



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Inquiry into federal road funding

PERTH

Friday, 18 April 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 Bob Baldwin	Mr Neville
Mr Ross Cameron	Mr Randall
Mrs Crosio	Mr Tanner
Mr Hardgrave	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.

WITNESSES

GILES, Mr Robert David, Committee Member, Fix Australia Fix the Roads Steering Committee, PO Box 241, West Perth, Western Australia 6872	419
MICHAEL, Dr Kenneth Comminos, Commissioner of Main Roads, Main Roads Western Australia, Don Aitken Centre, Waterloo Crescent, East Perth, Western Australia 6004	389
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Present

Mr Vaile (Chair)

Mr Lindsay

Mr Peter Morris

Mr McArthur

Mr Neville

Mr McDougall

Mr Randall

The committee met at 9.08 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 inquiring into federal road funding. Today's hearing is part of the committee's 12-day program of hearings and inspections covering all states and territories. Access to an efficient transport network, including good links between production centres and ports, is vital to Western Australia's continued economic growth. For example, the national highway in Perth could be better linked within the city and with the port of Fremantle. As well, the state's national highway system has a vast rural component which requires substantial maintenance and upgrading. The committee is interested in how these competing demands may be met. 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. The committee is investigating the underlying principles for funding Australia's national road system.

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. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament.

MICHAEL, Dr Kenneth Comminos, Commissioner of Main Roads, Main Roads Western Australia, Don Aitken Centre, Waterloo Crescent, East Perth, Western Australia 6004

WARNER, Mr Desmond Reginald, Director Corporate Services, Main Roads Western Australia, Don Aitken Centre, Waterloo Crescent, East Perth, Western Australia 6004

CHAIR—Welcome. Dr Michael, we have your submission. Would you like to make a brief opening statement to the committee?

Dr Michael—I would like to do that, touching briefly on some points in the submission and highlighting them. First of all, on behalf of Main Roads, I would like to thank you for inviting us and giving us the opportunity to expand on what we have presented and to address any issues you may have. From the basis of our submission, it goes without saying that the Australian road infrastructure needs a strategic focus. That is coming through throughout the country, judging from the responses we have listened to or read. But it does not happen unless there is a sufficient and dedicated funding level to efficiently deliver any agreed strategies.

At the outset, there is a need to identify a national road network that meets the national interest. That also needs to be defined. To do this, there is urgent need for a national road strategic plan which integrates efficient transport delivery, safety, minimum levels of access—particularly to remote communities—and, importantly, environmental protection. To achieve this, the allocations should be viewed as investments in road infrastructure, because they give returns of an economic or social nature while assessing environmental impact that are important to the communities and the industries as a whole. In this way we could look at the effectiveness of such investments.

To achieve that, we would see a national road strategic plan. Linked to that strategic plan would be agreed outcomes from all the parties. These would be tied very much to levels of service for the purpose that those roads have been established—and to manage it through performance agreements. In other words, this would be a much higher level approach than is being adopted at this moment.

But any investment needs to be giving value for money, and efficiency becomes a key element in how it is delivered. This is a responsibility for the states and the territories. To get efficiency, we need dedicated resources and some certainty in funding, so that planning can be effective and not just on an annual basis which creates difficulties, particularly when amounts allocated to particular activities change. We need to agree on the outputs we will deliver, consistent with those outcomes. We need to have a contracting and delivery strategy that everybody is supportive of and for which the states and territories should be accountable. Above all, we should have performance management, linked to performance indicators—a very strong role for the Commonwealth to play.

In other words, we are looking for a national road network, a strategic plan and a strategic management framework, so that we can define the accountabilities between the different levels of government. In particular, we need to work more cooperatively, in partnership, between the different levels of government. Certainly, as we have said—and as I am sure you have heard many times—the existing procedures are inadequate and cumbersome.

In our view, if any semblance of a national strategic focus is to be achieved, the role of the Commonwealth in this task is essential. This raises the issue of road funding, and I appreciate the comments you made in the beginning and will only talk in general terms. There is no question that the Commonwealth level of funding is inadequate. It has been decreasing in real terms. We tabled a paper which demonstrates both the share to the state and—on the second page—the fact that the total amount allocated to roads over the years has not changed much in the last five years in dollar terms, let alone in real terms.

There is certainly a deficiency in the amount of funding to the national highway network in Western Australia: we have identified a deficiency of something like \$70 million per year, in addition to any moneys forthcoming for roads of national importance. The level of funding, in our view, is one that is in need of early resolution if any national objectives are to be achieved at all. In company with this, we need forward commitments so that the annual allocations are not the only means by which we go forward in developing a plan. That remains an essential element—it is not much use when we get our final allocations towards the middle of a financial year, the end of a calendar year—in order to be able to plan for within that year. I think you would understand that from any practical point of view.

Western Australia makes a major contribution to the national economy. I would like to go through the statistics, which you are no doubt well aware of. Western Australia has 25 per cent of the nation's exports. It has 25 per cent, in length, of the national highway system. It has 12 per cent of the road freight task, which is growing at six per cent per annum. It contributes 20 per cent of Australia's petroleum production. It has a significant and expanding grain delivery task. It has an extensive woodchip export industry and it has a rapidly expanding mineral industry. All this with a population of just 10 per cent of the Australian population.

In bringing this to your attention, and in looking at how this might happen, we have identified—again, I table for your information what we have identified and what we have mentioned in our report—that road infrastructure investments to the level of \$2.5 billion are needed to address some of these issues. We are currently finding that, with the current level of investment, we are getting further and further behind. With regard to the figures I quoted earlier for the national highway network, an extra \$70 million a year is needed to maintain, over the next 10 years if you like, the level of service that we enjoy today. There will be very little improvement over and above that. As this is an ageing network we are finding the task getting harder and harder. If an early investment is not taken we will all suffer over the next 10 years.

Western Australia has taken action. The fuel levy of 4c a litre, which was also raised with you earlier, has meant we can implement a \$1 billion road investment program. That is well under way and all the evidence I have when I move around the state is that, while it certainly created some discussion at the time, the benefits are there to be seen today. As those benefits come forward there is no question of the response that we are getting from the users as they see roads improve, access developed and industry supported in various ways.

