Victorian governments' arrangements.

The second point is, I suppose, a position to ask for recognition within the funding criteria of the national significance of certain roads. We do not ask this for all roads but for particular roads that have importance for the special purposes of the national capital. These are limited to less than a handful but we believe, as I have outlined, that they have national significance, as opposed to regional or local significance. The third broad point is to support the calls that others have made in submissions for a better integration between forward planning of the major highway network and the funding programs and the funding machinery.

CHAIR—Thanks very much. The ACT government, in its submission, has referred to the added cost faced by the ACT for the road network arising from the requirements of the national capital plan. This contrasts with the statement in your submission that the provisions of the national capital plan do not result in the ACT incurring additional costs with respect to the overall road network. Would you like to elaborate on that difference of opinion? Why is it that additional costs do not arise from requirements of the national capital plan?

Mr Ratcliffe—There is no demonstrable evidence that the plan itself imparts additional roading costs—or none has been presented, let us say. As the plan does require management plans to come forward for some of the specific roads that are under designated areas, they have not been produced by the ACT government to this date, and any extra costs would be demonstrable through that mechanism. So partly it is a

lack of evidence as opposed to an outright disagreement.

Taking all things together, I think the view is that Canberra has some geographic impediments but, perhaps, it is not significantly different from any of the nation's other capital cities, where there are limitations of, say, crossing the Sydney Harbour, or where there is the crescent shape of Melbourne around Port Phillip Bay. All cities, not only in Australia but all over the world, have some geographic impediments and I think that they may well be the source of some of the issue on additional costing, rather than the plan itself.

CHAIR—In your opening statement, you alluded to some cross-border jurisdictional problems. Can you expand on that a little?

Mr Ratcliffe—I think that there is probably a tendency not to see the links quite so readily. Where they cross the border, there is a tendency for the states, particularly, to see interests in their own jurisdictions and not step up and look holistically at what is the sum of the network. One example of that—leaving aside the particularities of the road and its own benefit cost questions—is the link between Canberra and the Hume Highway through Tumut which in turn would be a more direct link out through the Murray Valley and across to Adelaide. It is seen as having enormous potential economic significance for better accessibility within that region. But quite apart from geographic things like mountains, it is felt that there are some jurisdictional issues that have stopped further consideration of that particular link.

Another example—and it is full of many complexities—is whether there should be an alternative route to the Princes Highway coming around the south-east coast of Australia from Gippsland up through south-east New South Wales. There has been enormous investment by Victoria in areas like the Snowy Valley, but then there is the missing bit in the New South Wales section, but a willingness by the ACT government to construct a major route southwards. So some sort of integration of these major cross-border routes, as part of the national road infrastructure, gets caught up in jurisdictional issues, quite apart from the particularities of individual roads.

CHAIR—Your submission also suggests that the national highway should be extended down Northbourne Avenue and Majura Road.

Mr Ratcliffe—Yes. Majura Road is probably of more significance in that it does tend to perform a major bypass function. It is an intercity link. Much of its traffic is, for example, during the snow season, in providing a link from the Cooma snowfield back to Sydney. It would help with a rationalisation of the total arterial system across the ACT. On from that, it fits strategic planning for internationalising the airport and for a transport hub centre development with major cross-linkages that go back out to the coastal link—a Kings Highway connection. It becomes crucial as a missing piece in the broader road network from the national highway system right through to some local roads.

In the case of Northbourne Avenue, our support is qualified. Probably Northbourne Avenue would appear to be able to perform the interim function of the major national linkage into the centre of Canberra. There is this anomaly about where national highways stop and local arterials start, which I am sure you have had put to you in many other forums. The qualification relates to the position that Northbourne Avenue

should not become a major look-alike national highway. It has its own special character. Its primary purpose is as a local arterial road, but it certainly has those extra national dimensions because of its great symbolism at the moment as something of a processional way into the national areas.

Mr McDOUGALL—Both the ACT government and yourselves are looking at Canberra in the future, both for its own use and for its regional significance as well as for its through traffic. When I looked last at some demographic figures on the growth of Canberra over the next 25 years, and then relate them to what you have both told us today, and then try to compare that with what you really need as a road system for your own use as opposed to what goes through Canberra for other purposes, and then put into the perspective that you want an international airport and a big railway system that is going to give you a fast train to Sydney and Melbourne, that is a hell of a lot of infrastructure that does not seem to add up when you look at the projected demographic growth figures for Canberra over the next 25 years. If you had a choice, what would come first?

Mr Ratcliffe—I suppose I would answer it by coming at it from a slightly different tack. I certainly acknowledge that the ACT government has put most of the emphasis on that economic development perspective, which fits with its charter and jurisdictional areas. Our support for a limited number of those links comes from the national capital purpose. The argument is more about accessibility of the national capital for national and international visitation, not the demographics in addition to, let me say, the merits of local and regional economic development and regional infrastructure requirements.

Our particular support stems from trying to make the capital more accessible to the citizens of the nation that have invested in the nation's capital and, when issues of airports and so on come in, one of the major concerns, for example, expressed by the diplomatic community is the ability to have ready links for the 80 or 90 nation states that are represented in the country. So it is then a complex of arguments, but we take one particular slant. We would argue from a particular perspective.

Mr McDOUGALL—I come from a state, Queensland, that has a pretty big international tourism operation. When you look at the arguments to get an international airport and for an upgrade in terminals, then 400 bums on seats is not a hell of a lot of international people to be justifying enough flights to create an international airport. The priorities do not seem to be right, in my mind, as to the alternatives where the infrastructure money should be spent—unless you have got some figures that say to us, 'Look, we can prove that'. Frankly, I do not believe that 90 embassies are going to generate too many bums on seats.

Mr Ratcliffe—No. I used the embassies as an example of the interest in better accessibility for Canberra rather than the sole reason that justifies it. I think the argument works backwards as well. You can start from the point of view of what the current demographics and positions and so on are of the support but, like all strategic vision and development, there is a concern that the local economy should diversify and reduce its reliance on, if you like, the company town aspect of Canberra, relying on federal budget outlays and public sector employment and so on. One of those major sectors—such as, in your state, the tourism industry—is a happy conjuncture with making the nation's citizenry more aware of the systems of government, the national capital and its role in the federal system, the democratic ideals and, beyond the governance question, exposure to national institutions and our proposed national museums, et cetera. So it is about a developmental position as much as simply a responding position to existing demographics.

Mr WILLIS—I would like to ask some questions about Majura Parkway. The road that is there at the moment, is that called Majura Road?

Mr Ratcliffe—The road that is being described as Majura Parkway at the moment is about three sections of road which have different names. There is a quite undeveloped link from the Federal Highway, branching off just near the New South Wales border coming down to the airport, which is called Majura Lane.

Mr WILLIS—That is a rather narrow road, as I recall.

Mr Ratcliffe—Exactly. There is then a missing link, a series of doglegs through to a new piece of roadway that crosses over the Molonglo Valley, but it has only been constructed to one carriageway; it is missing its second side. That in turn links into a third roadway, the Cooma-Monaro Highway, that then proceeds south to the southern border. So the road for which Majura Parkway is the shorthand title is that whole north-south link through the ACT, but in funding priority order, should it come to that, it is certainly the northern section that is currently the Majura Lane linking into the airport complex.

Mr WILLIS—What is the Kings Highway?

Mr Ratcliffe—Kings Highway is the road heading towards the coast.

Mr WILLIS—I am still not sure which road you mean.

Mr Burnham—It is the road through Queanbeyan to Bateman's Bay.

Mr WILLIS—Right.

Mr Ratcliffe—And the New South Wales government, the shire of Queanbeyan, is very anxious for some bypass arrangements that directly link to the major generation point, which is Canberra itself.

Mr WILLIS—What is the cost of building this Majura Highway?

Mr Ratcliffe—I am afraid I could not give you an exact dollar cost. It has not been planned to the level of construction detail, but it is certainly probably in the millions, if not tens of millions, as a total road project for its entirety.

Mr WILLIS—Do you think you can get us a figure for what that would cost? If we are being asked to consider this as something that the Commonwealth ought to include as roads of national importance, we ought to know exactly what we are up for here.

Mr Ratcliffe—Yes.

CHAIR—Would you mind taking that on notice and do a bit of research of us?

Mr Ratcliffe—We are pleased to.

Mr WILLIS—In terms of the upgrade, or the Commonwealth taking responsibility for Northbourne Avenue, you said your support was qualified. It seemed to me to be quite qualified. I am quite concerned that this might mean channelling a lot more traffic into the centre of Canberra, whereas this other road seems to be taking the traffic out of Canberra, which is much more sensible, I would have thought, and much more logical from the Commonwealth's perspective in terms of any input.

Mr Ratcliffe—Exactly. It fits with a more strategic, be it a longer term road plan, that tries to develop two major north-south arterials on the east and west of the city, with some laterals, if you like. Over time as Canberra grows, and already it has some localised traffic problems, there can be decanting of some of the traffic to the exterior road links, then allowing Northbourne Avenue to take on a stronger public transport role, for example, as a corridor for dedicated bus ways and so on. I suppose our qualification lies in some of the planning rationale in that, if it is simply treated as the only major road and it is developed up to that extent, it could compromise its other values and roles as a public transport spine.

Mr LINDSAY—Getting outside the ACT now, many governments around Australia have sections of road which they would suggest should be declared as part of the national highway system. What sort of mechanism would you recommend to the committee should be adopted to decide that this piece of road or that piece of road should be included in the national highway system?

Mr Ratcliffe—I appreciate your committee can probably deal at only the criteria level as opposed to making road by road decisions—and I suppose we are not alone in nominating particular roads that demonstrate the criteria—I think some elaboration of the criteria should try to draw out this national significance, and in some instances that will relate to national economic infrastructure type benefits. Sometimes it will relate to things like its linkage dimensions. If a road—I am speaking now very globally—was the key road into a port, for example, it reinforces through a symbiotic arrangement the better operation and so on of the port.

There are other dimensions such as, from a national perspective, the environmental sustainability of cities type argument, healthy cities, better pollution control—all of those sorts of criteria. Then the final one which you alluded to was even some of the symbolic, particularly nationally symbolic, purposes which are of a peculiar class of roads or a peculiar environmental setting for some of these roads, which is very germane to the ACT and Canberra—if I understood your question correctly.

Mr LINDSAY—That is fine. So you are saying set the criteria. Do you think it should be the Commonwealth government alone or the Commonwealth government in consultation with state governments and territory governments which decides what to add to the national highway?

Mr Ratcliffe—I think there has to be a two-way street. I think the other layers of government can be valuable in providing both intelligence and understanding of the local needs. That is certainly the case in, I suppose, the federal model, where the jurisdiction and responsibilities lie with the States and Territories for simple things like costing and execution of the projects. I think that has to be brought forward into the decision making and allocation arrangements in the first instance—so a shared arrangement.

Mr LINDSAY—Would you then transfer all of what you have just said or have that principle applied to declaring what roads of national importance are—that is, the same sort of system?

Mr Ratcliffe—This is a personal view. The Commonwealth should take a more leading position in identifying—

Mr LINDSAY—So you see a distinction in how those two—

Mr Ratcliffe—Yes. Given, as I understand it, that national funding can actually flow all the way through to black spot type programs through the funding mechanisms, that gets to be a peculiarly local matter. So, if you distinguish national funding as a whole from roads of national significance as a class of the transport infrastructure, then I do believe on that latter point the Commonwealth should take a leading role in defining for itself, if you like, its own jurisdiction what is nationally important.

Mr ROSS CAMERON—Most people when they talk to us as members of parliament reflect on what it must be like to live in Canberra and they have various reflections about that. One of the things they always offer as a factor in its favour is that it has such great infrastructure and such great roads basically because you have all that Commonwealth money sloshing around down there and you always look after your own better than you look after any of the other states. Would you accept that Canberra has the best road network of any capital city in Australia?

Mr Ratcliffe—I suppose the first answer is that you, as a politician and visitor to Canberra, would understand that that is a misconception of the reality rather than a fact. I could not say; I do not know the road network from one end of Australia to the other so well that I could draw ready comparisons. But I would say confidently that there is an overestimation of the state of the roads in the ACT. The ACT went through a very fast growth period, particularly throughout the whole of the 1970s through to the mid-1980s. So one of the particular features of Canberra is that most of its infrastructure and road system were put in in a very short space of time. It is now at a point in history, some 20 to 25 years on, that represents one of the classic life cycle points in road maintenance where all of that infrastructure is breaking down at the same time. So there is a peculiar maintenance issue emerging in Canberra because of that conjuncture.

For example, it would be like going to a huge outlying area of Melbourne and Sydney and comparing a similar thing. You would see recent subdivisions and the major arterials that might have been laid down. Canberra is more of that character. Many of the comments you referred to are from people who are coming out of the older central areas of other capitals of the nation where they see much older roads. So it is a complex point. I certainly have heard the same observations, but I do not share the view that it currently has the best roads in Australia.

Mr ROSS CAMERON—Things may have changed since 1989 and self-government, but do you think it is fair to say that the ACT historically has enjoyed a competitive advantage against other states and territories by this physical and institutional connection to the Treasury in Canberra?

Mr Ratcliffe—Again it predates my time with Canberra, so I cannot authoritatively quote on the history. My colleague could comment on it. I think it has always been a struggle for capital investment. There

have always been competing needs which could add to that.

Mr Bolton—You would have to say that until about 1960 when the National Capital Development Commission was established funding for Canberra was very limited. There was not enough funding provided to enable it to grow in accordance with the government's plans to relocate public servants to Canberra. The NCDC had a life of about 30 years and about half of that was generously funded. Probably you could say that for 15 years of Canberra's history there was a lot of money sloshing around and that resulted in a very extensive network. Everybody here then knew that there was a window of opportunity to create a network and to get the plan on the ground. So for that period of time, the comment would be right.

Mr Ratcliffe—Could I add a further comment that perhaps goes one question back? Some of those impressions that you talk of derive from people visiting particular national institutions. In the funding decisions made at the micro level, the allocations are skewed to dressing those areas up. For example, if you only visited Parliament House, then by all means you might form a very favourable impression about the roads immediately surrounding this area, because great effort is put into showcasing the nation's capital for the million plus visitors and international dignitaries that come here each year.

But that would be false; it is like dressing up your front garden or your front hallway. But there is an unfortunate double-edged sword to that in that, while that creates a good impression in one way, it is not representative of the road network throughout the ACT nor beyond the borders into some of these linkages.

Mr ROSS CAMERON—In your submission you say that, in effect, economic viability and environmental impact ought to be a consideration in the national highway system and in the road funding program. However, you say that equity implications should also be considered.

Mr Ratcliffe—Could I qualify that. I think that is the ACT submission as opposed to the authority's submission.

Mr ROSS CAMERON—I withdraw that, Mr Chairman.

CHAIR—I thank the representatives from the National Capital Authority for coming in this morning. There was one question on notice with regard to some costings.

Mr Ratcliffe—An estimate of cost for the Majura Road.

CHAIR—If that is at all possible, it would be helpful if you could get that information back to us.

Mr Ratcliffe—Yes.

CHAIR—As soon as the proof copy of the evidence you have given this morning is available, we will forward that to you. Thank you for making your time available.

[11.48 a.m.]