The state dedicates its funds from the state fuel levy and vehicle licence fees to road infrastructure, and it has established a forward planning strategy. We have a 10-year plan, in conjunction with local government, to ensure that at least 25 per cent of this state revenue goes into the local road network. We have clearly established goals and road priorities for each region and we have a series of documents, which we call our Roads 2020 documents, that look at the next 30 years. So we do have a strategic focus within the state and we address it from the community and needs points of view. Similar partnerships are urgently

needed between the state, Commonwealth and local governments on the national scene. Those papers are tabled for the committee's information.

CHAIR—Is the 4c a litre fuel levy that has applied entirely hypothecated to roads?

Dr Michael—Yes.

CHAIR—Below the line on that, you say that 25 per cent of that goes to local roads?

Dr Michael—Yes.

CHAIR—In your opening statement you mentioned that you believe that the Commonwealth's contribution to the national road network is too low and definitely needs increasing as far as finances are concerned. You are not prefacing that on the basis of the amount of taxes or revenues the Commonwealth collects from road users; what you are saying is that we will not achieve the task ahead unless we apply more funds to it?

Dr Michael—Absolutely. No, I am not reflecting on it. I appreciate how excise is raised in the country. We are simply saying that the amount that is allocated, in whichever form—and I think the current figure is something like 7c a litre—is clearly inadequate. I might just note that over the last 3½ years the increases in the fuel excise have been in excess of 10c on leaded petrol with very little change in the allocations to roads. So I believe there needs to be some more equity in the funding. We can talk about strategic plans and we can talk about objectives that we meet but, like any investment, if we cannot get ahead of the game we will keep falling back. So there has to be some incentive taken not only in the partnerships but also an increased level of funding that we could all enjoy so that we can actually meet some of these objectives.

CHAIR—Given that there is a need for increased funding from the Commonwealth through the current system as it exists and the arrangements between the Commonwealth and the states, I think you have already alluded to the fact that you feel comfortable with the arrangements that you have between your state government and local government organisations. But do you see the arrangements that exist between the Commonwealth, the states and local government for the allocation of that funding, the processes and the Commonwealth's responsibility for the national highway system as being something that needs to stay in place or are there areas that can be improved?

Dr Michael—For the Commonwealth?

CHAIR—Yes.

Dr Michael—I think it can be vastly improved. I would like to see the Commonwealth take a much higher level view of the network. I would like to see roads identified outside the national highway system that link to the national highway system so that they are serving regions and states and not just serving, if you like, a single line that circles Australia. I think in that respect state and local governments need to also

address the fact that if that is to be achieved there is a responsibility on their parts as well to come forward and share in that partnership.

It is happening now at the local government scene where we actually mount bridge programs. For example, local government bridges in other states I believe are not necessarily looked after by the state. In our case, through a partnership arrangement with local government, we actually do that, both technically and physically, for them. We do not necessarily do the work by contract or whatever means, we assign some additional state money in order to encourage a program that is meaningful and make sure that the bridge stock is kept up to standard.

CHAIR—So there is a long-term strategic plan as far as those local bridges are concerned?

Dr Michael—Absolutely.

CHAIR—Well, it is something that does not occur in other states. I have heard you address different forums about the priority you put on better strategic planning of the national road system. You would have to agree that that is a fairly tall order considering the arrangements within our federation. But you obviously have it within the state of Western Australia. So to achieve that it is going to require greater coordination between the states and with the Commonwealth. Do you have any ideas you could bring to the attention of the committee with regard to some format or forum to precipitate that longer term strategy?

Dr Michael—I appreciate the difficulties that would happen in trying to get an agreed position across Australia. But my other point is that if we do not start we will never achieve the objective in any case. So I think a start needs to be made. I believe the first start would be in attempting to find what we mean by the national highway system, what we believe it is meant to achieve and how it links in with other roads of national importance to form this national road network that we keep talking about and raising with you. In that way, we believe we facilitate a series of networks that actually deliver to the community and industry the sorts of needs they are telling us.

To make that all work, I think we can sit down and establish a strategic plan of some sort. Getting a commitment to it is going to be a difficult road but it will not work unless there is some funding that supports it. If we end up with a strategic plan that we can all wave about but without any dedicated resource or commitment for a long-term implementation plan, I think, frankly, it will not go very far. So anything that is to work needs to have a clear focus in that respect.

I believe the starting point for it would be the Standing Committee on Transport, SCOT, that reports to ATC, at least in developing what the scope of the study should be and how it should be implemented. I believe industry should be involved. We have talked about the ATC, Australian Transport Council, having oversight of this and I believe that is right, and in our report we say that, but there may be a need for some other peak body that overviews it that involves industry and other people so that the external view can be readily accommodated within it. But a starting point would be the Standing Committee on Transport, and I would urge them in that respect to not only look at the strategic plan but ensure that there is a strategic

management framework developed and by that, as we have put in our report, a strategic management process that is used so that we can assign clear accountabilities to the various governments and a clear role for each of the players within that. So a start has to be made.

Mr RANDALL—Could I thank you initially, Dr Michael, for the great amount of work and coordination you have put into the Western Australian visit, particularly the visit we had to the Tanami Road region out of Halls Creek yesterday. It was very well coordinated through your help and the help of I believe Rob Giles and a number of other organisations there, including the shire and Kimberley Development Commission. Hopefully I will not cover any ground you have already spoken about, having missed the first few moments.

There is a big argument in Western Australia that we do not receive a fair share of the federal funding, given our return to the Commonwealth and the size of our road network. There is also then the counterclaim that we have a relatively small amount of national highway. Do you agree with that? To follow on from that, if you do not agree with that, do you agree or disagree with the state government for having put a levy on fuel for special projects to help areas that we are having trouble specifically funding, and is that a successful arrangement also?

Dr Michael—In the first instance, I mentioned earlier that the national highway network in Western Australia comprises in length 25 per cent of length. While people will then say, 'Ah, but it does not cover all the traffic volumes that other states may have,' I would put to you that if we based it on freight we could argue quite differently, and that is the part that returns the exports value to the economy. Also, in recognising that there is 25 per cent of length, there is a large cost involved in maintaining that length and just keeping it there. I do not mean routine maintenance; I mean that as it reaches the end of its life it needs to be replaced. I think our report shows our graphs against age and other factors of deficiency within the network as performance indicators, which demonstrates the needs within that area, without even talking about the improvements we believe are necessary in order to accommodate these larger movements of freight and providing access in general. So I think there certainly is a great need and we are falling behind.