APPS, Mr Michael, Government Relations Manager, Road Transport Forum, 5/9 McKay Street, Turner, Australian Capital Territory 2601

GUNNING, Mr Robert, Policy Adviser, Road Transport Forum, 5/9 McKay Street, Turner, Australian Capital Territory 2601

POWELL, Mr Des, Director, Road Transport Forum, GPO Box 1879, Canberra, Australian Capital Territory

CHAIR—Mr Powell and Mr Gunning, do you have any comments to make on the capacities in which you appear?

Mr Powell—I represent Mayne Nickless and one of the member companies of the Road Transport Forum.

Mr Gunning—I am a member of the taxes and charges and roads, key result area, for the Road Transport Forum and Executive Director of the Australian Livestock Transporters Association.

CHAIR—Mr Powell, would you like to make an opening statement?

Mr Powell—Yes, thank you very much. I would like to make a couple of comments. Firstly, we at the Road Transport Forum really do believe that we represent a very strong point of the users' viewpoint. We think it is very important for the inquiry and the potential of the inquiry that you fully understand the users' perspective. The RTF is the peak body. It operates probably on about five major areas: safety and professionalism, regulations, roads, taxes and charges, and the environment. Each of those areas has a subgroup and this is essentially the subgroup presenting today.

You have our submission. I suppose the points we would like to mention in the opening statement are not so much the issues of the level of funding and taxation. We think there has been an enormous number of reviews and supporting data. We think there is a very strong argument that funding does need to increase and that the level of taxation is clearly excessive on our industry. But the two points that we would like to perhaps emphasise are the sort of vision that we believe road transport needs in Australia and a series of steps that we could go forward and take.

I think that if you look back at a whole range of industries in the 1960s, whether telecommunications, post, or airports and roads, there were a lot of similarities. Here we are in the 1980s, and we feel roads is the only one that is still there. We think the opportunities for micro-economic reform have been taken in those other major industries but have not been taken in roads. We find ourselves still the same.

We believe that the benefits that are now accruing to the country in terms of reform in telecommunications, postal services and airports, have come from structural change. We believe that the long-term solution for our industry is to be found in a corporate structure, where obviously the user payments and

the expenditures are brought together in an established framework. Sure, it is difficult, but had the people who were reforming those industries in the last 20 years taken a pessimistic view, perhaps reform would never have started.

We believe that if we take an optimistic view, if we take it step by step, there is a significant opportunity for the community to gain the broader benefits of a restructured road industry. We think that that has to be based on an accountable corporatised approach whereby road providers receive money paid by road users for the use of roads; they spend it on providing roads that are valued by the community, and they report rigorously to the community and the user; explicit recognition by governments of the obligations that they propose on road providers to serve the broader community; strict accountability by those providers for the funding they receive—we believe there are significant gaps in the way accountability is carried out now—and a political symmetry between the structures, so that all the various issues are brought together.

We think, and you will see in our submission, that there are lots of benefits that we have actually articulated. There is a whole range of other issues that we think, within our submission, are important. The linking of the 18c to use we believe has a strong mandate in terms of not only the Ministerial Council for Road Transport but also the agreement and the basic premise of the national competition policy. We believe that a strong consultative program is very important, as well as rigorous reporting against unambiguous goals and, I think, rigorous performance targets. We see in our consultation with many of the organisations that we meet with now a lack of accountability, lack of focus on efficiency and reporting, and lack of focus on building in quite stretching productivity targets that we think would benefit users.

We believe that if we take these steps one by one and we follow a number of the initiatives that we have outlined within our submission, we can achieve perhaps a road industry that has the hallmarks of strong reform, rather than tinkering at the edges which we believe has gone on today.

CHAIR—Thank you, Mr Powell. Mr Peter Morris has to leave us in a couple of minutes, so I might let him open up the questions.

Mr PETER MORRIS—Thank you. Any one of you can answer the question. The claims that you make:

Likewise there is every reason to suspect that roads funds are diverted into other avenues—

and:

. . . Local Government has dismally failed to meet its obligations to report on road funding—

and, if anything, it:

. . . points to a need for *external* audit of both fiduciary and efficiency performance.

Can you elaborate on that? Have you any hard evidence to back that up? They are pretty strong claims.

Mr Powell—I think there have been a number of reports and reviews that have indicated a range of inefficiencies. We have tried to refer to those at an overview level. I do not know whether Robert would like to make any particular comments on it.

Mr Gunning—There are some objective measures I think that you can point to. One that is particularly important is that, as an industry, we are not right now functioning under the intergovernmental agreement on road transport, and that determines our road user charges, both in terms of the 18c and the actual registration charges that are paid. As part of that process, one of the conundrums is: how much does local government spend on roads? This goes into a machine that ultimately produces a cost figure for our industry which, I should say, we support in principle—that is, meeting our costs. There has always been tremendous difficulty in getting some real handle on how much local governments actually do spend on roads. Local government now are on the Ministerial Council for Road Transport—they are represented there. They formally agreed, some years ago, to work with the various agencies around Australia and actually establish, in an objective way, how much they were spending on roads.

While the reporting on that has been very polite to ministers, the reality is that the coverage rate they have got is in the order of 40 to 45 per cent. That is, in the order of 60 per cent of local governments have not responded formally and actually said to the relevant process—through the ministerial council—how much they spend on roads. That is a piece of objective evidence.

We could go further and observe the kind of surveillance that applies at the moment about where allegedly road money goes. It is a surveillance that is about, in essence, the usual audit process—that is, has the money in some sense been misappropriated? We are not so worried about that particular level. The real worry is whether the road funding has actually been spent on roads. The more you look at the structures that are there, the more you can see that you cannot have any assurances that the road funds—

Mr PETER MORRIS—We have asked that question at state government and local government level at almost every hearing—certainly every hearing that I have attended. We put it to the Australian Local Government Association last night. They could not give us a comparison of road effort year by year since the new arrangements came in in 1991. The figure in their submission, you will notice, is \$2.1 billion for local government expenditure on roads in 1995-96. They assured the committee that federal money is being spent on roads. It is a very important point.

You are very strong in your language. You are saying, 'These failures are concealed beneath layers of obfuscation.' I thought when reading your submission that you actually had some hard cases where you have seen money diverted to other purposes, but you have not?

Mr Gunning—I think we are going down the same track as you. That is, we have pursued particular issues. You keep getting levels of assurance that around the next corner you will find the answer, and the answer is never actually there.

Mr PETER MORRIS—What do you mean when you go on a bit further and say:

The fact that the Commonwealth Department of Transport has been supine in the road transport area over recent years is

becoming increasingly recognised.

Can you elaborate on that?

Mr Powell—I think there are a few comments I can make in terms of the approach that we have been taking as a group. Then perhaps Rob and Michael, who have actually been involved in negotiations, can comment.

We have been pleased with some progress recently in trying to raise these issues. We have raised a number of these issues with the department. What we are concerned about is that the diffusion of interest means there is a very ambivalent attitude to anything. We find that the land transport group is essentially rail. We do not find them actually taking a view as to the veracity of the SCOT report on taxes and charges, for example. We do not find them taking a consultative view on the role of the NTC, for example. We have the NTC set up and we have certainly had some input into that.

There is no clarity to us about whether the issue of the goals we were looking for were for an organisation to provide a policy framework, have teeth and have the capacity to instigate projects. They are hearing what we are saying but are not taking any action that would give us any confidence that they are actually being very proactive. Robert, would you like to add to that?

Mr PETER MORRIS—You can add to this quote:

However, in line with a supine and reactive stance there has been an unwillingness to acknowledge the policy effectiveness of the Federal Interstate Registration Scheme.

Mr Gunning—I can certainly elaborate on that.

Mr PETER MORRIS—That is the next bit in your submission.

Mr Gunning—I feel I probably should provide some background in terms of the federal interstate registration scheme. Essentially, as you will recall, Mr Morris, that was originally one of your initiatives some time ago. It was used as an initiative to plug a gap where trucks solely engaged in interstate trade and commerce were not paying registration charges. The government at that time after an inquiry took a view that it would use its powers to plug that gap. At the time, I think it would be fair to say, there was a very conscious view that that scheme would be available for use as a policy instrument to achieve broader goals.

Indeed, it was subsequently used— and I am just starting to realise there are a few ex-ministers for transport around—when there was a national review of mass limits in Australia. It was conducted in about 1983-84, but it really started to have some bite and be implemented about 1987, 1988 and 1989.

At that stage, Australia had a variety of mass limits for their trucks. There was a strong view that there was some sense in getting uniformity. There was a strong assessment about the micro reform agenda, and there was a reluctance by some jurisdictions, some states in Australia, to move to what was a nationally agreed process.

The federal interstate registration scheme was used at that stage to give us national uniformity. Our current national uniformity in axle mass limits is a product of the federal interstate registration scheme. On a conservative estimate, that produced benefits to the Australian economy of something like \$600 million a year.

Right now, we are into another generation of reviews about axle mass limits. This time it is called the mass limits review. It is an interesting change because it involves the introduction of a new form of technology—air suspension systems—which actually would allow trucks to carry slightly more but reduce road wear. It is an interesting change. It is taking advantage of new technology. It is conservatively estimated that the benefit of that is \$1.4 billion to the Australian economy. So we are talking significant micro reforms.

CHAIR—That is in terms of savings to the industry; does that also factor in the possible extra impact on roads and bridges?

Mr Gunning—Yes, that is a net benefit.

Mr PETER MORRIS—There are more funds for the replacement of your bridges; is that what you are asking?

Mr Gunning—No, it is a community benefit, broadly speaking.

Mr PETER MORRIS—I misunderstood.

Mr Gunning—We obviously are engaged in constant dialogue with departments around Australia and with ministers—with the minister for transport and the department. What we have identified in our dialogue is that, whereas—as we see it—the federal government is prepared to take a progressive view on this matter, we find that, when we have a dialogue with the department and we say, ‘You have got some policy instruments; one of them is the federal interstate registration scheme,’ there is a reluctance to even admit that the instrument exists. That is what we mean by the word ‘supine’.

We are not necessarily saying that the department should robustly say to ministers, ‘Go forth, Minister, and do this.’ We understand that the environment is a little bit complex and things are not always that easy. At least at the level of objective reality, our strong claim would be that the department has an obligation to at least say to ministers, ‘You have this instrument. It has been used twice already. It is in fact a major microeconomic reform instrument. It is available for use.’ How you use it, and so on, obviously is a more fraught issue.

What is interesting about the federal interstate registration scheme is that it is more effective as a policy instrument when it raises no money. It raises money only when it is out of step with the other schemes around Australia.

Mr PETER MORRIS—It forces the states to bring it up to a national uniform level.

Mr Gunning—That is right. So it is a paradoxical instrument: it is best when it raises no money. In

fact, it is best when it is not used; it is best when the states do what they had promised to do and step in and make changes so it is not necessary to use it. It is a paradox.

Mr WILLIS—Does it actually work?

Mr Gunning—Yes, when we had a new innovative type of vehicle. It was certainly used a lot when it went to the national standard—42.5 tonnes—and it was not available in some states. So people registered their vehicles under the national scheme and paid more money to the Commonwealth government—of course, it all goes out to the states; 100 per cent is recycled back—and they then were able to run their vehicles at the appropriate axle mass limit. As the states came into line with the national limits, the revenue then dropped. It has been used quite a lot.

There was another time when it was used when we had another innovative type of vehicle called a B double, which broadly resulted in about a 40 per cent productivity gain, improved road safety and reduced road wear. This particular vehicle type—innovative type—has been put on designated routes. That is an important part of the characteristic.

Again, registrations under the scheme went up as people brought their B doubles in because they could operate on their first approved B double network. But I think right now the amount of money involved is falling away quite rapidly because the states actually have achieved uniform national charges. In terms of charges, the scheme is now essentially irrelevant. It may become relevant again at some future stage.

One of our views would be that the Commonwealth should seriously think about the policy instruments that it has. This, to us, is a delightful instrument in the sense that it is available. Provided it is spoken about enough and recognised as being available, sensible states will always act so as to ensure it is not used.

Mr WILLIS—On a slightly different issue, I was going to ask you about the 18c per litre road user charge that you say should be hypothecated off to infrastructure bonds, or whatever they are going to be called in their new clothing, which are capped at \$75 million. What is the 18c per litre in a year?

Mr Gunning—It is \$700 million a year.

Mr WILLIS—You have got a capped scheme of \$75 million and revenue at \$700 million which makes it rather difficult to hypothecate it for that purpose.

Mr Gunning—Not altogether. What we are saying is that in terms of recognising the constraints, we would like to build some recognition of that program in. You could actually combine a capping—because it is not for the whole road system anyway, it is only for people who come through the toll road, so you have immediately got a limitation. While we would prefer it not to be capped, there is no reason why you could not cap it. You would simply say to the toll road operator, ‘There are a limited number of people who can come through this gate. The gate is limited by a cap and we will let through people under this scheme on the basis that when you build an approved project, you will get the equivalent of 18c per litre for the trucks that pass down your road.’

Importantly for us, you would link that to a few other goals. We are particularly concerned that, around Australia at the moment, there are different electronic pricing systems being put in place. We are about to have a re-run of the rail gauge problem. We are right now re-running that problem. We are looking for policy instruments and saying, 'We have had all the talk.' There is a lot of talk about the issue of the need for uniform tolling systems. Everybody agrees, but we just keep running on down the old traditional route. We would like to see the payments of money to toll road operators linked to clear transport related policy objectives such as a consistent electronic tolling system.

Mr WILLIS—I will pursue that point a bit further. Firstly, it seems to me to be a bit impractical. I thought you were saying that all of the 18c ought to go to infrastructure bonds and that would obviously be many times the capped amount under the new scheme. Secondly, why are you wanting it all to go into tolled road, rather than just ordinary non-tolled roads? Why not just go to normal road development?

Mr Powell—We are looking obviously at the focus of expenditure across the total road networks.

Mr WILLIS—But your submission says it should all go to infrastructure bonds.

Mr Powell—Certainly we have erred in that. I think, as Robert says, we were looking for a mechanism to link the toll process and the granting of infrastructure support to that whole 18c issue. But we are looking for recognition across the total road spend.

Mr McDOUGALL—I would like to go back to a couple of basic issues. Let us take the current excise on fuel. What does your industry think about how that excise should be used?

Mr Powell—We believe that obviously we have got the establishment of the intergovernmental agreement on the 18c. We believe that 18c should be used for the provision of road infrastructure. We think that that is a very important principle. That is probably the fundamental view of the RTF. There are numerous reports to talk about the benefits to industry of investment and congestion and safety and all the other sorts of benefits. We think that that is so important to the economy—and this is the real principle of our view—that at least 18c, the agreed process through the various reviews and intergovernmental arrangements, should be appropriated to road infrastructure.

Mr Gunning—I think it is probably fair to say that at the moment, our board is in the process of considering our final policy. To give you some sense of our thinking, it would be fair to say that, as Mr Powell said, the 18c we regard as a fundamental road user-pays system. We are perfectly happy and in fact keen to pay for the use of our roads. We want that established as a principle. For us the tax component is 17c. That is what the issues about goods and services tax and all the other issues that are on the float for us relate to. We, of course, are keen to have our tax rates brought down to the average for all other industries.

Mr WILLIS—So what are you saying about that 17c?

Mr Gunning—It would not be going too far to say that we see there are some strong arguments for replacing that 17c and going to alternative, more efficient taxing systems. Certainly we would regard ourselves right now as looking hard at that issue and, I would have thought, being fairly favourably disposed

towards getting a more efficient taxing system.

Mr WILLIS—Such as?

Mr Gunning—We have not reached a concluded view so I am really just trying to give you some sense of our thinking. But I would have thought it would be fairly obvious where we will go.

CHAIR—As long as it was rebatable as an input cost?

Mr Gunning—Of course.

Mr Apps—There are two key principles in the excise issue and the taxing issue from the industry perspective: recognition of the 18c and tax equity for the industry across the board in relation to other industries, and somehow getting to a situation where we get a fair go, you might say. Really they are the two broad principles. Off that we want to hang the varying hooks, whether it is a GST or some other reform process that readdresses and realigns the tax situation that we are in as an industry. Two-and-a-half times more, on average, than any industry sector is substantial and is the key to where we want to go.

CHAIRMAN—So fundamentally you accept the 18c a litre as a road user charge?

Mr Apps—Yes.

Mr Gunning—Yes, fundamentally.

Mr McDOUGALL—During the inquiry as we have gone around the states we have obviously been looking at the history of the involvement of the federal government in paying for the national highway and paying, in more recent times, for a few roads of national importance. Obviously it has been very clear to us that there are a lot of roads out there being used by heavy transport, of which some are local roads and some are state roads. It has been put to us from some quarters that the Commonwealth should be involved in looking at roads of national economic importance as opposed to singularly looking at the national highway and a few other little add-ons.

Things that have been added to that include, for example, when you get to a major city the national highway does not go to the port and it does not go to the airport. With major projects taking place linking roads to the national highway, particularly with heavy transport, it has become a problem for a lot of local governments and some state governments. How does the industry feel about this and about what we as a federal government should be approaching in the future?

Mr Powell—I think we strongly support that view. In action 4 we agree with that in the broadening of that network because it is our view that our component of the transport chain does have to work in complementary process. It does not necessarily just relate to the highways: it does relate to the total supply chain. In a number of forums we have been strongly putting that view, even in discussions with the department over, for example, the role of the National Transport Council. We talk very clearly about this whole issue of integrating the processes and of making sure that there is a capacity in policy framework to be

able to address those issues in linking that. So if we could address it in a policy framework we would obviously agree in terms of supporting that with funding. Our view is clearly that it should not just be a highway system: there should be, very much, roads of national economic importance.

Mr McDOUGALL—How do we find out what those roads are? Obviously everyone is going to have their ideas. Who is going to set the criteria? The states are going to have their ideas. For argument's sake, we went down to Victoria and we had a look at what was said to be 27 bridges over the Murray that needed immediate work. When we got to one bridge, which was supposedly one of the 27, I think there were actually five bridges in that one bridge. Of course, all the local regional people would say that every one of those 27 is important. The task, which obviously the two states have not come to grips with to fix the problem, is: who then says, 'What are the bridges that need the work? Which are those of economic importance?' Are we going to rely on the states for that? Who feeds the information and who disseminates it?

Mr Powell—I have a quick opening comment. That is one of the issues as to why we have always supported a lot of the push, even by the National Transport Planning Taskforce, in terms of the framework, to consider these issues in a total framework. There was a very strong recommendation, and that has not occurred. That is why we are arguing strongly that the NTC was formed with no clarity. Is it going to pursue issues of policy framework? Is it going to have teeth to be able to make some of those assessments? That is why, in many ways, we are referring to the corporatised approach that we are suggesting in this document. We are saying that it would have the capacity, in terms of political symmetry, to establish that process.

We think there are mechanisms. Robert was talking about the diffusion by the department; there is not an integrated road policy decision to even start to do those things now. If we are able to tackle—whether it be in the department now—the functionality of the NTC and then build from that framework in terms of a future corporatised framework, we think the mechanism is there. In the end, hopefully, if it is resourced correctly and has the right processes, people will make those decisions with the best economic interest at heart.

Mr McDOUGALL—Do you feel that the states are actually doing their strategic planning in a way that is delivering that information that could then be coordinated at the federal level, or are the states not delivering that information?

Mr Powell—I think there is a fundamental issue that I see as a user, and which perhaps our company sees, that many of these issues about roads relate to engineering, safety based issues. They do not come back to this whole issue of economic value. I cannot really recall any gathering that has ever occurred via a state or a federal department that has really talked about economic benefits in that sense.

A lot of the roads issue is being driven from a safety engineering issue. I think that is one of the weaknesses in the whole sense of thinking. That is from my own perspective as a major user throughout the country. I think that is one of the reasons why we are saying: let us at least get, at a federal department level, some sense of an integrated road policy division. At the local level in Victoria, you will see elements of the VRTA and Vicroads talking perhaps with wharf carriers, but you do not see that integrated with the terminal.

We have this great One Nation money that goes into the NRC and fixes the terminal; they say they have improved rail disposal times gate to gate. It takes no accord of what is happening back in the queues and back in the whole transport system. At whatever level of activity, it seems to be very policy, engineering, process driven rather than an integrated supply chain process. I think that is an inherent problem.

Mr McDOUGALL—In Brisbane in the early 1990s—it was completed in November 1994—there was a new standard gauge rail link from Acacia Ridge to the Brisbane port to overcome a major problem in relation to transport, to run container operations from New South Wales and Victoria through to the Brisbane port. That standard gauge rail from Acacia Ridge to the port has never had a train on it, even though it was finished in November 1994.

Is there any serious work being done in relation to planning for road and rail to get together, so that we maybe end up taking some pressure off our road needs in relation to capital development for the future, or is it really just pie in the sky—that everyone desires it and thinks it should happen, but it is really not happening?

Mr Powell—I suppose I have had some experience in representing the company in both road and rail areas. My example is that, again, individual processes have been driven by funding, whether it is One Nation or in whatever particular area. You talked about Brisbane; what about the Webb Dock rail link in Victoria? That was put in in the late 1980s, I think. It was shut down and cut down, so what is happening now? Webb Dock is being developed; it is to be a project for the future, and we have got no rail link there; it has been effectively cut off.

There are many examples where short-term decisions or short-term investment may have occurred, things have been put in place and there is no cohesion between the processes. Again, I have not seen an active process of linking road and rail. Whether it is just the infrastructure or whether it is even things like coordination about dangerous goods compliance, load restraints—all of those basic processes that are actually resulting in a whole range of inefficiencies in the system. That is why we are saying, when you are coming back to getting the best value, we need a corporatised approach that can look, having regard to the best interests of the country, at all of these roads of national importance.

Mr McDOUGALL—We are hearing a little bit more lately about the private railway line from Melbourne to Darwin. Obviously, if that comes off, that could have a big impact in relation to where roads are going to be built in the future to deliver to the point. Do you think that sort of thing, from an industry perspective, is really a reality?

Mr Powell—I do not think we have actually considered it from an industry point of view. I think most of us from an individual point of view would probably think that it is not a reality.

Mr Apps—If I could just comment in regard to roads of national economic importance. To put that into another context, the supermarket to Asia process that was being developed and chaired by the Prime Minister has actually fairly closely gone straight in and seen that as a major part ultimately of how we become better at being internationally competitive and improve our export markets and grab the quality end of the market rather than the quantity end. We are involved in that process and I wanted to put that in that

context.

The second point was that this was also recognised in the Webber report and the National Transport Planning Task Force report, but more from the local government association level. There was a recommendation that the industry and local government get together to actually address some of these economic issues in regard to access through local councils, but more on a region by region basis rather than a council by council basis, because what we were finding was that one council would stop a vehicle going through their area, but the one next door did not mind. What we ended up seeing was round trips around councils areas.

There has been some work done in that area and a paper developed to try and start addressing how local government and industry best put in place conflict resolution processes that will identify all of those kinds of factors—the economic factors, the community concerns. That will shortly take place through a freight liaison type officer appointment. In that context, that conflict resolution, or whatever you want to call it, process may be ultimately a good avenue for closer relationships with local government and industry to start identifying clearly where some of those strategic regional freight routes are or strategic roads.

CHAIR—Your submission recommends that the Commonwealth not introduce congestion or environmental charges. Why do you suggest that those factors should not be taken into account when pricing roads? Do you consider that the 18c a litre that you have identified as a reasonable road user charge for the industry would also encompass those areas?

Mr Powell—I will ask Michael. He has been doing some work on the environmental issue for us.

Mr Apps—There are some basic principles. We do not believe that trucks actually cause congestion. I think we are basically unfortunately caught in it and the cars are obviously the major reason we have congestion. We do not think we should be penalised because we have to carry out a job—the freight has got to get to Woolworths. Trains do not go in there yet. They do not deliver the Weetbix directly. So 80 per cent of the freight tasks moves less than 80 kilometres, which is obviously going to put you right into that congestion situation. Basically, we believe we already pay our way. Road transport pays its way. Based on those principles, we would not support a congestion tax.

CHAIR—In terms of the process you have gone through to establish the 18c a litre you talk about as being the industry's reasonable contribution, all those factors would have been taken into consideration in that?

Mr Apps—I think we have had some research work done on that environmental issue and showed the sorts of trends and commitment of the industry and have been able to now put some quantitative data into the argument. That is one of the important initiatives that we did take last year because of the emotive issue over that. We are actively participating in a number of committees in that area because we do believe we are caught in it and we have got to be proactive in that sense, and hence the environment area is one of our major key result areas.

Mr McDOUGALL—That 80 per cent of the freight task travels less than 80 kilometres is a very

interesting point. How much is the freight industry in road transport holding onto roads as a warehouse? Have you ever looked at that figure?

Mr Powell—I do not think we have, but from our own company experience in terms of logistics, there are enormous trends now to remove the warehouse. I do not think the road or the rail carts are at all being used in it, there is now so much focus in terms of just-in-time. I doubt there would be a very high level. I do not think you could make that claim. That is a personal observation.

Mr WILLIS—Just on your point about the 17c being replaced by a ‘fairer tax system’, presumably paid by somebody else, is it not a fact that fuel charges in Australia are relatively low compared to fuel charges in most other developed countries?

Mr Gunning—People say this. I am not sure what that means.

Mr WILLIS—Is it true or is it not?

Mr Gunning—If we find that most OECD countries, for example, have a bad policy, to me the answer is, so what. We know OECD countries are not terrific at employment, for example. You can see a great variation. We know that most manage to do fairly badly.

Mr WILLIS—But we are not relatively as penalising as other countries by our fuel charges.

Mr Gunning—One of the problems in this area is we often drive public policy on the basis of the lowest common denominator. If you looked at the OECD countries and asked yourself how you would position your country to maximise your natural advantages, what would you expect to find in terms of fuel taxes, I would have thought you would expect to find big countries with low population densities and developed countries to have lower fuel taxes than those that are small and concentrated and where a 100-kilometre journey is a long distance.

Mr WILLIS—They already are though.

Mr Gunning—In fact, that is a tremendously good predictive model about fuel taxes. In that context, the only stand-out that we care about is that Australia stands out. Alone amongst big, low densely populated countries, we have a very high fuel tax. It is not really of much consequence to the Austrians to have a huge fuel tax when, in an Australian context, we would probably cross their country in a very short time indeed.

Yes, you can look at that list and draw that conclusion. However, we draw a different conclusion, that is, that Australia is not adopting the optimal stance.

Mr WILLIS—Secondly, isn’t it the case that virtually every country that has got a GST has a fuel tax as well?

Mr Gunning—I believe that is the case, but I would not hold myself out to be an expert.

Mr WILLIS—Getting back to the environmental issues, given that there is obviously developing world pressures for us to reduce greenhouse gas emissions rather than to increase them, would not reducing fuel costs be going in the wrong direction for that?

Mr Gunning—Our observation is that the existing levels of fuel tax are quite sufficient to drive efficiency anyway, that the underlying cost is driving fuel taxes. Another interesting thing is that when you think about how to optimise Australia's position in the world, the reality is that for the next couple of hundred years at least, engines in trucks in Australia will come from overseas. They either come from the United States or they come from Europe. The engine designs that go on are essentially overseas driven. We are at the end of a production chain. Regardless of the view you took about the general issue, I think we could all probably agree that there is nothing much Australians will ever do that will change engine design and that we, by and large, will just buy off-the-shelf engines from overseas.

Mr WILLIS—So it is more use of road transport and less of rail, for instance, if you made the tax change that you are discussing.

Mr Powell—You are always going to have a range of measures and I suppose it comes back to an assessment of the economic benefit of where that tax ultimately lies. Our argument is that we are over-taxed.

CHAIR—We are going to have to call a conclusion to this part of the hearing. Gentlemen, thank you very much for coming along this morning and this afternoon and also thank you very much for your patience earlier on while we sorted a few things out in a meeting. We will provide you with a copy of your evidence as soon as it becomes available from Hansard. Thank you very much, gentlemen.

[12.29 p.m.]

ANDERSON, Mr David, Manager, Transport Policy and Economics (NRMA), Australian Automobile Association, GPO Box 1555, Canberra, Australian Capital Territory 2601

METCALFE, Mr John, Assistant Director, Australian Automobile Association, GPO Box 1555, Canberra, Australian Capital Territory 2601

OGDEN, Professor Ken, Group Manager, Public Policy (RACV), Australian Automobile Association, GPO Box 1555, Canberra, Australian Capital Territory 2601

CHAIR—Welcome. I apologise for the delay in the processes today; it is one of the vagaries of this place. Would you like to make a brief opening statement?

Mr Metcalfe—Thank you, Chairman. What I propose to do is to give you a brief introduction to AAA, to reiterate some of the major points in our submission, and to then respond to a few of the key issues which you have already raised at earlier hearings involving members of the motoring clubs.

AAA is the national secretariat of the various state and territory motoring clubs, which collectively represent over six million members. The two largest clubs, NRMA and RACV, are represented here today. The AAA is involved in a lot more than road funding issues. The organisation spends around \$270,000 per annum in a joint effort with some state government road agencies in a crash testing program aimed at informing consumers about crash-worthiness of vehicles and to put pressure on manufacturers to improve safety standards. It is also involved in issues associated with the environment, petrol pricing, intelligent transport systems and multimodal issues.

AAA also surveys its members to gain their opinions on a wide range of motoring issues. The condition of the roads is a key issue for motorists, as shown by our recent ANOP survey results.

If I can now turn to this issue of roads and road funding, we would like to emphasise the following key points of our submission. First, we strongly believe that there is an essential and important leadership role for the Commonwealth government in road funding. It should have a vision and a strategic plan in the land transport arena if it is to be serious about the Australian economy competing in the international marketplace. In our view, the Commonwealth government is in the best position to identify and achieve national economic and social goals for land transport.

The second point we would like to emphasise is that in our view the most effective way of achieving these goals in land transport is via institutional reform, in particular, through a corporatised or commercialised Commonwealth road authority.

We have examined a number of selected submissions and analysed their responses to the five issues identified in the terms of reference. We have gone to quite a bit of work in going through all of the submissions and seeing what common ground there might be between us and other organisations. We note that we are not alone in advocating institutional reform. The idea of commercialisation has also been put

forward by the business council, the RTF and Tourism Council Australia in their submissions to the inquiry. The Department of Finance, for example, has also advocated user charging.

We would like to point out that the road sector stands out as the only infrastructure sector which is not subject to market discipline. Gas, water, electricity, telecommunications, railways, ports, airlines and airports all now operate in a competitive environment. To meet the commercialisation criteria, we argue for the establishment of a federal roads corporation, established under Commonwealth legislation and answerable to parliament through the responsible minister. It should have a clear mandate, perhaps using a statement of intent, an agreed three- or four-year rolling business plan and specific criteria for investment in a network for which it is responsible.