The 4c a litre has made a massive difference to what we can do on the network. We have that as a 10-year program and have made available again a simple statement, if I may table it. It is the program for the next 10 years of the sorts of things we are talking about. That will change in maybe some detail over time, but it will not change in objective, and that is what it is all about. So we have a clear focus for the next 10 years.

The money we had prior to that was barely sufficient to just keep things going. We were maintaining it, we were doing some minor improvements, but we could not do those major works that were needed in getting links completed and upgraded and providing the particular accesses that were needed for all users. I am not just talking about trucks and cars; I am talking about pedestrians, cyclists and disabled people and providing access for them. So our projects, particularly within the metropolitan area, are sensitive to those issues.

The 4c a litre is like any investment program: if your investment is pretty much to keep the current situation, then you never get ahead of the game. The 4c a litre has given us that jump which we have been

able to isolate and which we have. We manage that independently and I have a program liaison committee of external people who have oversight of it.

Mr RANDALL—In relation to the 4c a litre, how can you ensure that all that money returns to the roads and does not go to revenue?

Dr Michael—It is dedicated to the Main Roads trust fund.

Mr RANDALL—Legislatively?

Dr Michael—It is done through, as I understand it, a cabinet agreement. It comes through the transport trust fund and then from the transport trust fund it is dedicated fully to the Main Roads trust fund. As I mentioned, we have an external committee to whom we report on both revenue and expenditure in respect of this particular program.

Mr RANDALL—In terms of black spot funding, do you think it is a successful program? If not, why not?

Dr Michael—I think the black spot program is one of the most beneficial programs that you can have. For small outlays of money you can actually get major returns to the community. We are very supportive of the black spot program. We are working with the chairman of the consultative panel, Senator Winston Crane, at the moment and we are getting his full support. It is really picking up and gaining steam. I believe the more we can invest in those discrete projects that can reduce accidents and trauma, the more they will give a significant return to the community at large and can be put in place quickly and effectively.

Mr Warner—The difficulty with the black spot program is that it has reduced the national highway funding. It has come out of the funding just like the RONIs program, which is also a good program. We are doing good things in the black spot program, but we are going to fall further behind in the national highways. I think the aggregate picture that we see needs adjusting as well.

Mr McARTHUR—I commend you on the comprehensive nature of your submission to the committee. I think it is first class. I raise two issues. You talk about the strategic approach, something similar to the chairman's question. You note in your submission that the national highway program, established in 1974, had a vision of a single road linking Australia's capital cities; national strategic objectives, defence, interstate trade and so on; and a committed program with targets of a sealed road around Australia by 1988 and the elimination of single lane seals by 1994. Could you add to what you would be advocating as a change in the strategic thinking by the Commonwealth or in the national highway program and where have those particular original strategic objectives broken down.

Dr Michael—Thank you, Mr McArthur. In the first instance, the objective to eliminate all single lane seals by 1994 has not been achieved. We still have some of that available. Many of our bridges, as some of you would have seen yesterday, are single lane bridges. So we have a huge program ahead of us in just arranging for those to develop.

I believe that the reason it has fallen behind is simply the level of investment. The longer you leave the works, other problems arise in other parts of the network and suddenly the shift takes place to another location. Over the past six to eight years, I have been developing programs and some of the initiatives that we would like to see keep slipping, simply because of level of funding. The objectives were probably right, as they were for that particular time, but they were not backed up by an adequate level of investment to achieve them.

Mr McARTHUR—It is as simple as that—simply funding.

Dr Michael—I treat it as an investment level of funding. That, to me, is the basic problem why things slipped. Secondly, in the case of Western Australia, the Great Northern Highway and the Great Eastern Highway are linked by a short section of our Roe highway. In fact, it comes to the ring-road and then goes back. We have actually put submissions that the national highway system should be expanded to include our ring-road as, no doubt, other states have. If we step back from that and say that is servicing the state as well as the national objectives, and let us call that part of the national road network, then it seems to me that to look at the national highway system in isolation is inappropriate. We have to link it to other parts of the network so that we have an integrated set of routes that actually achieve the objectives that the original national highway system was meant to achieve—and that is, to provide access to the industries, to the ports and to facilitate safe and efficient movement of people and freight generally.

Mr McARTHUR—In other submissions, in other investigations on this tour, we have observed that mining projects have either made a contribution or have been asked to make a contribution to road infrastructure. Could you give us a view of the Western Australian government—a state which does have a lot of mining exploration and mining activity—as to the attitude of the government to those companies which use stretches of road or have special access: what is the attitude and how do you handle these bigger projects?

Dr Michael—A way of putting it is that, traditionally, we have worked very closely with industry and have had contributions from them as part of advancing projects. For example, the road from Leinster to Mount Keith servicing the Western Mining Corporation involved a 25 per cent contribution to that road from the company and, by doing so, we were able to advance the project and provide them with a sealed road to their mine site, which obviously enhances their transport efficiency which is critical for them.

Similarly, examples exist in the mineral sands area in the south-west where we have two companies that have contributed to the development of the road network to facilitate the transport of the mineral sands through to the Bunbury Port. Those particular companies—one is a subsidiary of BHP; the other is Cable Sands—have been party to the whole arrangements and it has been very effective.

Traditionally, when there is a project of this type and when the timing of such a road—if it is a main road—is some years away, we would sit down and negotiate with the companies to—

Mr McARTHUR—You would take it as a case by case approach rather than a policy position.

Dr Michael—We have taken it case by case but I can only talk from the perspective of the Main

Roads. Traditionally, we would be seeking contributions from developers or mining companies where those roads are certainly of value to improve and to expand, but perhaps not listed for the immediate time frame. Through negotiations with the companies, we are able to put the infrastructure in place that they need and hence they believe that they are justified in making a contribution.

Mr Warner—You asked why it is just a funding issue, which begs the question: why are the funds not available? In our submission, it is because the strategic view is not there. The overview is not there. We believe the Commonwealth needs to take the role of getting the strategic view to then be able to justify the investment.

Expanding on the latter question from Mr McArthur, the Department of Resources Development, which coordinates development projects particularly in the minerals area, has as part of its agenda a policy to encourage mining companies and other developers to contribute. We actually have a project on the boil at the moment where three or four companies are going to contribute \$15 million out of the \$45 million project east of Marble Bar.