We believe that the FRC should be responsible for a discrete, designated network, which we have denoted the Australian Road Network for Economic Development, or ARNED. It would include the currently designated national highway system, some of the currently defined roads of national importance and selected other strategic routes within states and capital territories. Our motoring clubs have submitted a list of roads in their state which might be included in ARNED. We stress that it is only indicative at this stage, but I would like to table a document which lists those roads which we consider serve a national, economic or social function.

A key element of the commercialised federal road corporation would be user charging. Since members of the committee have previously asked quite a range of questions about what we mean by commercialisation, or corporatisation, and what the federal road corporation road user charge might be, let me answer these two points as follows. On corporatisation, we turn to the Department of Finance *Guide to commercialisation in the Commonwealth public sector* for a definition. According to the Department of Finance guide, although the term 'corporatisation' has no generally accepted precise meaning, it has been described as entailing comprehensive reform, embodying five basic principles: clarity and consistency of objectives, management authority, performance monitoring, effective rewards and sanctions, and competitive neutrality with the private sector. The guide adopts the following definition of commercialisation:

Commercialisation is a process which has the following three elements:

- (a) government organisations charge for the goods and services they produce;
- (b) consumers are given some power to determine or influence the quality, quantity and/or price of the goods and services they consume; and
- (c) public sector managers adopt, to varying degrees, other features of the commercial environment

The guide goes on to say that:

- . the key element of commercialisation is user charging
- . commercialisation introduces market incentives and disciplines to enhance the efficiency of resource allocation in the delivery of Government program objectives
- . commercialisation also creates a framework to facilitate the devolution of management authority and the establishment of a closer link between supply and demand

The committee has asked a number of questions about road user charges, so let me put the following views to the committee. There is provision under the ALTD Act for a proportion of fuel excise to be hypothecated into a trust fund established by the act in order to finance the Commonwealth's land transport program. This amount, known as a charge rate and expressed in cents per litre, was, until recently, set on an annual basis. In January 1989, the charge rate was set at a default value of 4.95c per litre and there was provision for this rate to be indexed. Revenue was paid into the ALTD trust fund to finance the national highway system, national arterials, local roads, rail and urban public transport. Setting a charge rate on an annual basis was somewhat artificial because it was set retrospectively. In other words, funding was determined first and then the rate was struck in order to realise the amount of budgeted expenditure.

As a result of a legal opinion obtained by the government, a charge rate is no longer set. When the rate was last set some years ago, it was 3.6c per litre. At this time, however, the responsibilities for roads had been realigned so that national arterials became the responsibility of the states, to be funded out of untied but identified road grants, and local roads became the responsibility of local government, also to be funded from untied but identified road grants.

In 1997-98, estimated Commonwealth road funding includes \$696 million for the national highway system, \$112 million for roads of national importance and \$36 million for black spots—a total of \$844 million. There is also \$391 million in untied funds to state governments and \$370 million to local governments.

To get an indication of what an appropriate road user charge might be—that is, one based on fuel excise—to finance the construction and maintenance activities of the federal roads corporation, we know that 1c per litre currently generates approximately \$180 million in Commonwealth excise from petrol and \$60 million from road users who use diesel fuel. It is worth noting here too that there is no tax on LPG.

Depending on how you want to tax commercial road users, who predominantly use diesel fuel—and the issue of taxation and charging heavy vehicles obviously involves further complexities—if we simply note that 1c per litre generates \$240 million, then a road user charge of 3.5c per litre would generate the current Commonwealth funding commitment of \$844 million.

We also note here that the current notional road user charge for heavy vehicles set by the NRTC is 18c per litre, although this does not find its way into road expenditure. If we take the Department of Transport and Regional Development's estimate of \$1,150 million for annual Commonwealth road funding needs—and that does not include the roads which they have identified as important inter-regional links which could be added to the national highway system—then the road user charge would be 4.8c per litre—much the same, incidentally, as it was in 1989.

As far as ARNED is concerned, we have not costed even the indicative network identified by individual constituents. But this is not important. In the long run, it is road users who will determine how much of the network they want funded by signalling the amount they are prepared to pay for new investment, upgraded facilities and maintenance. Road user interests and the national interest will also be safeguarded by ensuring that investment is based on sensible economic and social criteria. If the road user charge is set initially to equate to current Commonwealth expenditure, then clearly there will be no loss to revenue.

Over time, we would expect charges to more fully reflect the costs and benefits of using the network, and for the charge to signal the need for any further investment. We expect that these costs would not only include the cost of road construction and maintenance, but also any externalities associated with the costs of road accidents, congestion and environmental damage.

There is a lot more I would like to say on road user charging but I am conscious of the time and the need to ask questions. I hope I have answered in some greater detail some of the key questions you put to other members of the motoring clubs at earlier hearings in relation to road user charging. If we are given the opportunity again, we might be happy to discuss our position on road user charging in greater detail if you wish.

I will conclude on one of the issues listed in the terms of reference: the adequacy of road funding. We believe that there is ample evidence that road funding is inadequate. EPAC, the National Commission of Audit, private developers, our own ANOP survey of members and the Allen Consulting study commissioned by AAA all concluded that road funding was inadequate. In fact, the AAA-Allen study indicated that the stock of economically viable, unfunded road and rail projects ranged from \$15 billion to \$20 billion. Importantly, this study also highlighted the significant national economic benefits from investing in land transport infrastructure. We believe that a federal roads corporation, coupled with a road user charge, will help meet this pent-up demand. Taxation reform will also be an important part of this process.

I thank you for your indulgence, Mr Chairman. I know I have gone over time, but we did want to emphasise the significant interest that we have in this inquiry. I will conclude there and leave the rest of the time for questions.

CHAIR—Thank you. Firstly, your submission as well as your opening address focused a bit on the ARNED network of roads. What do you consider to be the benefits of that system, over and above the system that exists at the moment?

Mr Metcalfe—We think the Commonwealth's responsibility is currently too narrow. It is focused on the national highway system, which is predominantly a rural network, although we acknowledge that there are now extensions into urban areas and connections being generated between parts of the national highway system that finish on the outskirts of the capital cities.

However, we feel that there are a significant number of other roads in Australia which justify national involvement—involvement for national, economic and social reasons. We feel that there is a need to link the rail terminals, the ports, the freight terminals and the airports for national economic advantage. We believe that if the Commonwealth government is serious about competing in the national economy and being internationally competitive, then it should have a broader role than it has at the moment and that its involvement should go beyond the existing national highway system.

CHAIR—With the proposition you put up of the FRC, the ARNED system and the road user charge, how would you view that as addressing a perceived problem that Victorians have quite readily put to this committee that they pay 27 per cent of total fuel excise, yet receive only 16 per cent of federal road funds?

Mr Metcalfe—I was hoping you would not ask me that, with my Victorian colleague present.

CHAIR—I think Professor Ogden appeared before us in Melbourne.

Mr Metcalfe—I am sure Ken will come in after me and probably—hopefully—David will support me. I think shares are an interesting statistic and obviously they vary over time. There was no doubt a time when Victoria received a much greater share of road funding; indeed, I think that is probably reflected in the condition of the road network in Victoria.

I think we should also note that this is a national inquiry and the views that we are putting forward are that the national government should have a role in national economic development. As a consequence, funding ought to be based on needs and not on historical shares. It does not make sense to allocate funding on the basis of historical shares. We believe that there ought to be benefit-cost criteria established to ascertain where funding is best allocated in the national interest. The other point to make is that Victoria is a compact state, its population density is high, and I think that is probably another reason for that statistic.

CHAIR—I just might make the point at this stage that, yes, it is a national body that is appearing before us today. The RACV has appeared, as have the other state based groups.

Prof. Ogden—I just wanted to make the point that there was an implication in your question that there was a contradiction between the RACV position and AAA's submission.

CHAIR—Not at all; I just wanted to get the view from the AAA.

Prof. Ogden—I just wanted to make the point that the submission from both bodies is based upon the federal government taking responsibility for a wider network of roads, based on their national economic importance, rather than a very limited network of roads.

Mr Metcalfe—Mr Chairman, I am quite happy for my state colleagues to comment; obviously, they are here to make a comment. In fact, as representatives of AAA, I am quite relaxed about it.

CHAIR—The point I make is that we did travel to other states to talk to the state bodies.

Mr McDougall—I am very interested in the proposed federal roads corporation and the economic importance and the strategic planning principle. One of the things that has been of great interest to me during this inquiry is that state departments of transport seem to vary tremendously as to what they have done with regard to strategic planning. Some seem to have done a reasonable job—this is my personal opinion—whereas some do not seem to have done much; some do it in little bits and pieces. There seems to be a plethora of organisations at the national level that seem to all be represented by state departments of transport. While you say a federal roads corporation would be a Commonwealth government responsibility, how do you structure it? Who goes on it? And where does the economic planning and the strategic planning come from? All I have seen over this inquiry is that everything to date, in my personal opinion, has been engineer driven.

Mr Metcalfe—You have asked a fairly detailed question. I will not address the issue of corporate planning at the state level, although my colleagues might be willing to offer some comments.

You mentioned the plethora of national organisations. The AAA, as you know, is a constituent body represented by all of the clubs. We have put the view to the national transport planning task force and many other road funding inquiries over the years that there is a need for a national vision, a national strategic plan, to be developed by the Commonwealth. That strategic plan would be in the land transport area, not just simply roads. But there is a need to integrate transport planning across all modes, particularly road and rail.

Indeed, in our study commissioned by the Allen Consulting Group some two years ago, we did make a very genuine effort to look at both road and rail. We do not see ourselves as a roads lobby. We are really very interested in ensuring that both passengers and freight are moved efficiently around this country.

You asked about how the federal roads corporation might be structured. We have given some indication in our submission as to what form it might take—a commercialised body or a corporatised body—and I gave in my introductory remarks some indication as to what we meant by that. It would have a statement of intent between the FRC and the responsible minister, who would be answerable to parliament. There would be a rolling three-year plan. A road user charge would obviously be an important part of that corporation.

Who would be on it? There would be a board, as there is in New Zealand with Transfund, with their corporatised body responsible for funding roads. As to planning, I think it is important that the project evaluation is done on strict social cost-benefit criteria so that there is greater transparency in the way funds are allocated and so that funding is allocated very much on an economic and social basis. I do not know whether I have fully answered your question on that.

Mr McDOUGALL—You have put forward your point of view, and that is what I was interested in. I have got one other question I would like to ask you. What is your personal opinion in relation to private sector funding regarding projects like the M2? Where do you see their place in the delivery of roads?

Mr Metcalfe—I guess it depends very much on the institutional structure that we have in place and whether we stick with the status quo or move to this federal roads corporation. When you say private sector funding, that involves a whole raft of possibilities from build, own, operate, transfer, et cetera. I do not want to get into that. It also involves issues associated with tolls and shadow tolls. I guess our position, from a toll point of view, is that we have not supported tolls on the existing national highway system. AAA policy has been not to support tolls unless there are benefits which exceed the costs and unless there are alternative routes available.

We also note the work and the recommendations of EPAC and the comments from the New South Wales Auditor-General on the topic of private sector funding. We are sympathetic to the view expressed there that it is more efficient for the Commonwealth to be involved in road funding. There are a number of reasons for this—network externalities, the risks faced by the private sector, the fact that with a toll road there are alternative routes available. We are sympathetic, as I say, to the view that the Commonwealth is actually more efficient at providing a road network. But having said that, we acknowledge that under the current regime, at least, there are severe budget constraints on the Commonwealth in funding further investment in

roads. For that reason we see clearly that there is a role for the private sector to supplement that funding.

I guess our concern, though, is that, with private sector funding, it would then involve additional expenditure via a toll being incurred by road users. I guess we make the point that we would not want to see those charges being levied on top of existing taxation by a fuel excise. It is a complex area, and we acknowledge that, if a federal roads corporation is established, we would hope that all projects would be open to competitive tender and that the private sector would be very extensively involved in the provision of roads. Indeed, that would involve probably, or quite possibly at least, the application of shadow tolls, whereby the revenue from the road user charge went back to the private developer.

Mr WILLIS—Firstly, I would like to congratulate AAA and its constituent bodies for a lot of hard work that has gone into the submissions that have been made to us on this issue, and we appreciate it. There are a couple of things I would like to query, nevertheless. A fundamental point, it seems to me, in this submission—it strikes me more so than I think it did when a similar submission was put up by NRMA or the RACV—is the stress that is put on the political imperative as related to road investment decisions. That terminology is used at the second page, under ‘Funding’:

In recent years political imperatives about the road investment decisions have meant the nation has not got the best returns from its road investments.

Later on you say:

The decision making process for investment in land transport infrastructure is highly politicised and too often is not based upon appropriate investment criteria.

Both Peter Morris and I have been ministers for transport. I was only there a year and half or so, but my experience in that portfolio, and then as a minister all through for 13 years, was quite the contrary. I do not think we did have a highly politicised approach to it at all. Mr McDougall mentioned it all being engineer driven. Certainly we decided the funds, and that was a political decision, but on the road investment decisions I really do not think it is fair to say that there has been a lot of political involvement.

I cannot speak for the present government, but certainly in our period of office there was not a lot of political involvement in deciding what parts of the national highway got built or what the allocation was between new projects and maintenance. These things were largely left to the bureaucracy to decide on the basis of good investment decision making. There was some awareness by us as to what was being proposed, of course, but we were not imposing it on them. I am really querying what I see as a fairly fundamental base upon which this submission has been built. It does not then destroy the rest of the case, but I do not think that particular argument is necessarily terribly apt.

Mr Metcalfe—I do not think we need to place a great store on the comments about it being politically driven. I think what we are saying is that perhaps funding in the past has not been based as much on social and economic benefit cost criteria as it might otherwise have been. I think it is fair to say that the inclusion of roads of national importance in the portfolio of Commonwealth road projects is not necessarily what we would see as being in the best interests of national economic development. Indeed, we think we should go back to square one, if you like, and have a look at what the Commonwealth responsibility ought to

be in roads and what the network ought to be. We think we need to define a more discrete continuous network that involves roads, as I said earlier, moving from the freight and moving freight to the ports and the wharves et cetera. I think there needs to be much greater emphasis put on economic criteria for actually selecting the projects.

Mr WILLIS—That assumes that was not part of the decision making. I am really querying that. It does seem to me that considerations of return of the investment have always been part of the decision making. Maybe that was not the only factor involved in all cases and there may be cases where there was straight-out political decision making involved, but it does not seem to me that it is true of all the decision making. There might be the odd road where that is true.

Mr Metcalfe—Perhaps I can just broaden the discussion a little to untied and tied funding. I would have thought that the provision of untied funding—to states in particular, not necessarily to local governments—is not necessarily in the interests of the Commonwealth because they cannot be assured that that money is going to the best projects.

Mr WILLIS—That is true.

Mr Metcalfe—From a national point of view, we think that it is probably desirable to tie funds. Under a federal roads corporation, under an expanded road network, it is quite feasible that there would not be any need for the Commonwealth to provide untied general purpose grants.

Mr WILLIS—I was going to ask you that question.

Mr Metcalfe—There may not be any need for that, but we submit that this issue of funding to the states might be the subject of negotiation among stakeholders and COAG, should this proposal of ours about a federal roads corporation get under way.