Whilst on a case by case basis, it is the best arrangement we can get from the companies and it depends on the cost benefit of the project and the infrastructure investment that they see is desirable to match there. It is a question of trying to do the best arrangement we can. But there is a general underlying strategy of the resources development department which coordinates government activity in this regard and brings us in at the delivery end.

Dr Michael—It goes also to local government. For example, when we extended the freeway to the south, the town of Kwinana contributed towards that on the understanding that it would reach a particular point in a particular time frame, which it did. To their credit, they honoured that agreement before we made any approaches at all. It is a question of negotiation with the interested party as well. If there are benefits to be achieved by both parties then they should be taken.

CHAIR—So you would acknowledge that there is a premium, as it were, for expediting future plant works on the road that will benefit an individual community or an individual organisation in a particular area. It is an interesting concept which you obviously have grasped and implemented fairly successfully in the west.

Dr Michael—We certainly have and we certainly will continue to pursue that line.

Mr NEVILLE—Have you done any cost benefit analysis or broader economic study to show that Western Australia, with its huge mineral potential, could achieve a greater deal of return of revenue to the Commonwealth or for the public good? We say, 'This particular road will do this and this particular road will do that.' Are there studies to show that so many hundreds of millions of dollars will be returned?

Dr Michael—One of the difficulties with benefit costs, particularly those that are assessed through the Commonwealth, is that they very much tend to link to benefit cost ratios on an economic basis. But the benefits that are looked at are very much related to the travel on the particular network and not to the sorts of

things you are talking about, which I totally support. We have been doing studies just recently and can demonstrate, looking at the macro-economic view, that we are achieving I think minimum benefit costs of something like three to one.

Mr NEVILLE—Should we have a fourth category, perhaps overseen by the Commonwealth, which identifies those sorts of hot spots of development that can immediately return revenue to the Commonwealth coffers by virtue of getting up and away quickly with good infrastructure?

Dr Michael—We have been arguing that point for a long time, so from our point of view we would be very pleased to see such a reflection.

Mr NEVILLE—You have \$2.5 billion worth of works here. As a matter of interest, what will your maintenance bill be over the next 10 years—in round figures?

Dr Michael—It is about \$150 million a year.

Mr NEVILLE—So it would be about one and a quarter billion over 10 years?

Dr Michael—One and a half.

Mr NEVILLE—Of that, only about \$600 million is Commonwealth money. So you have a big problem unless you get some over and above funding from somewhere else.

Dr Michael—On that one, in our submission we did a macro-economic study of the national highway network in particular and we have repeated that study to arrive at those figures. We have looked at those figures from an economic view and we have looked at them from a view on the road itself, and they marry up quite well. In the case of the Commonwealth, we identified funds that we needed for a backlog of works that we have deferred: improvement works and capital works that we need to do to maintain the present level of service. In relation to maintenance and minor improvements, we have a model for the depreciation of the network itself and what that value is, and we do include our road asset in our balance sheets. We have a depreciation model which we report on so we can get an idea of what is happening there.

Finally, we have worked out a very simple model globally to reflect the growth that we need in improvements in the network itself in order to maintain today's level. That came to \$130 million a year for the national highway network alone. We are currently receiving of the order of, I think on average, about \$60 million a year. So the \$70 million a year is a deficiency. Each year that that slips those figures will go up, just like with any investment program that you have in whatever infrastructure it is. I think that is a key aspect that needs to be addressed. I agree with you entirely that we need to go beyond the traffic measure and to look at the benefits and value that the transport effort is returning to the economy rather than just looking at traffic movements on that particular road itself.

Mr Warner—The Commonwealth minister in charge of resources development has undertaken studies. They did a goldfields and minerals study in Western Australia, which takes a look at the big picture within that region. I know they have done a similar study in Queensland. That is the sort of activity that we

believe should be background to the strategic plan; that type of study to justify the big picture in a region comes into the strategy and then you have the regional view. As we have developed regional studies for the state, we believe the Commonwealth needs to get regional studies as well to look at the bigger picture, not just the traffic volumes. What would we do if we had an investment? We would rather talk about it as an investment, not as funding. The funding is necessary to achieve the investment outcomes.

Mr LINDSAY—Would you see it as a major recommendation of this inquiry, if we were to come down this way, that the federal government department of transport should get out of the administration and checking of contracts and leave all of that to the states? Are you thinking in that direction?

Dr Michael—Very much so as far as the current procedures are concerned. I believe the current procedures are duplicative and cumbersome.

Mr LINDSAY—Long delays?

Dr Michael—Yes, for getting contract approvals.

Mr LINDSAY—If the states could work very well with the federal government, is there a need for bodies like Austroads, SCOT or ATC?

Dr Michael—I believe there is. You still need to get the national perspective and each of them has a different role and a very clear role. Austroads certainly maintains a national perspective of the road standards and the guidelines to support those standards.

Mr LINDSAY—In relation to your response to terms of reference No. 5, where you talked about innovative mechanisms for private sector involvement in road funding, would you think the idea of levying value capture fees for developers of factories, businesses and so on was a double dipping thing, if local authorities are already getting developer contributions for infrastructure?

Dr Michael—It is one that we have looked at as a global thing, in conjunction with other agencies, but it is one that we have not pursued very actively. I believe it is not clear as to what the roles and responsibilities of the relevant people are.

Mr LINDSAY—In terms of seeking contributions from insurance companies, has that been the experience elsewhere in the world? Does that work? Do you think it is realistic, that that might happen?

Dr Michael—If I can give you an example, we now have an Office of Road Safety and prior to that it was the Traffic Board. I was a member of that, as Main Roads is a member of the Office of Road Safety. In that respect, the State Government Insurance Commission has made contributions to road safety programs. It is in their interests.

Mr LINDSAY—In a voluntary fashion?

Dr Michael—Yes, very much so. They form part of that consultative group.

Mr LINDSAY—So it is possible.

Dr Michael—It is very possible.

Mr LINDSAY—Finally, concerning roads of national importance as a category, you are strongly supportive of the government continuing with its philosophy in that respect. In terms of the government's definition of what a road of national importance is, I am not so certain whether social justice issues come into that definition. You have said in Western Australia perhaps they should. Have you said that because of the very large areas of isolated tracts of land in your state? Is that the reason?