Mr WILLIS—I put to you, though, that the reason to untie funds and make those grants to the states in an untied way was to meet the very insistent demand of all of the states, of whatever political persuasion, that they wanted to have more control of their own affairs and that, because of this vertical physical imbalance, they wanted to have more of the grants that were paid to them paid in a way that then gave them the flexibility to decide, rather than being told by the Commonwealth exactly where to spend their money. I guess by untying it we met that wish to some degree. On the other hand, there is always the Commonwealth desire to have a greater influence on what is happening around the nation, whether it be roads or schools or whatever, and so you want to get back to tied grants. This is the sort of perennial quandary that exists for the Commonwealth.

It does seem to me that what you are proposing here—and you have in a sense answered this, but let me just state it—that by taking on the bigger network we would necessarily, it seems to me, have to, if that was to be the position that the Commonwealth adopted, take back the identified road grants and make them part of the Commonwealth's allocation for this wider network. Otherwise you are saying that there should be a much bigger allocation of funds to roads, which begs the question: where is the money coming from?

Mr Metcalfe—As I mentioned in my earlier comments, it is quite feasible that the tied funds would be taken back. But I think it is important here to say that, with respect, we would really like the committee members to change their mind-set about how roads are funded and not to see it as roads being funded by a level of government, but roads being paid for by users. That is really what we are getting at in our submission.

Mr WILLIS—It is not our mind-set you have to address so much as that of all the states. On the commercialisation of the corporation, I find that terminology confusing. It seems to me what you are not saying is that we ought to have a commercial body which is trying to make a profit in the marketplace. It does not seem to me that it is like that at all. It is a corporation which has a set of criteria that you spelt out just a few moments ago but, if it was commercial, I would see it as being in the business of using funds to build roads, charging for the use of those roads, getting an income flow and making a profit return on the investment, et cetera. That is not what you have got in mind, is it?

Mr Metcalfe—The first part of your comment I think is correct. They would set a user charge. It would flow into the federal roads corporation and the revenue would be allocated on the basis of strict economic criteria. The second part about making a profit is open for debate, I guess. It is very much the subject of debate in New Zealand at the moment. Their department of transport has just released a land transport pricing study for public discussion, and it includes the issue of dividends flowing back to the Commonwealth.

That obviously involves determining the value of the asset and setting a charge, which would result in a return, and that would obviously be established in the document or the statement of intent between the FRC and government. We have not gone that far down the track, but we acknowledge that that is an issue that might emerge in time.

Mr WILLIS—If I can just get this correct, and I obviously have not understood it properly, you see the road user charge being set by the corporation not by the Commonwealth government.

Mr Metcalfe—Correct.

Mr WILLIS—Which means that the whole thing comes virtually off budget in that sense, and the Commonwealth government loses control over how much it actually spends on roads at the national level. What is spent on the national highway, what is spent on the whole network that has been designated for this corporation is not decided by government at all.

Mr Metcalfe—As I say, the Federal Roads Corporation would have a statement of intent which would be established between the corporation and the minister. What we are aiming at is really to introduce some form of market discipline, I guess, into the road sector.

Mr WILLIS—I understand the thrust of it. It does seem to me to be, if I might say so, a little unreal to deal the Commonwealth out completely like that but, anyway, I will think about it.

Mr Anderson—It would still be accountable to the Commonwealth parliament through the minister.

As John has suggested, a lot would depend on how the legislation described the relationship between the corporation and the minister. But, in theory, I do not see why one should not go to a model like that, any less than you would go to a model of the FAC or something similar.

Mr PETER MORRIS—I think Mr Willis's questions to you, Mr Metcalfe, relate to the problems in your own organisations. When you are referring to political considerations, and your submissions does that several times, it gets much stronger than that. You say that both Stanley and Cox lay much of the blame for the inadequacies of the road expenditures on political considerations. There were several mentions of it in the process. But your constituent organisations lead the charge on generating the political hot spots on roads. You say in your submission:

82 per cent of respondents rated as very important or important the 'upgrading and maintaining of highways and main roads'. . .

I think you really ought to take a good look at your own organisation and what your agendas are from your constituent organisations state by state, because you lead the charge in generating the pressure points. If those charges are based upon an economic evaluation of which sectors of road, using your own strategy—and I have not seen anything at all from the NRMA or AAA on the scheme of charges that you are proposing. Don't you really have to talk to your own membership first?

Mr Metcalfe—Mr Morris, you missed the earlier part of the hearing where I tried, in my opening statement, to go through in a very logical way how a road user charge might be set. We started with the view that existing Commonwealth outlays were around \$844 million on the national highway system and that the 1c per litre fuel excise generated \$240 million, and that the initial road user charge would therefore be 3.6 cents per litre. That would involve no loss of revenue to the Commonwealth. We then saw progressively over time the Federal Roads Corporation implementing a much more market based road user charge.

Mr PETER MORRIS—I will not hold up my colleagues going through all of that—I can have a look at the transcript afterwards. But, rather, let me take you back to square one: each of your constituent organisations runs major campaigns in their states, you do surveys of roads, you publish reports, you generate extensive publicity about how this or that road needs to be upgraded. If we follow through on your process of prioritising according to economic evaluation and benefit cost ratio, you need to be looking at that as a factor before you run the political campaign.

Mr Metcalfe—We have here a submission from our constituent clubs. They have all signed on to a submission which promotes the concept of an expanded road network.

Mr PETER MORRIS—What I am saying is that you cannot have your cake and eat it, too. You cannot put a submission in and be highly critical of political considerations when your organisations play the principal role in generating the political pressure. You cannot have it both ways. The political pressure you generate is mainly at the state level, so these remarks are not really directed to us. The political pressure is much more relevant at the state and local government level. If you are going to do that, ought you not include in that assessment of the road—you just come out with the bald facts; you have some of it in here: how much of it has poor edges and so on—an economic evaluation of whether it is worth doing and then

prioritise it and run with that? That would help you. That would help us to understand what you are putting to us now. Isn't that fair?

Mr Metcalfe—As I said earlier, I do not think we need to labour the point about political imperatives, because really what we are saying now is that we need to establish a system, a federal roads corporation, that moves away from that. However involved the Commonwealth or the states might have been in assessing priorities for road investment, we are proposing that we move away from that to a more market based system so that we do—

Mr PETER MORRIS—So you will stop all these surveys and you will stop all these public campaigns, will you, on particular road sectors? We will not see any more of those?

Mr Metcalfe—I think we have always got to poll our members. We have got to understand what our members' attitudes and priorities are on a whole range of issues. So obviously we will continue to poll our members on issues of concern to them and to represent those concerns.

Mr PETER MORRIS—I will not labour the point anymore, but to my mind you have a fundamental conflict in what you are about. You generate these major campaigns on roads yourselves. In all of your submission—and we have asked this of each of your constituent organisations as we have gone around—given the enormous expenditure on roads, what research do your organisations generate in relation to the better building of roads, better management of pavement systems, getting better value for the dollar we spend on roads? What work has been done there by your organisations? Can you give us some benefit of knowledge there?

Mr Metcalfe—I understand the point that you are making, and I said in my opening statement that the AAA was not simply a road funding lobby. We are involved in quite a range of motoring issues. I mentioned in my opening statement that the AAA spends \$270,000 per annum in a car crash testing program. We do that in conjunction with some of the state government road agencies. So we do, I think, put quite a bit of money back into improving the condition of roads and benefits to road users. We are also heavily involved with intelligent transport systems. We are currently working with Austroads on insuring harmonisation of toll collection facilities between the states.

Mr PETER MORRIS—Are you an engineer?

Mr Metcalfe—No, I am not.

Mr PETER MORRIS—Who is an engineer? You are not. You are, Professor Ogden. What is being done about looking at better methods of road construction, recycling of materials, management of seasonal activities and everything else?

Prof. Ogden—I think your question, Mr Morris, was about what the AAA and its members are doing.

Mr PETER MORRIS—It is not a silly question, recognising that your constituent organisations are very wealthy organisations. They have vast resources at their hands at the state level. If you look at the

RACV in Victoria or the balance sheet of the NRMA, you see that they are not organisations without substance. We are talking about maybe a few hundred thousand dollars on research which would be very helpful. The private sector spends virtually nothing.

Prof. Ogden—On that particular issue, I am not aware of any specific research the auto clubs themselves have done. We certainly monitor the activities of organisations like the Road Research Board and BTCE and we are aware of previous deliberations of this committee and its predecessors that have looked at that. So we are aware of the issues and believe that the facts of the situation are generally well accepted. There are inefficiencies in the mode of delivery that have to do with a number of factors, not the least of which is project size and what is sometimes called drip-feeding—that there is an optimum amount of resources to be delivered to a project that enables that project to be delivered in the most efficient manner. But that requires a level of funding that is, more often than not, not available. So a project takes longer to deliver and is done with a less optimum construction sequence than might be the case if it could be funded in the optimum fashion.

Mr Metcalfe—I would like to make a further point and I think it relates to the extent to which work is contracted out to the private sector. It seems to me that we are more likely to get better value for money the more the Commonwealth and state governments open contracts to competitive tender. As far as I am aware, at least in the national highway system, there is quite significant contracting out for construction.

Mr PETER MORRIS—It is all contracting.

Mr Metcalfe—Less so for maintenance. But when you get to the state and local government level, there is far less contracting out for construction and even less—I think it is probably something like 20 per cent—for maintenance. I was interested to see some of the figures set out in the Department of Transport and Regional Development's submission to this inquiry on the extent to which work is contracted out. The point I am making is that I think we will get better value for our money the more work that is contracted out.

CHAIR—I am going to have to wind up this part of the hearing at this stage. We have run a little over time, but the discussion has certainly been very fruitful. I would like to thank representatives from AAA for coming along today.

Resolved (on motion by Mr McDougall):

That the committee accepts as evidence the document entitled *Australian Road Network for Economic Development*, presented by the Australian Automobile Association for inclusion in the committee's records as exhibit number 65.

There was also a collation of information that you mentioned earlier on. Rather than us taking it as an exhibit or evidence, I am wondering whether interested members may be able to get a copy of it.

Mr Metcalfe—Certainly. I could make that available as background information.

CHAIR—Thank you.

Luncheon adjournment

[2.05 p.m.]

MAXTED, Mr Keith, Acting First Assistant Secretary, Office of National Tourism, Department of Industry, Science and Tourism, GPO Box 1545, Canberra, Australian Capital Territory 2601

PETKOVIC, Mr Tony, Acting Director, Aviation and Transport Facilitation Section, Tourism Transport and Business Development Branch, Office of National Tourism, Department of Industry, Science and Tourism, GPO Box 1545, Canberra, Australian Capital Territory 2601

CHAIR—Welcome. We have received your submission. Would you like to make a brief opening statement?

Mr Maxted—Thank you, Mr Chairman. While we are not transport experts, we do welcome the opportunity to elaborate on our submission to the inquiry into road funding. The department's interest stems from the very close linkage between transport infrastructure, including roads, and industry competitiveness. The efficient and timely provision of transport infrastructure is critical to the development of internationally competitive industries in all sectors of the economy.

The department's submission does focus, though, on road funding decisions and their impact on the development of the tourism industry in Australia. The tourism sector was chosen because of its economic significance and because roads are an essential part of the transport network for tourists. It is interesting to note that 85 per cent of domestic tourist trips are by road and 77 per cent are by private motor vehicle. In addition, about 25 per cent of international visitors use the road network as their main form of transport between stopovers. So the development of efficient and effective road transport is very important for the tourism industry.

In the absence of private sector funding for roads, we believe the Commonwealth government has a role in funding the development and maintenance of road infrastructure. Given that road funding is only one of the many competing demands on Commonwealth revenue, the Office of National Tourism supports the allocation of Commonwealth road funding to areas where it is most needed from a national perspective, including the areas not attractive to private sector investment, and where it is likely to be of most benefit, including tourist usage.

We believe the Commonwealth involvement in road funding can be optimised through a number of approaches: one, maintaining some sort of flexibility in Commonwealth funding arrangements; two, making future funding arrangements based on demand, including projected growth in tourist traffic and the impact this will have in meeting the government's objectives; three, taking account of the views of various users, including tourist users, in determining funding priorities; four, facilitating private sector investment in road infrastructure; and, finally, the judicious use of cost recovery mechanisms in road funding.

I think that is sufficient, Mr Chairman, as a brief overview of our position. We do, however, have some updated figures on the tourism industry that update our initial submission. If you are happy, we will submit those changes to the secretariat in writing.

CHAIR—Okay. Thank you very much. In your submission you note that government funding for roads should be directed to those projects which would not attract private sector funding. Are you saying that governments should only fund roads which are effectively community service obligations and leave economically warranted works to the private sector?

Mr Maxted—We think there is an opportunity for the private sector to take a greater role in road funding in areas where there is high-volume traffic and where there is a capacity for the private sector to fund those roads on a profitable basis. Clearly, there are many roads that would not fall into that category. That is where we think the Commonwealth, or governments generally, have an important obligation.

Government involvement in roads can be justified on market failure grounds. If, without government intervention, there would be underspending on roads, situations would arise where the national benefits of roads exceed the regional benefit—for example, roads and links to defence bases et cetera obviously are an important Commonwealth consideration—and where there is a spill-over effect into other states. For example, the Pacific Highway between Sydney and Brisbane is obviously of benefit to both Queensland and New South Wales. But, if either of those states were to underspend on their portion of that highway, then one state would benefit more than the other. So there is an obligation in relation to interstate roads in particular to have a national approach and Commonwealth involvement.

CHAIR—In your view, does the national highway system as it currently exists and the Commonwealth programming at the moment for its being developed adequately cater for the needs of the tourism industry?

Mr Maxted—The national highways are currently described as links between each capital city, and that is important. From the tourism industry point of view, clearly roads of regional significance are very important. Many of our major attractions and icons—Ayers Rock, the Great Barrier Reef and others—depend upon very good road networks to get tourists quickly to those attractions. But I do not think it is necessarily important what is in or out of the national highway system. What is more important is that the funding arrangements are based on demand and need for particular roads. So we do not have any particular view about the classification system but we believe that, whether it is Commonwealth, state or private sector funding, it needs to be based more on demand from users.

Mr Petkovic—Could I just give an example. The Pacific Highway, which is currently not part of the national highway system, is one of the top tourist roads. Obviously we would support some sort of arrangement where there is continued funding for the upgrading of the Pacific Highway.

CHAIR—So from a tourism perspective you would agree to date with the implementation of that roads of national importance program where it has identified that corridor as being very important as a sort of subgrade of the national highway system?

Mr Petkovic—Yes.

Mr Maxted—I think that is an example of where we see flexibility as being important.

CHAIR—Sure.

Mr McDOUGALL—You indicated, I think, that you see toll roads in appropriate places through private sector funding as acceptable to the tourism industry. Am I correct?

Mr Maxted—I think that is right.

Mr McDOUGALL—On a user-pays basis?

Mr Maxted—On a user-pays basis. A number of issues in relation to the way that might be implemented I think could have impacts on tourism—for example, whether such a toll system would be user friendly. The use of smart cards, for example, might cause problems for international visitors or others coming through, so I think the mechanism needs to be user friendly for a wide range of users. I think in looking at tolls and other uses you need to distinguish also between users. We would want to ensure, for example, that heavy vehicles on certain roads are paying their fair share compared with passenger vehicles. I think that is important in terms of equity.