Dr Michael—Very much so. Again, from a social equity point of view, a level of access to communities is, I believe, a standard requirement.

Mr McDOUGALL—A few of the areas that I wanted to cover have already been covered but I might say, even though I am not allowed to talk too long, that your strategic approach is very encouraging. Can you outline to me what you have done with strategic planning in conjunction with rail, port and airport operations?

Dr Michael—Yes, I can.

CHAIR—Sorry—in relation to road networks?

Mr McDOUGALL—In relation to road networks.

Dr Michael—Yes, I can. We work with the department of transport very closely which take on the issues other than road. I have here, which I am happy to leave, a metropolitan transport strategy which is put together by the Department of Transport, and you can see all the bodies that are involved, including ourselves, in developing that. That can be tabled as an example of trying to bring all the modes together and trying to assess, in the best possible way, with the information that you have at any time, where the priorities should lie. That is a guiding view for us.

We also started some years ago a series of *Roads—2020 Regional Road Development Strategies*—with local government and the development commissions in the regions. The relationship we have with local government and the funding that we have negotiated on a partnership basis has meant the establishment of regional road groups that are run by local government and to which we contribute. These provide a guide to those groups as to what the regional road development strategies will be to the year 2020. These were started early because there was a need. The Department of Transport is currently developing a series of transport plans which will embrace what is in here and will provide an overview for the regions of the transport issues along the lines that you are talking about. So we will get a perspective of road, rail, shipping and air within that document, and these form an integral part.

On top of all that, we have a Western Australian Planning Commission, of which I am also a member, which addresses all of these issues in developing structure plans for the regions.

Mr McDOUGALL—I believe you have recently come to an agreement with ATSIC in regard to joint funding of community roads. Could you give us a brief outline of that?

Dr Michael—Yes. Since 1988 we have been pressing for the idea that, with some additional Commonwealth funding, we could set up a program to which the state would contribute 50 per cent, which would train Aboriginal people within the communities, provide them with the resources, the proper plant and the proper training to manage their own road network because of the remoteness and the difficulty getting out there. It has taken some years but recently we were told, through ATSIC, there has been a breakthrough and there is a pilot program to be initiated in conjunction with local government, ourselves and ATSIC where we will, through one community, develop a training program to facilitate the management of the network by the community themselves.

Mr McDOUGALL—And they are making a 50 per cent contribution to that?

Dr Michael—I think it is fifty-fifty at this stage. It is \$750,000 and we are sharing in that with ATSIC in order to do it.

Mr PETER MORRIS—Listening to all things you have said this morning and reading through the submission, would it not be simpler just to hand the revenue en bloc to you and get the feds right out of the way? It would certainly be much simpler, having gone through your submission here.

Dr Michael—The reason I personally prefer to see the Commonwealth still involved at a higher level—I think it is a question of roles—is that it is going to be difficult to get a strategic plan in place whatever the case, as was mentioned by the chairman earlier. If we do not have that commitment from the Commonwealth, I believe the states will do very much—

Mr PETER MORRIS—Reading through your submission, there is so much that seems to be in conflict with that objective. You want two bob each way. On the one hand, you want to have the feds in and, at the same time, you say, ‘Just leave it to us. We will tell you how to spend the money. Don’t get involved in the administrative procedures.’ In paragraph 1.7, you have raised the question about the adoption of consistent changes and commented on what seems to be inconsistency of standards. Could you give us a note with some examples of that?

Dr Michael—Yes, we certainly can. I still believe that I have not adequately covered that point on the Commonwealth. The Commonwealth has a national perspective and it is important for that perspective to remain. If that is lost, I think we will lose the momentum that we have got at the moment. Across Australia at the moment, I believe, there is a real desire to get this strategic focus. It will not happen without an adequate level of funding.

Mr PETER MORRIS—Isn’t that your way out? You say the nice things first but then you say, ‘But you have got to give us enough money’.

Dr Michael—It is like anything. You cannot achieve the objectives that were stated in 1974 for the

national highway network now, because the level of funding has been inadequate. I was not going to get totally into this argument—

Mr PETER MORRIS—I do not want to either.

Dr Michael—But I see the Commonwealth role at a much higher level facilitating the development of all of these rather than getting involved in the day-to-day administration of contracts and procedures that only slow down the whole process.

Mr PETER MORRIS—Can we have some examples of that in writing later?

Dr Michael—Yes.

Mr PETER MORRIS—Going on to the next paragraph, 1.7, you say:

On the standards front the Commonwealth has now dropped any pretence to standards with the National Highway, with the advice that ‘fitness for purpose’ be the criteria in choosing standards for road projects . . .

That is pretty strong language. Again, some examples of that would help the committee and would save time, because that is extremely important. On page 15, para 4.6 of your submission concerns me. You talk of administrative practice and say:

A trend is emerging where other departments, such as the Federal Department of Finance, are encroaching on control procedures . . .

Can you give us a note on that? I would very much like to see some examples because they have said to us that they do not really have any role in any of this process and are very reluctant to be involved in appearing before the committee.

Dr Michael—We will provide a paper on that.

Mr PETER MORRIS—And the other one, following after that, is administrative procedures. Given the time, I will pass over from there.

CHAIR—For the record, I understand that Western Australia did not enter into a national highway maintenance performance agreement with the Commonwealth in 1995-96. Why was that and does WA currently support the concept?

Dr Michael—We support the concept entirely. I am personally responsible for not signing it, and I do not mind saying why. I find it ludicrous to sign a performance agreement to reflect certain standards when the level of funding to achieve those standards does not follow suit. It is as simple as that.

Mr PETER MORRIS—Can you give the committee an assurance that all of the funds provided at the federal level in untied form for local government bodies for roads have in fact been used on roads?

Similarly, have all the federal funds provided in untied form since 1991 intended for roads in fact been used for roads?

Dr Michael—From the state point of view as well as—

Mr PETER MORRIS—Within your area of jurisdiction.

Dr Michael—I can confirm that now, totally.

Mr PETER MORRIS—Both levels?

Dr Michael—I believe you will be meeting with local government—and with local government my understanding is yes. But I believe local government should be asked that.

Mr Warner—We do not monitor that.

Mr PETER MORRIS—You would have a broad eye across there.

Mr Warner—Mr Chairman, our understanding is that it is the case. That is the advice to us, but we do not monitor or audit the process. With regard to the state funds, we can guarantee that.