Mr McDOUGALL—I just asked the question on the basis that the tourism industry wanted to lynch a few politicians when we suggested a barrier reef tax. Wouldn't a toll on a road be a tax and therefore be a deterrent to tourism? If a reef tax is a deterrent, why isn't a toll on a road one as well?

Mr RANDALL—I do not think it was called a tax.

Mr McDOUGALL—It does not matter what it is called. It is a charge.

Mr Petkovic—I think the issue there was one of equity. In fact, that was what we were suggesting in terms of roads—that you do have charges which reflect the use of that particular resource.

Mr McDOUGALL—What role does the tourism industry believe that the government should play or to what degree should the government pay attention to a combined road-rail network in relation to tourism? The government is looking at infrastructure funding and we are looking at the direction of land transport. While this is not directly a rail inquiry, we certainly have had a lot of evidence and a lot of questions asked about the combined effort of road and rail. What is the industry's feeling on that?

Mr Maxted—I think you have to look at each road and rail proposal on its own merits and where it is. Certainly road and rail can provide a competitive environment in terms of modes of transport to be used between different points. That competition in itself has the potential to have a downward pressure on prices, which is good for the tourists.

Mr McDOUGALL—We heard evidence this morning from the ACT government that they had some pretty good desires for more roads and a fast rail between Sydney and Melbourne and between Sydney and Brisbane. They also wanted an international airport. Does the tourism industry have a priority in relation to road spending or spending on other infrastructure in that area?

Mr Maxted—No, we do not have a particular priority for roads over rail or over airports. We have to look at the demand for all modes and what can be provided most efficiently.

CHAIR—There is a division in the House of Representatives so we will have to suspend the hearing for about 10 minutes until we get back.

Short adjournment

CHAIR—We will resume the hearing. Mr McArthur, you have a question?

Mr McARTHUR—Thank you, Mr Chairman. I declare an interest in the Great Ocean Road, in the electorate of Corangamite, being the icon tourist road in Australia. It does raise the fundamental question as to who pays for that stretch of road. There are some fundamental difficulties with a great number of international tourists and the road being maintained and developed by state and local government authorities. The question is: who should pay for it? In that particular instance, how would you get some money from the tourism authorities maybe to help, or extract from the overall concept that if international tourists use the road in large numbers, who does the paying? I am sure you have got plenty of money and you would help VicRoads.

Mr Maxted—We do not get involved with the road funding.

Mr McARTHUR—But you are wearing the roads out, though.

Mr Maxted—Not only tourists but also many other users are wearing the roads out. It is a balance between the various uses of different roads. The road network in Australia is certainly used by tourists. However, it is also used by many other sectors of industry. While some roads might have a greater proportion of tourist traffic than others, in most cases they are for the national benefit as a whole.

Mr McARTHUR—But it would be a classic tourist road where the majority of the traffic would be of a tourist nature.

Mr Maxted—That is true. You have to look at the costs and benefits of funding of that road. There are certainly substantial benefits, I would imagine, which Victoria would gain from having tourist demand for the Great Ocean Road. There are benefits in tourist expenditure and to the state and so on. So you need to do a cost-benefit analysis and it may still be in the taxpayers' interest to fund that road.

CHAIR—We might conclude there. I thank the witnesses for making their time available and for their patience whilst we were moving in and out of the meeting.

[2.32 p.m.]

McCULLOUGH, Mr Trevor Clyde, Director of Operations, Hobsons Bay City Council, 115 Civic Parade, Altona, Victoria

MOORE, Mr John Wesley, Transport Planner, Wyndham City Council, 45 Princes Highway, Werribee, Victoria

SAVERY, Mr Neil, Manager, Integrated Planning, Greater Geelong City Council, 30 Gheringhap Street, Geelong, Victoria

CHAIR—Welcome. Thank you for making your time available to give evidence before the committee. We did receive your submission, which has been included in the volume of submissions to this inquiry. Would you like to make a brief opening statement?

Mr McCullough—Thank you. We would like to say a few introductory words. My colleagues and I represent the Princes Freeway Action Committee, which comprises representatives of the Wyndham and Hobsons Bay councils in Melbourne's west, the city of greater Geelong, the Victorian Road Transport Association, the RACV and representatives of major industry. Our common aim is to support economic development and growth in the Melbourne to Geelong corridor through improving the main road network and supporting local road access.

Our submission is a very brief one and seeks to highlight a few points that have been made in other submissions. We will not labour the committee by repeating at length those previous submissions. As a group, our main concern is to secure both short- and long-term funding for the Princes Freeway and the roads generally in our corridor. We will be speaking further to our own state government regarding funding. We will be particularly trying to encourage coordination between levels of government to ensure that projects achieve broader outcomes. Obviously, we are also keen to pursue avenues for further federal funding. We believe that a number of issues that relate to the Princes Freeway and to other significant road projects around the country. As such, they are relevant to the terms of reference of this inquiry. Specifically, we would like to highlight a couple of points.

The current Commonwealth objectives of the national highway system, we believe, are not met at the moment. Specifically, the objective of supporting national and international trade and commerce cannot be said to be met as long as ports such as Geelong, Port Phillip, Westernport, Portland and Wollongong are not serviced by the national highway system. In fact the current national highway system does not come within 10 kilometres of any of those major points. In some cases, it is up to 80 kilometres away.

Secondly, the objective of allowing safe and reliable access to major population centres cannot be said to be met as long as the link between Australia's second and tenth largest cities, that is, Melbourne and Geelong, is not adequate. Thirdly, the objective of supporting regional development cannot be fully achieved as long as the Melbourne to Geelong corridor is not served.

In relation to a couple of the other issues being looked at by the inquiry, our committee would support

the general use of economic criteria which give greater weight to national, economic and social criteria. We would also make the point that any criteria established for selecting projects on a national basis must be impartial and must be seen to be applied impartially. That is not to say that that has not been done in the past, but any new arrangements which are put in place must preserve the integrity of the process and be seen to be done impartially.

It is our view that, as a minimum, all major ports, rail terminals and major national industry centres must be linked together by a national highway system. Economic development will naturally occur around such high quality infrastructure.

Our committee would also like to emphasise the point that nationally funded projects should not necessarily be strictly limited to those roads which are designated as national highways, but rather that the flow-on effects of such projects must be considered. The impacts on nearby road, rail and shipping infrastructure should be considered and, where appropriate, funding provided to prevent secondary bottlenecks that may occur. A classic example of a current problem which we face is the impact of the opening of the Western Ring Road on the Princes Freeway and the surrounding main road network.

Our submission includes a volume of information on the Princes Freeway, and we ask that the committee sees that as a case study in some of the problems that can be experienced. We have mentioned a number of specific items which we believe highlight an anomaly in the Princes Highway, or the Princes Freeway, not being included in the current national highway system—specifically, the fact that almost 40 per cent of Australia's national exports go through the ports of Melbourne and Geelong; that 5.9 million tonnes of long-distance freight travel up and down the corridor on the Princes Freeway each year; and that the tourism industry, as was pointed out in the preceding submission, is heavily dependent on major road links, such as the Princes Freeway.

We have a major accident problem on the Princes Freeway with 34 people killed in the five years between 1992 and 1996. There were 511 casualty accidents in the 63-kilometre length of the road during that period. This represents a higher accident rate than most existing national highways, and represents a cost of over \$31 million to the community over those five years.

The benefit cost ratio for viable improvements to the Princes Freeway is amongst the highest amongst the national highway candidates. Yet, despite the obvious anomalies, the Princes Freeway remains not part of the national highway system. Thank you, Mr Chairman.

CHAIR—I have a couple of questions revolving around your submission. It notes that:

The stated objectives for the national highway system are not satisfied by the existing national highway network.

In asking you to respond to that, I take it that you mean that the national highway system is not getting right through those major conurbations like Melbourne and Sydney to the ports? Are they the gaps that you see, or is it other ancillary sections?

Mr McCullough—Certainly the ports would be the major concern that we have, but there are also, in

our area, several major rail terminals which rely on local roads and state funded roads to access and link between the ports and the rail terminals.

Mr WILLIS—Before I ask a question, can I just say that I would like to bear out the point that is made in the submission about the incredible backup of traffic on the Westgate Freeway in the morning as a result of the Western Ring Road—which is a marvellous addition to the road network in Melbourne. But what it has done—and to a degree, obviously, it was unexpected—is scoop up an enormous amount of traffic from the north-west of Melbourne, bringing them down on a road they would not previously have been able to travel on to the Westgate Freeway, so that the volume of traffic that is now on that freeway is incredible in the mornings. From about seven o'clock in the morning it is bumper-to-bumper, stop-go traffic, from the city right out across Westgate Bridge to the Western Ring Road and right around on the Western Ring Road, as well as up the Princes Highway which joins the Western Ring Road. So you have a traffic backup—and I do not know how many kilometres that is—probably of at least a dozen kilometres or more leading into the city, which is just extraordinary. Of course it is not like that all day, but in the peak hours in the morning it is just a disaster.

My question is this: you are saying, 'Let's widen the road where we can and get a bit more traffic through that way'? I can see that that obviously would have some value, but it has also got to be borne in mind that Citylink is being built—which, after all, is nearly a \$2 billion investment. When Citylink is finished, you have a wider Tullamarine Freeway and have rapid access to the city down that route in the way that does not occur at present because it gets into inner city traffic and gets jammed up. So, presumably, more traffic will go that route than it does at the present time—although there is the toll, and that might be an offset. I would like your views on that.

Also, as the traffic comes into the city, either on the Citylink or from the Westgate Bridge and Princes Highway, it will be able to go straight through the city rather than back up the way it does now because access through the city is just ghastly when you have to go through all sorts of traffic light sets and ordinary city traffic. So do you expect that, once you have got the Citylink built with rapid, non-stop access through the city and a widened Tullamarine, that this would take a lot of the pressure off, or do you think, by then, that just the natural growth in traffic will have offset all of that and we will still have the same problem?

Mr Moore—Mr Chairman, I wonder if I can respond to that by referring to the map in the submission? The Tullamarine Freeway will undoubtedly relieve some of that increase, especially as we have seen in the last three or four weeks with the opening of the last leg of the ring road. What we have seen is the Hume Highway traffic deciding it is now time for them to use the Western Ring Road. So Citylink and an upgrade to the Westgate Freeway collectively will help to provide substantial relief. But the reality is that growth is continuing anyhow, and was continuing, and the Westgate Freeway will continue to service to some degree the Calder and certainly the Western and Princes highways.

Mr Savery—If I could add to that, what we have to be mindful of is that major traffic needs such as we are talking about are also in the Geelong direction. Traffic that is coming off the Western Ring Road, particularly now for peak tourism seasons, is banking up back towards Melbourne on its way to Geelong, so it is in both directions. Obviously, with the freight traffic volumes that we are experiencing and expecting to increase, they are not tied to those peak traffic loads, yet they are still experiencing difficulties outside those

peak volumes.

Mr Moore—Can I just add to that the proposition that the Westgate Bridge has now been recorded as carrying 130,000-odd vehicles a day in the last week and a half or two weeks. There is still a good 10 per cent of that that is freight traffic, and 20-odd per cent of it is business—commercial and light commercial and so on. So you are looking at nearly 40,000 vehicles a day which are either freight or light commercial or business vehicles, and there are not too many roads in the country which carry that many vehicles altogether. So its economic significance in that sense is quite prodigious and obviously growing all the time.

Mr WILLIS—Are you arguing for this to be part of the national highway, to make the Geelong road part of the national highway, or are you suggesting that it could be a road of national importance and therefore get partial federal funding? Under the national highway funding, you get 100 per cent federal funding. If you are going for the national highway, how can you justify the Geelong road and not, say, another arm of the Princes Highway on the eastern side of Melbourne?

Mr Moore—As soon as you run an argument of the kind that we have run, which is essentially that economic criteria ought to drive or substantially drive the process, you immediately open up the proposition that any highway in the country which meets those criteria competes with our pet project. We believe that in applying that kind of criteria the Princes and Westgate freeways and, for that matter, the Princes Highway East will almost certainly come to the top of the pile anyhow. So I suppose we are in a comfort zone in that sense.

Having said that, we would have thought that ideally you would expect to see a road of such major significance in the national highway system. I guess the transport operators, the industries, the exporters and so on of the region would say, 'If the road gets done, we're not going to worry too much about whether it's fully federally funded or half federally funded or whatever.' I think from a local action group viewpoint we would probably feel the same way.

Mr McARTHUR—Mr Chairman, can I just put on the record my thanks to you and the committee for allowing this group to put a case to the committee. I compliment the witnesses on the submission, because it is one of the clearer ones that we have had. I also declare a bit of interest in it as the member for Corangamite and the Geelong area. There have been a number of submissions and points of view on this particular proposition. Can I also confirm Mr Willis's observations that, since the Western Ring Road has come into operation, there is almost a major traffic jam on the Westgate Bridge. So the good work of the federal government and former federal governments has almost created an excess of good outcomes in the fact that the road is working so well that we have a build-up of traffic.

I guess my question is similar to Mr Willis's question. On what criteria would you suggest Geelong would be incorporated for extra funding, given that this committee has seen similar roads near Bathurst, Mount Isa, Halls Creek and other locations around Australia? The difficulty this committee, the government and the minister would have is to change that classification, because every small stretch of road with similar criteria to your own—and we especially recall the arguments at Mount Isa and Bathurst to Sydney—in my view would be competing with those roads which would require high levels of capital expenditure; \$200 million is mentioned in your own proposition. How would you help the government to come to that decision, if you were not being purely parochial and self-interested, taking the national interest into account?

Mr McCullough—Can I make some initial remarks, and then Mr Moore and Mr Savery might wish to make some remarks. I think the national highway system has an objective of linking together all the capital cities, which is a noble cause and in itself leads to further economic development. I think what we would be suggesting is that there should be some further overriding principles which are borne out by the current objectives—that there be, for example, links with all of the major ports in the country. If we can establish those as national objectives, and we are suggesting that that may be one of them, then I think the criteria and the guidelines for whomever will be deciding the federally funded projects would be made much clearer.

One concern we would have with the proposal by the AAA to establish a private organisation is that there is trade-off or a balance to be reached between the national and the commercial interests. In establishing any terms of reference or guidelines for such a group, which we otherwise support, those sorts of broad national objectives need to be laid down. A current example is linking each of the national capital cities, and we would propose that that needs to be added to and broadened out to link major ports, to link major rail terminals and to link the major airports.

Mr McARTHUR—Just as an aside, can I suggest that the standard gauge actually achieves that objective of linking the port of Melbourne and the port of Geelong and the port of Adelaide, so maybe the road link might not be as important as some other regional centres might suggest.

Mr Moore—I think it is a parallel thing rather than a competing thing between the national rail and the national highways, because on the one hand there is one significant sector of freight which is essentially moved by rail, and I think the dominance of Geelong as an export port for grains and so on reinforces that point—

Mr McARTHUR—Although they are not yet connected.

Mr Moore—To the national rail? No, that does not quite get into the port.

Mr McARTHUR—You will not provide enough money, you fellows in Geelong; that is the problem. It is not commercially viable.

Mr Moore—That is another federal inquiry. On the other hand, the vast majority of manufactures— for example, the outputs of the Ford Motor Company and a lot of other major manufacturers down there and certainly the vast majority of the outputs of the oil refineries and the chemical companies and so on, which are the big users of the roads—are shipped by road. Certainly the lion's share of heavy freight up and down the Princes Freeway is petrochemical type of material, followed by farm material and engineering equipment and material.