Mr McARTHUR—How do you know that some other department might not have taken some of your money?

Mr Warner—Because we have a trust fund and all revenue goes into that trust fund. It can only be appropriated by the commissioner's recommendation and the Minister for Transport's approval.

Mr PETER MORRIS—They are doing it in the way the committee would love to see the feds doing it.

Mr Warner—It is a very good system, Mr Chairman.

CHAIR—Thank you both very much for your participation this morning. On behalf of the committee, I would also like to commend you on your excellent and comprehensive submission. For the record, on behalf of the committee, I would like to extend to you, as the senior officer of your department, our sincere thanks for your departmental officers' assistance in organising our inspections yesterday. They did an excellent job.

Dr Michael—It was our pleasure, Mr Chairman. Thank you for your time.

Resolved (on motion by **Mr Randall**):

That the committee accepts as evidence and authorises for publication submission No. 741, entitled

'Commonwealth road funds: Western Australia's share' and maps from Main Roads Western Australia.

Resolved (on motion by **Mr McDougall**):

That the committee accepts as evidence the following documents, entitled 'Additional funding program for roads: How the money will be spent' from Main Roads Western Australia, for inclusion in the committee's records as exhibit No. 36 and *Metropolitan Transport Strategy 1995-2029* as exhibit No. 37.

Finally, there was a series of questions for the witnesses from Mr Peter Morris. Have you got a grip on the information Mr Peter Morris was asking for?

Dr Michael—Yes.

CHAIR—Could you take that on notice and get it back to us. If there are any other questions we come up with along the way, we will put them in writing and forward them on to you.

Dr Michael—We would be happy to address those, Mr Chairman. Thank you for your time.

CHAIR—Thank you very much for your consideration today.

[10.03 a.m.]

PECH, Mr Kenneth Ernest, President, Western Australian Municipal Association, 15 Altona Street, West Perth, Western Australia

REYNOLDS, Mr Linton, Portfolio Member, Transport/Road Funding, Western Australian Municipal Association, PO Box 1544, West Perth, Western Australia 6005

THOMPSON, Mr Christopher Arthur, Executive Manager, Transport and Roads, Western Australian Municipal Association, 15 Altona Street, West Perth, Western Australia 6005

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

Mr Pech—Thank you very much, Mr Chairman. As you and members of the committee would be aware, the Western Australian Municipal Association is a federation of all the local governments in Western Australia, including both the metropolitan and state local authorities. As such, because of the number of different issues that local government cuts across, it is very important that we have specialists in each area. Councillor Reynolds is our specialist in the road transport field, so I would like to hand over to him to put our point of view. Chris Thompson is our backup administration person, who assists in that role.

Mr Reynolds—I thank the committee very much for the opportunity to expand on and clarify some of the points we have made in our submission to you. Road funding is a very important issue in the context of the Australian landscape and one that has been very poorly served in recent years. While the debate about the republic captures the imagination of both press and public alike, we believe that core issues such as infrastructure provision are often ignored until we face a calamity. Road funding impacts on the quality of all Australians' lives, through a range of economic, environmental and social issues. Many Australian lives are lost each year using this infrastructure—some due to carelessness but still, unfortunately, many as a result of road use outstripping the network's capacity.

In WA we have a particularly strong view in regards to road funding. This is in part because of our lower population densities having hampered the development of alternative infrastructure, such as rail and sea transport, from becoming economically viable, as has happened on the eastern seaboard. WA does not have the large regional populations which will support regular passenger and freight transport other than by road.

In response to that, we in WA have become extremely efficient users of the road network. We see increasingly large trucks transporting record tonnages of freight from our mines and agricultural hinterlands to the ports—the economic gateways of our nation.

Therefore, while it is acknowledged that your inquiry deals only with national highways and roads of national importance, we believe that, for a proper debate to occur, there is a need to consider state and local government roads and the funding of them. They carry in excess of 90 per cent of the nation's traffic.

Local government in WA asks that the Commonwealth's focus in this road funding debate be directed

to two key issues—first of all, the establishment and maintenance of a complete network of strategic roads, and, secondly, an increased return to all three levels of government of the tax taken from motorists for the maintenance of the road network. Local government in Western Australia is responsible for more than 80 per cent of the road network, yet it is in a particularly poor position to raise income directly from its residents or road users. The Commonwealth has already taxed the motorist 36c for each litre of fuel used, and the state government has taken its slice through driver and vehicle registrations, as well as a supplementary tax on the fuel used.

In recent years, local government, together with the WA state government, has reviewed its road funding efforts. The local agreement on fund sharing from state resources is now transparent and owned politically by all the practitioners. This unique partnership between Main Roads WA and WA local government has allowed state infrastructure planning to be approached in a strategic and cooperative manner. We believe that, through this federal process, scope exists for the Commonwealth to rejoin the partnership and to no longer work in isolation from and out of touch with Western Australian needs. The current national highway system no longer matches the task, particularly in WA. I say this without parochialism, but as one who has spent a considerable time travelling over the national highway system in recent years—part of the cost of having a partner whose family lives in North Queensland.

The most significant problem with the network is that it comes to a grinding halt on the edge of the metropolitan areas of our large cities. In our view, it needs to link to our strategic economic gateways—our ports and airports. This will ensure that we, as a small nation, will be able to compete with and survive in the larger world outside our shores.

In WA, the national highway system falls well short of these gateways, terminating at Midland, some 30 kilometres from the inner harbour at Fremantle—which we might characterise as the import harbour, focusing, as it currently does, on container traffic. Perhaps more importantly, the network terminates some 50 kilometres from the export oriented outer harbour at Kwinana. The pressure on those gateways is building rapidly. We see much talk about making ports more efficient but we must also make it quicker, easier—and, therefore, cheaper—to move produce to and from the wharves themselves. Almost as an aside, I would also draw attention to the effect that traffic on the lower standard highways has on the population that lies between Midland and Kwinana and Fremantle. My own community at Armadale lies in the path of most of this traffic.

Due principally to its size, Western Australia has 25 per cent of the national highway at present. However, it receives only 8.5 per cent of national highway funding. As stated earlier, this is compounded by our freight task being almost totally dependent on the road network. As a state that is export focused and produces 25 per cent of the nation's exports, the pro rata ask on our road network is, we believe, much higher than in any other state. The task that is left undone by the national highway not providing a complete linkage to ports, et cetera, means that this major income earner for the federal government is being transferred onto other road systems maintained by state and local authorities.

Looking around WA and comparing its transport task with that of the eastern states, it is fair to say that we were never well positioned in relation to rail and sea. With the steady deterioration of rail networks over the last 20 years, we are approaching total dependency on the road network in most of our rural and

regional areas. Australia's economy is transport driven, focused as it is on the production of export produce and mineral feed stock. Our future economic viability is to a large degree dependent on our—at a minimum—maintaining existing infrastructure and, preferably, expanding it to meet increasing demands.

It is interesting to note that, where other governments are increasing their financial commitment to and emphasis on roads, in order to ensure that they lead future economic races, Australia continues to favour other expenditure areas that do not pay a dividend or a return. We need to be able to encourage our export industries and to ease the movement of manufactured goods around Australia. This is one way of enhancing the competitiveness of import replacement.

We believe there is a need for government at all levels to acknowledge that, in order to arrest the deterioration in the nation's road network, there is an obligation to acknowledge the need for and to guarantee the provision of sufficient funds to meet network needs. In our submission we observe that Commonwealth government revenue from fuel excise has risen from \$6 billion a year in 1983-84 to \$11.2 billion in 1995-96.

Fuel excise is an appropriate user-pays method to raise income. However, a nexus must exist at some point between the funds raised and the funds returned to state and local governments for road works. We in local government in Western Australia believe this point to be around 40 per cent and we believe we can demonstrate our commitment to ensuring that the funds raised would be utilised on roads without substitution. Therefore, we support the continuance of untied but identified and indexed financial assistance grants to local government. You might wish to consider, Mr Chairman, that the 13 per cent increase in WA local government expenditure on roads accompanied the increase, when we received funds from state sources, when they raised the fuel tax by 4c a litre.

In WA, local government, with its extremely limited taxing base, now provides as much money for road funding from their own sources as the Commonwealth does. We believe that it is time for the Commonwealth, as the major recipient of taxes generated from improving economic activity, to again assume a position of leadership in the area of road funding. We in local government stand ready to welcome it back to any rational road funding agreement and will see a more equitable sharing of the burden as well as the spoils.

If I may make one final point with regard to the national highway network: the closure of the Eyre Highway due to flooding some 15 months or so ago demonstrated how vulnerable WA is in either a defence or an economic sense. The need for an alternative route from the eastern seaboard to the west other than via Darwin is fundamental. I believe and local government in Western Australia believes that the most logical answer lies in the proposed outback highway linking Winton, in Queensland, through Alice Springs, with Laverton and Kalgoorlie.

This road in a very practical sense will link the early warning radar sites at Longreach and Meekatharra; will provide a route to Townsville, where the ready reaction elements of our armed forces are based; will stimulate freight transfer between Queensland and WA in a way that is not now economic; will be a very valuable link for tourists, both local and international; and will provide an appropriate level of access for the remote Aboriginal communities that are located throughout Central Australia. Thank you.

CHAIR—Thank you for that comprehensive brief opening statement, Councillor Reynolds. Is the Western Australian Municipal Association satisfied with the current strategy that the state Department of Main Roads has with regard to the maintenance and replacement of your rural bridge infrastructure?

Mr Pech—We are very happy with that aspect of it. In fact we work very closely with Main Roads on a whole range of road funding issues. As Councillor Reynolds has just said, now that we have a transparent method of funding from the state in conjunction with Main Roads, for the first time we can see what we are getting, we can see where it is going and we have a guaranteed level of funding.

Mr Reynolds—With respect to the bridges, I am also on the state grants commission for local government. You will find that four per cent of the total road funding that is identified there actually goes to bridges in Western Australia. The state government then tops that funding up on a \$1 for \$2 basis for those strategic bridges. So it is a very useful program for us.

Mr RANDALL—My understanding of the maintenance work that councils do on their roads is that they usually do it from their own day labour forces. That is the general way of doing it in Western Australia, from what I can understand of it. In the Northern Territory, they outsource most of their maintenance work and there is a greater trend even with Main Roads towards outsourcing. To be more cost effective, wouldn't WAMA be urging their member councils to look at outsourcing?

Mr Pech—We are doing that at the present moment. I think you will find that a lot of councils are actually examining both aspects of that and how they go about it. It all ties in with national competition policy. We currently have a problem in that the national competition payments that are being made to the states are not necessarily being handed on to local governments so that they can further that opportunity. Councillor Reynolds might like to say a bit more, but I know there is a trend towards outsourcing some of the maintenance and construction type work.

Mr Reynolds—It is a very complex issue because, when you get into the remote parts of the state, if you contracted out generally it would be won by a metropolitan based company, which means that you will then have a loss of people in the town. It then has a negative impact on the whole environment. It is not always necessarily delivered that much cheaper. My own council, which is a metropolitan council, finds that in the area of outside works 80 per cent of the total dollar value is tendered out, although we have our own construction crews. For instance, we hire in supplementary plant for a whole range of projects, and, with the exception of the road base, most of the rest of the work is done by contract. The final seal is done by contractors, and kerbing and a lot of the drainage is done by contractors. So it is a very complex issue and it is not one that there is a simple answer to, but in general in Western Australia, as anywhere else in Australia, we are looking at the advantages we can gain from competitive tendering of all works.

Mr LINDSAY—Councillor Reynolds, in your evidence you suggested that the rail system was winding down in importance in the transport task. Other witnesses have given evidence that we should encourage parallel and strong competition between road and rail. Having said that, do you think that in fact the reality is that rail will continue to wind down and the road system will continue to rise in importance?

Mr Reynolds—I think in terms of the extent of the network the answer to that is yes. The rail is

concentrating on bulk tonnages on specific routes rather than its previous capacity in the old days of having rail out to all communities through the south-west and the wheat belt. Increasingly what is happening is that fewer rail points are receiving grain, for instance, and it is having to be trucked by road over local government roads into those rail points. The major tonnage is then shifted by rail. So there needs to be an integrated approach to this.