Mr McARTHUR—You have run out of the Coode Island-Point Lillias argument, haven't you?

Mr Moore—Yes. We never ran that, fortunately.

Mr McARTHUR—You never did?

Mr Moore—No. We as an action group certainly did not. Some of our colleagues might have, but this group did not.

Mr McARTHUR—Could you just respond on this build-up of traffic. If you did have an improvement in the Princes Highway and this build-up on the Westgate Bridge, would you care to give the committee a comment on that, that point Mr Willis and I have raised? You have now got a major constriction around the Westgate Bridge. If you improved the Princes Highway to the extent you are suggesting, you might just exacerbate that problem. How do you respond to that?

Mr Moore—VicRoads has already begun to confront that query. The reality is that at the moment it appears that the bridge area has a little more spare capacity than the freeways to it, but that will not take long to change. There are various options, including using at least one of the reverse lanes for reverse traffic. There are risks in that but that is done on other bridges. It may ultimately be that there is further bridge capacity needed, but at the moment there is a fundamental problem in between it and the ring road. A lot of the freight traffic in particular does not have to get to the bridge. A lot of the traffic on the Westgate Freeway is up and down between the inner west and the outer west and the northern suburbs and beyond.

Mr McARTHUR—My final question is: if the piece of roadway is so critical, why would not the Kennett government fund it, just a mere \$200 million, if it is so important and the priority is so high? Mr Kennett could help you out, surely.

Mr Moore—This action committee was formed to pursue upgrading the Princes Freeway, not to berate the Vaile inquiry. Our objective is a lot broader, with due respect.

Mr McDOUGALL—That was a good sidestep of the question. But, seeing you did not answer it, I am going to ask it again. Why will not the Victorian government fund it? If it is so important to the economy of Victoria, why won't they fund or why won't they go to private sector funding, as with the underpass in the city?

Mr Moore—I cannot speak for them, and I would be interested to hear what the other fellows here would have to say. One observation I would make is that, where you have a road, as the Princes Freeway is, which is the only realistic connection between two cities, I would support the view that the RACV and I think AAA might have, that in that situation you should resist tolling it, because you are creating no option, although that is a political argument as much as anything. I do not know whether I should add—

Mr McCullough—I would like to add that we would be most happy for Mr Kennett to fund the project. Obviously, there are some very large road projects under way in Victoria at the moment which are committing a fair chunk of state funds. We would be more than happy to see such a reallocation in the future.

Mr McDOUGALL—We have had it said a fair bit during the inquiry, and I think this morning by AAA, that the federal government should be looking at roads on an economic basis rather than on the old national highway grid. Maybe a few RONIs should be tossed in to make sure that we include the ports and airports. It has been said that we really should be looking at it on an economic basis. If we were to go down

that track, the federal government would open up far more kilometres of road that it would then be responsible for funding. How would the states and local governments then react to our taking a bigger slice of the road dollar cake to deliver what you are asking us to deliver? You would then have to find extra money to do the other work that you would have to do.

Mr Moore—I think we have to stand back and look at it from a national viewpoint. This is very much a personal viewpoint. In response to your earlier question, surely it is our job to work on the Kennett government as well. They have presented the data that supports the priority of these roads, so we need to work on their position anyhow. But aside from that, if we have an attitude in Australia that we define what roads are of national and regional importance, and it ends up that responsibility and power, if you like, are vested more in one government than another, does it matter to the community? I really wonder whether it does. If it ultimately benefits the country's export performance or whatever, surely we are all better off.

Mr McDOUGALL—As members of local government—and I have been one—would you feel more confident if we went down the track of roads of economic importance and we had far greater control over the slice of the cake, or would you feel better if the Commonwealth government passed all the dollars over to the states and let them run it? Which way would you feel more confident?

Mr McCullough—There are certain projects of such magnitude that they have to be taken on as national priorities. State governments, and certainly local governments, are not going to have the resources to take on such major projects. So unless there are some national directives and objectives, some of these things just will not happen.

Mr McDOUGALL—I know that we are not supposed to be specific, but you have put a major project ahead, and there are others around the country just like it. Are you satisfied that the state government, in conjunction with the local governments, has explored all alternative options of land transport to overcome the problem of congestion? Getting passenger cars off the road and leaving the current roads open to transport and freight traffic would alleviate the problem. Has that been done?

Mr Moore—I think they have explored the options.

Mr Savery—More than exploring the options, there have actually been some studies. Better Cities had some involvement in the upgrade of the passenger railway line between Melbourne and Geelong. That reduced the travel time by five minutes by ploughing in an extra however many millions of dollars. The outcome of that has been relatively insignificant in terms of additional passengers using that service. With the Point Lillias inquiry for the relocation of Coode Island, they obviously explored in great detail what the outcomes of that would be if additional freight were put on the road. They determined that they could not justify, in a financial sense, building the rail infrastructure to take that additional freight.

Mr McARTHUR—Since you have two centres of population, Melbourne with 2½ million and Geelong with 200,000, would you consider that the upgrade of the Princes Highway would be a classic proposition for introducing a toll road to raise the \$200 million?

Mr Moore—One of the difficulties you have then is that the costs of sustaining it tend to fall fairly

heavily on the community at the end of the road. That is a concern with tolls generally, that the rest of the community can use the rest of their road system which was not tolled but there is one community at the tail end of it that pays.

Mr McARTHUR—In Victoria we have the Citylink that is a proposed toll road. We have inspected the Parramatta M2 which is a classic example of shifting large numbers of people from one location to another. In view of the quality of your submission and the strength of your arguments, I would have thought that they support the possibility of a toll road.

Mr Savery—One of Geelong's main concerns would be that it would act as a disincentive to further industrial investment in that region when they can just as easily locate in Melbourne and not have to use the toll. That would be a major concern, I would have thought, to Geelong. It also comes back to this issue of establishing whether or not economic criteria are the basis for classifying a road of national importance, and the opportunity through the fuel excise to potentially fund those roads. So the options that the federal government has to raise money to construct roads, compared with local government or state government, have greater flexibility.

Mr McARTHUR—It is worth noting, though, that other people have taken on the build, own and construct type of approach. The quality of your submission and the strength of community feeling is such that perhaps you could convince them that, like the Westgate bridge, a toll arrangement might help you solve the problem.

CHAIR—We thank you for your submission, and thanks very much for taking the time to appear. The evidence will certainly be of benefit.

Resolved (on motion by Mr Peter Morris);

That the committee accepts as evidence and authorises for publication the submission from the Western Regional Transport Forum as submission No. 773 to the federal road funding inquiry.

[3.02 p.m.]

FISHER, Mr Roger, Assistant Secretary, Transport and Communications Branch, Department of Finance, Newlands Street, Parkes, Australian Capital Territory

JOHNSTON, Mr Bert Martin, Director, Infrastructure Projects Section, Department of Finance, Newlands Street, Parkes, Australian Capital Territory

CHAIR—Welcome and thank you very much for returning. We will not worry about an opening statement as we went through that the other day. In relation to the delineation of road responsibilities between the three tiers of government, your submission refers to a lack of clear delineation of roles and the blurring of responsibilities. Would you like to elaborate on the basis for that view?

Mr Fisher—Yes, and thanks for the question because it is an issue that we spent a lot of time on in the submission and it is an important one in our mind. Perhaps the best way to answer the question is to go back to the 1991 special Premiers Conference arrangements. The arrangements that emerged out of that process seemed to us to be very clear: the Commonwealth was to take the sole responsibility for the national highway system—the national highway system roads were fairly well defined—and other levels of government were to be responsible for the funding of other roads.

Over time, that fairly clear definition seems to have been blurred as what constitutes the national highway system was added to. It was extended to include some urban arterial roads; the Commonwealth embarked on a black spots program, which funded roadworks outside the national highway system; it took part responsibility for the Pacific Highway, which was not part of the national highway system; and it now also funds roads of national importance.

Standing back from that process and trying to put ourselves in the position of a taxpayer who might be driving on the roads, it seems to us that it may not be clear in the mind of the driver which level of government is responsible for the quality of a particular road. That, in our mind, does not necessarily lead to the best level of accountability back to governments for the quality of services they are providing. That perhaps makes it more difficult to come up with optimal solutions on the road network.

Mr PETER MORRIS—Mr Fisher or Mr Johnston, do you see a situation where hypothecation in part—limited period, limited application—is appropriate? I will say the dedication of revenue, rather than hypothecation—that is an awful word.

Mr Fisher—It is a difficult question for us to answer because—

Mr PETER MORRIS—We use it in aviation—have done for decades.

Mr Fisher—Yes. I appreciate that.

Mr PETER MORRIS—You do it on farm levies too, don't you—for primary industry?

Mr Fisher—It is a difficult one for us to answer because Finance has responsibility for oversight of outlays and hypothecation or dedication of revenues quickly gets us into other portfolio responsibilities. Other portfolios will also have views and might have prime carriage. Perhaps underneath the question is: would there be benefit in being clearer, over a period of time, about the level of funding to be provided for roads; and would there be advantages in making the funding on roads more closely related to the demand for roads? I guess fuel excise is one way of measuring demand for roads. I can see that.

Mr PETER MORRIS—You are a motorist, Mr Fisher. You are a consumer.

Mr Fisher—Yes.

Mr PETER MORRIS—You regularly pay your tax when you go to the petrol bowser. Do you see a time when people will cease to associate revenue collection with purchase of fuel for their car?

Mr Fisher—Based on our reading of the submissions that were provided to the committee, I think that time is a long time away.

Mr PETER MORRIS—A long time away, yes. In those circumstances, to go back to what you said about accountability and transparency, couldn't you and Mr Johnston see on some occasions where you have a level of dedication of revenue to particular purposes for particular periods, that there is an improvement in accountability that sheets it home that that is what the money is for, that is where it goes and that it has a sunset period?

Mr Fisher—Yes, I would agree with that.

Mr PETER MORRIS—It is a matter for the policy makers, for the politicians, to decide though, isn't it?

Mr Fisher—Yes, indeed, but there is a lot in what you say. Some states do it successfully and have delivered some good projects as a result. I guess if we were advising government on it, if they asked our views, we would acknowledge that point. I think we would also alert ministers to the risks in terms of budget management associated with hypothecation and reducing flexibility for government from year to year.

Mr PETER MORRIS—You would recite the same words Mr Borthwick told us yesterday, that you like to have as much as you can in the pot each 12 months?

Mr Fisher—I would not use those words.

Mr PETER MORRIS—The intent would be the same, wouldn't it? You can share that; it is not difficult.

Mr Fisher—I think we would be trying to give the Minister for Finance flexibilities and options from year to year.

Mr PETER MORRIS—I want to go to another aspect but I have limited time as I should be in the chamber for Mr Barlin's valedictory. It is unfortunate that it has come on at this time. I will have to ring you or talk to the chairman later about some other matters I want to raise with you.

The really important issue that came out of yesterday's hearings—we did not get on to it; Treasury was involved in it—was infrastructure bonds and the rebate that has been capped at \$75 million per year. Should we as a committee take into account that the federal contribution to the road effort can take a number of forms? It can be direct expenditure off budget; it can also be revenue forgone. If so, how should we do that? Is it appropriate? Have the infrastructure bonds worked out, or are they out of control and we are back now to a capped rebate? This is right up Finance's alley.

Mr Fisher—There are a lot of questions in there. I am having trouble working out which question to answer first.

Mr PETER MORRIS—I will take it back one step. When we are asked to look at the role of the Commonwealth government in road funding, should we consider that one form of funding can be tax forgone as well as direct expenditure off budget and outlays?

Mr Fisher—It might be very appropriate in measuring the total taxpayer contribution to roads.

Mr PETER MORRIS—Any reasonable government would do that, would they not, in practice? I am not trying to pin you down. Reasonable practice would indicate that you would take both those factors into account?

Mr Fisher—Indeed.

Mr PETER MORRIS—Is there any measure—this comes back to Finance; it is very important—on the cost of revenue forgone on infrastructure bonds and its withdrawal from road funding?

Mr Fisher—I do not have figures on it. I understand that Treasury undertook to come back to the committee with more detailed information. We do not have separate information on that.

Mr PETER MORRIS—The Minister for Finance is here. You know how each other works. I am trying to understand the process. Treasury jealously guards that sort of information. When you are providing advice to ministers and so on over budgetary matters, you would not be asking Treasury for their data, would you? You would be developing your own. Is that how it works?

Mr Fisher—On an issue like infrastructure bonds, where it is clearly a responsibility of Treasury, we would ask Treasury for advice, or Treasury would advise ministers separately. We would not try to second-guess Treasury.

Mr PETER MORRIS—I was under the impression that Finance had their own sources of information and that you developed your own data. You just gather it from someone else?

Mr Fisher—Our involvement in the budget process is mostly on the outlays side. We have a lot of information on outlays that Treasury would not have. They would rely on us to provide that to ministers. In the same way, we rely on Treasury to provide advice on revenue matters to cabinet. We would not attempt to second-guess unless there was an apparent anomaly.

Mr PETER MORRIS—I do not understand the language between you two, but it does not matter. Between these two, all sorts of exchanges and glances are occurring. There is all sorts of body language going on. When considering the means of funding a road program, is it better to stick to identified outlays in the expenditure side of the budget, or a combination of both? Is there a strong argument for one or the other or a mixture?

Mr Fisher—I suggest that it would be better to use both.

Mr Johnston—In practical terms, it will be difficult to use the taxation expenditures, because they are a lot harder to measure.

Mr PETER MORRIS—We were told yesterday that there is not any measure. Treasury told us yesterday that they did not have any estimates of taxation expenditure on that program.

Mr McDOUGALL—That is right. They were going to come back to us. They were going to try and find something.

CHAIR—There were estimates available but no clear indications of actual figures.

Mr McARTHUR—You may have been asked this question and I may have missed it, but a number of submissions and witnesses have raised the issue of tied and untied grants. Some seem to be in favour of tied grants and some would be in favour of the very honest transparency of untied grants—and the state government will obviously spend them on roads. Would you care to give us your view on that very important policy matter?

Mr Fisher—The policy is that FAGs generally are now untied. In respect of roads, the untied FAG grants are identified as road funding but they are not formally tied. We can see lots of advantages in an arrangement where it is clear to the taxpayer how much is being provided by the Commonwealth to the states in the form of special purpose payments and we can see advantages in identifying how much is being transferred to the states as part of the financial assistance grants for road funding.

Mr McARTHUR—Which would be your preference? Are you going have two bob each way?

Mr Fisher—There is a clear government policy on that and I would not challenge the government policy. From a sectoral interest, in terms of assessing how much is actually spent on roads, I can see benefits in continuing to identify—

Mr McARTHUR—Finance's view is to have tied grants so the federal government could have a fully accountable, fully responsible and politically rewarding position where the federal government had given

money to roads which they got some recognition for.

Mr Fisher—The government policy is not to tie grants and I would not challenge that. I can see advantages in continuing to identify how much of those grants is spent on roads.

Mr McARTHUR—Some witnesses were suggesting that some of those untied grants moved into other areas of expenditure at the state level.

Mr Fisher—My understanding is that the minister for transport has asked the states to give him assurances that the identified road grants will be spent on road purposes.

Mr McARTHUR—How could you be sure that state governments would honour their undertakings?

Mr Fisher—I could not be. I expect the minister for transport would put in place a system where he asked them to report back and he had a system of checks and accountabilities.

Mr McARTHUR—But how will you know? You have given that right away by moving to untied grants.

Mr Fisher—My understanding is that the government, in looking across a range of programs, not just roads, can see benefits in giving states flexibility across priorities for financial assistance grants. If I look across the whole level of government spending and I look at the difficulties at the moment in blurring between different levels of government on road funding, one possible option is to move further down that track in relation to the Commonwealth involvement in roads.

Mr McARTHUR—Why wouldn't you move totally to untied grants and get away from this argument? You would get away from roads of national importance and you might get away from the whole argument.

Mr Fisher—Yes, indeed. One option—and we are flying kites here, but I think it is appropriate to have a discussion about options—could be for the Commonwealth to recognise the fact that the national highway system as currently defined will be substantially completed within perhaps a decade. The Commonwealth could say, 'We have built that national asset. We will now commit to maintaining it and ensuring it continues to be in good working order,' which might involve the Commonwealth in, say, \$350 million worth of annual expenditure, not \$800 million. Then perhaps it could transfer extra moneys to the states as part of financial assistance grants and allow the states to make judgments about road priorities within their states with an overall higher budget.

Mr McARTHUR—Do you think that is a real live option?

Mr Fisher—I would like to keep it alive. I think it is certainly worth exploring and it addresses many of the problems with the current arrangements that we have seen in transcripts of evidence and in other people's submissions.

Mr McARTHUR—It would be a pretty big policy decision if the federal government, not so much the state governments, moved in that direction.

Mr Fisher—Yes indeed it is. It is a very important decision.

Mr McARTHUR—What would be the benefit from the Finance Department's point of view?

Mr Fisher—There would be downsides, but one benefit with an option like that would be to have much more clearly defined responsibilities at different levels of government. There would also be a benefit in terms of allowing the states to make judgments about the priorities for road and other spending within their jurisdictions. It would also address some of the criticisms that have been made, for example, by state road authorities about meddling or duplication of effort or distortion of their priorities by Commonwealth involvement on projects, some of them not necessarily involving national highways.

Mr McDUGALL—If I could just take that direction and turn it around the other way—and I was asking the three previous witnesses on this basis—it seems to me from the evidence I have received across the table that there is great disappointment that states are not delivering. If we go down the other track of roads of economic importance and broaden the federal government's responsibility, wouldn't it then be an alternative that the Commonwealth government would have more control over its outlays than through untied financial assistance grants and would then be able to monitor and audit the return on their investment?

Mr Fisher—Yes, indeed, and it is an option that has a lot to be said for it. It is at the other end of the spectrum, in terms of Commonwealth involvement in roads, from the option we were discussing a minute ago. It certainly has benefits in terms of responding to, say, the Business Council of Australia's observations that the current arrangements overfund some roads and underfund other roads and to comments we get in the Commission of Audit and from AAA and others that we should be making road investment decisions on economic criteria and not necessarily on the basis of, say, a program definition that was set in place maybe five, 10 or 15 years before.

You would certainly have a much better focus on higher priority roads and the Commonwealth would be much more clearly directly accountable for investing in the more important roads. As you mentioned earlier, Mr McDougall, to other witnesses, there are some disadvantages in terms of positioning the Commonwealth with very direct responsibility for high priority roads. The states might object that the Commonwealth is muscling into their territory and perhaps distorting investment or trade patterns in their jurisdictions. That is perhaps best illustrated in the case of urban arterials.

My understanding is that if the Commonwealth directed its money always to the highest economic value projects for the next few years, we would be investing in the urban arterials. That raises some pretty profound questions about Commonwealth involvement in urban planning and in economic patterns within cities which state and local governments might be concerned about. I think, as you rightly pointed out to the earlier witnesses, it would lead the Commonwealth into fairly open-ended commitment to future expenditures. There would be no limit or no natural boundaries to what the Commonwealth might be asked to take on.

We have expressed some concerns in our submission and in earlier evidence about the scope for cost

shifting under the current arrangements. If we funded on an economic basis, my expectation is that other tiers of government would leave those high priority roads underfunded. They would step back. They would not be making sensible investment decisions. They would be stepping back from investments in high value roads because they know they would turn up on the Commonwealth's list. You might very quickly find yourself on a slippery path where the Commonwealth takes responsibility, or is seen by the taxpayer to have responsibility, for all roads. From where we see it, with our portfolio interests, we would be advising the Minister for Finance that that might quickly lead the Commonwealth into a whole range of new commitments that might generate expectations of much higher Commonwealth spending in the future.

Mr McDOUGALL—I understand what you are saying, but yesterday we heard from the Auditor-General, too. What disturbed me in hearing from the Auditor-General was there was some doubt as to the effectiveness of the spending of the money and their ability to monitor that expenditure. If we are to pass it across on an untied basis, that takes away a lot of our ability to be able to audit and ensure that we are getting value for money.

The other aspect to the question about the audit is that when we go into using schemes like the tax rebate scheme we appear as though currently we do not have an audit mechanism in there to see that we are getting value for money on revenue forgone. Whether it is us passing untied grants to the states or revenue forgone to private investor infrastructure, how does the government ensure that it is getting value for the taxpayers' dollars in either of those two aspects?

Mr Fisher—We would share that concern. I think ANAO makes some very good points there. If you were to move down a path where the Commonwealth transferred more money to the states through FAGs and avoided project-by-project investments, we would suggest that the Commonwealth might be in a better position to direct people to state governments in terms of the quality of the investment decisions that are being made and the trade-offs being made between roads and other expenditure.

Mr WILLIS—I just have an observation. Firstly, I think we have got in a funny situation where we now have untied grants which not only are identified but have to be guaranteed to be spent on roads. We seem to have come almost full circle at that point. It is not untied anymore at all. That was not what I wanted to ask you.

One of the themes that have come through to us from various people has been that they want more planning about what is going on. They think the whole thing is very unstructured at the present time and they see an annual funding process as being quite inhibiting to that planning process. That is something which I do not necessarily agree with. I think we still have plans and they get varied according to the annual funding allocations. Obviously, it does make it better or more productive to plan if you have a certainty of funding of some sort.

So on the one hand we have the sort of budgetary requirement for flexibility—with the limited degree of the budget being flexible. Finance and Treasury never want to see more of it being tied up. On the other hand, you have the desire from the road expenditure point of view—of, it seems to me, both the Commonwealth department and the state departments—that there be some certainty about the funds that are coming and the planning in that context.

Finding our way through that is not easy, but would you acknowledge that, if there were a sort of certainty of funding, it would make planning easier and more productive? Do you see, therefore, any case for at least some degree of certainty? That is, a minimum amount of certainty which is guaranteed for a period—say, the forward estimates period—over and above which there may be variability, so there can be some certainty about the level of funds that are coming over.

Mr Fisher—Yes. You have raised some important issues. I would reply by saying that I agree with your proposition that, given budget constraints and a desire to retain as much flexibility as possible year to year, the greater certainty people have about future spend levels, the greater capacity they have to plan and make sensible long-term investments. I would agree with that principle.

In our submission we have raised, for consideration and discussion, ways of responding to that dilemma in what I hope is a constructive way by, for example, suggesting that people might discuss the question of a triennial funding arrangement for part of the roads program to provide a degree of future certainty. We have also raised the question of whether there would be merit in, say, a commitment from the Commonwealth over the forward estimates period in respect of the maintenance budget—the funds required to maintain and upkeep the national asset—and then retaining flexibility over the new works.

You would expect us to say, given the portfolio we come from, that large parts of the budget are already locked in and governments can sometimes find it difficult to ensure they have enough flexibility in their decision making to respond to emerging pressures and priorities. We would be searching for a way of acknowledging that and retaining flexibility for government and also of providing as much certainty as we could. You would also expect us to say, given where we come from, that the forward estimates system does go some way to providing people with indicative funding that looks into the future.

Mr WILLIS—Do you have any awareness of the AAA submission, which calls for a road user charge to be allocated to a federal roads corporation which would actually set the charge rather than the government itself setting that charge and then, as required, allocating expenditures on the basis of the best benefit-cost outcomes? Are you aware of that submission and, if so, what is your view of it?

Mr Fisher—I have not read that submission. I was familiar with the concept as a result of our research on what is happening in New Zealand in relation to the commercialised entity which is being established to operate the roads on a user-charge basis that generates a return on investment. We were quite excited when we came across it and thought it might be a way of solving a lot of problems. In our case it would involve some complexities that are not present in New Zealand, the first being that the Commonwealth does not presently own the roads, the states do—at least in respect to the national highway system. I assume other people own other parts of the road network.

To establish a road corporation of Australia we would need to establish clear property rights in relation to the road network. There might be some very complex negotiations to achieve that and some difficult evaluation issues in relation to the transfers. They are operational issues that no doubt can be worked out, though they are very complex and very political.

We were attracted to the philosophies behind the concept but we wondered about its effect in the

Australian political situation and we wondered about the responsibilities of different levels of government. We also wondered about, for example, urban roads and whether local councils might be prepared to see urban roads transferred to a Commonwealth entity, whether there might be concerns about the Commonwealth possibly having priorities that did not reflect the priorities of the local area, whether the Commonwealth might be responsive enough to their priorities, and so on.

In summary, we could see lots of attractions in the model. It provides very clear accountabilities and very strong incentives to make investment decisions on sound economic principles. It is very complex, though, and will need a lot of working through.

Mr WILLIS—Although their model is based on the New Zealand experiment, I am not sure that they are necessarily going the whole hog with the New Zealand one. When they were before us early today, they were not sure that they necessarily wanted to go to the point of return on assets. There was lack of clarity about whether they actually would take over ownership of the asset or whether it would just be like a funding mechanism where they would set a charge, the money would come in and they would allocate the funds on the best economic basis, and there would not necessarily be any more to it than that. Although they were in a mind that maybe they ought to be looking at some kind of a dividend as well.

Could you have a bit more of a look at that submission and give us a further statement? I am sure you have lots of other things to do but, if you would not mind, I think we would appreciate having your considered analysis of that proposal.

Mr Fisher—I would be very happy to.

Mr McARTHUR—I endorse those remarks by Mr Willis; your considered comment certainly would be appreciated.

Mr Fisher—We would be keen to work and comment on it.

Mr LINDSAY—Gentlemen, yesterday I gave you advance notice that I would ask you this question today: thinking of other countries, have you seen any unusual or innovative ways of funding road infrastructure? As you have had 24 hours, we should get a great answer.

Mr Fisher—We appreciated the advance notice. We identified a number of innovative and unusual ways of funding roads that we thought might be worth drawing to your attention. Our knowledge of them is limited, though we would be more than happy to do additional work on them.

One example that I would mention is the Tokyo expressway in the Ginza district, which I understand is a two-kilometre private road through a densely populated urban area. It has no tolls, and 50,000 vehicles use it every day. A private company built the road on government land and has funded it through investments along the road, like property development, housing and shops, and so on.

Mr LINDSAY—Is it on government land—along the road?

Mr Fisher—Yes, as I understand it; though I would be more than happy to come back and clarify aspects of it. It is an example of a private corporation being prepared to build a road because it brings people to other facilities where they earn the money.

Some related concepts are the Trans-Tokyo Bay Highway and the new Kansai international airport. As I understand it, the roads there are partly private and partly publicly funded. The private funds, as I understand it, come principally from the airport owner. The owner of the airport has a strong economic interest in having good access and is therefore prepared to invest. We mentioned yesterday the example of mining companies which might be prepared to share access—essentially provide public infrastructure—provided they gain an economic benefit in terms of improved access to ports, improved transit times or less wear and tear on vehicles, and so on.

As I understand it, in California, on state route 91—on an existing highway—express lanes were built by the private sector. The express lanes were clearly for faster travel and lots of benefits. There is automated electronic tolling; they do not slow down to drop money into a box. They have an electronic eye, an identifier, and the travellers are billed. In our mind, they are worth exploring.

Mr Johnston—There are a couple of other references in the US, where land owners pay for off-ramps to be built that come down on to their land from the highway. They are more than happy to do that social service because it improves the value of their land. I understand that in Queensland there is a somewhat similar proposal, which has been mentioned in evidence to you, where a toll road would be built through land that is privately owned.

Mr McDOUGALL—There is an example in Brisbane. The Brisbane airport road from the Gateway arterial into the two terminals is a public road. It is owned by the FAC and they have to maintain it. It is a public road, but it is completely funded by the airport owner.

Mr Johnston—One that came up as a possibility within the NHS—which has not got anywhere yet, and who knows what will happen—was for the work on the NHS to be brought forward by state government paying for it—borrowing the money and paying for the works now. A private sector interest which wanted that particular section of road improved would pay the interest and the Commonwealth would eventually get around to paying it, when it was assessed that we would have done it anyhow. The problem with that is that if you do it in one spot you open the floodgates and we could lock in the whole NHS for a while. But it is a concept.

Mr McDOUGALL—That system exists, I might add, in Queensland under the planning act in relation to sewerage. The sewerage infrastructure in the main trunk system, which is the basic infrastructure, is actually funded by the private sector and then credited back. That has been running for some 20 years in a very—

Mr Johnston—Yes, it is a similar concept.

Mr LINDSAY—Are you talking about headworks charges?

Mr McDOUGALL—Yes.

CHAIR—Excuse me, gentlemen. We had better get back on the track here, if you do not mind, because we are running out of time. I want to go to a couple of points we do need to comment on. In the 1993 ANAO report there was a recommendation that the department needed to improve its project assessment and evaluation aspects. A number of state and territory road agencies have given evidence that this scrutiny is now leading to delays and inefficiencies. Would you like to make a comment on that?

Mr Johnston—We were concerned about suggestions of duplication. I think we referred to that earlier in private discussions with the committee. One of the issues is that the states come forward with a proposal which is based on a state priority. Our colleagues over in Transport are then required to look at it from a Commonwealth perspective, which can be a totally different priority. If you add to that the interesting suggestions they have made about the estimates of some of the proposals that have come in from the states and how much they can be reduced, there are not a lot of people and they have got a big task to do.

Mr Fisher—The Commonwealth taxpayer might expect a Commonwealth department to be subjecting the bids to a degree of scrutiny. I acknowledge that might sometimes lead to delays and frustration in the states.

CHAIRMAN—Yes. You also suggested the introduction of maintenance performance agreements for the national highway. Could those types of agreements also be applied to construction?

Mr Fisher—We think so.

CHAIRMAN—So it certainly would be advantageous to the Commonwealth?

Mr Fisher—Yes, indeed.

CHAIRMAN—Fine. I think we can just about wrap it up there, gentlemen. We certainly appreciate you coming back again this afternoon to cover those few aspects. Thank you for your time this afternoon. There are two questions on notice for some information that you are going to get back to us. I understand you also made an offer to provide some additional information on innovative ways to fund private sector involvement. If you could get that information back to us that would be very helpful.

Mr Fisher—We are happy to do that. We might also, with your agreement, address the question of the UK private finance initiative which might also be an interesting model.

CHAIRMAN—Sure, by all means. On behalf of the committee, I would like to thank all the witnesses who have given evidence at the public hearing today.

Resolved (on motion by Mr Lindsay):

That this committee authorises the broadcasting of this public hearing and the publication of the evidence given before it at public hearing this day.

Committee adjourned at 3.44 p.m.