The reason I say that the rail network is winding down is that in recent years Westrail, I suppose in terms of the economics, had to look at what they were getting a return from, and they found that they could not run trains with a small number of carriages economically, and so therefore how did that material get out to the country. The classic case of this was fertiliser. It was then agreed by previous state governments and endorsed by this one that the fertiliser would be able to be trucked out to the country areas rather than railed as previously. Obviously any farmer or any haulier in the country area would want to back load, so they road train the fertiliser out and they bring the grain back in by vehicle. So increasingly the transport equation is improving on road and decreasing on rail. At the same time, I would believe that there has not been a fair and economic comparison of the two. When we ask an authority such as Westrail to cost itself out, it does cost out the maintenance of its infrastructure. I am not sure that that has been totally done for road.

Mr Pech—Can I add a little bit to that. Just on the grain freight alone, this year Western Australia produced nearly 10 million tonnes of grain. The task that Westrail have undertaken is still the same as it has been over the last few years, and that is about half. Next year there is a prediction that the grain task is going to be about 15 million tonnes because of the change in emphasis from wool across to grain, because of the increase in technology as far as production goes. We are looking at all that extra tonnage going to go on road, and a lot of it is in the outlying areas where the original rail system was just put in in the old settled places. There is just no rail infrastructure.

Mr LINDSAY—Can you confirm your written evidence that you see that local government really has no role in determining the strategy of the national development of the transport system, that you see that the federal government and state governments should together determine the strategy and local government has no role in it?

Mr Pech—Local government does have a role.

Mr Reynolds—How we see our role is that we have a strategic relationship with the state government and we are currently developing our strategies there. We would see that at a higher level there would be discussions between federal and state.

Mr LINDSAY—So you will talk to the Commonwealth through the state government?

Mr Reynolds—Yes.

Mr McDOUGALL—Gentlemen, you were here when I asked the state department witnesses the question regarding private sector funding. The answer was about being prepared to negotiate with individuals in regard to contributions. Do you have any concerns that, with that being done, local government is going to miss out on one of its major parts of revenue in development, which has been contributions through the

development process?

Mr Reynolds—Most of the developments that would come under your question are state agreement acts. There is considerable ill feeling in local government from time to time that a state agreement act is enacted without local government input, which is to the advantage of the state government and the company concerned and not necessarily to the local government.

In the most recent case, which involved Port Hedland, local government did have input into that, and I think there is a much happier position there. There is an argument, particularly in the case of mine sites, that we are forced to rate them at a much lower level than we might otherwise be able to rate them. So we do lose out on funds that might otherwise be used to provide the infrastructure that that facility requires.

Mr McDOUGALL—Do you get sufficient contribution of infrastructure from mining and agricultural development that further enhances the infrastructure of the local communities that are within local government areas?

Mr Pech—The short answer from the mining side of it on local government roads is no. As Councillor Reynolds has just said, in a lot of instances we have been left out of these state agreement acts. But a more proactive role has been taken in that particular regard to try to get a better share for local government. In the first instance, a lot of the mining development go on to local roads before they go on to state roads and before they go on to national highways. That is the progression. Local government in that instance is probably the poor relation.

Mr McDOUGALL—I noticed that you went back to mining and avoided agriculture. Is there a problem? You are talking about going up in grain tonnage and you are saying that it is going to impost on roads. If you are all of a sudden going to have this massive increase of cartage on road by grain and you know that that is coming forward, do you not think that there is a contribution there as well from grain?

Mr Pech—There has to be a contribution in some way or another. The fuel tax partly comes into that as well. The circumstances are slightly different inasmuch as the road infrastructure is already there. It needs to be maintained, whereas the mining developments that we have been talking about are new developments.

Mr McDOUGALL—So you are saying that the road system in the agricultural areas that are going to have the growth, and with the improvements in truck transport, the increase in the size of the trucks and the weights and tonnage, simply needs constant maintenance to be able to carry it out?

Mr Pech—No, I would not say that.

Mr RANDALL—I have to declare an interest, being a farmer.

Mr Reynolds—Chair, I am not a farmer so perhaps I could respond. Part of the answer lies in those communities that are grain producing in Western Australia. If you look at those town populations, you will see that they are minuscule. Nearly the entire population of those regions are farmers. Whether they contribute directly to road funding or simply pay it in their rates, they ultimately do. They have to. Otherwise

the road falls apart on them. Whilst there is that heavy impost on local government for the provision of funding for something that is earning an income for the farmer and export revenue for the nation, it is really the farmer who one way or the other pays for the maintenance of the road.

Mr McARTHUR—Has the Western Australian local government approach to maintenance and road funding got something unique to offer this committee and Australia in view of your quite diverse distances, and possibly differences, from some of the eastern states?

Mr Reynolds—I think we probably have some unique experiences to share with others. I would not be able to comment on whether they are better than others, without knowing the systems. What we do have in Western Australia at the moment is 142 local government councils, of which over 100 have agreed to take a common pavement management system, which allows us to compare expenditure, maintenance, written down value, et cetera, of roads right across those. We are working towards getting all 142 councils on the same system. Some very direct comparisons can be made.

I think the thing that we would offer to the rest of Australia, in my knowledge of my membership of the Grants Commission and also road funding committees in Western Australia, is the pretty unique relationship we do enjoy with the state authority and our ability to have worked through some pretty hairy political issues with them and to have taken some responsibility in turn.

We have a meeting next Monday with 200 representatives from the state who are coming in to meet with main roads and ourselves and to go through a range of issues related to our road funding and how we share those funds. When you get 142 stakeholders you will never please all of them. Part of the process is about keeping them all involved, keeping them all informed as to what is happening.

Mr NEVILLE—In this analysis that was done for us by the state Main Roads department it shows \$2½ billion of expenditure being required over the next 10 years, of which \$950 million in round figures is required from local government. Is that an achievable task? I also understand that your road maintenance levy, fuel levy, returns \$1 billion a year. Is that \$1 billion identifiable over and above what the state had previously been contributing to state and local roads or is the line somewhat blurred?

Mr Reynolds—Can I work backwards through the question?

Mr NEVILLE—Sure.

Mr Reynolds—The last bit is the bit that I can answer in the surest way. That 4c increase on the previous 5c, which takes it to a total of 9c, is very clearly identified separately. I am one of those members that Dr Michael referred to earlier as being part of the independent panel that oversees that program. We know how much is collected. We have those figures come to us. It comes through the trust fund. We see the expenditure figures. We see the project by project reports which show the progress in expenditure of that funding.

Mr NEVILLE—You did not quite answer my question. What I was asking is whether you can identify that the state government has been returning to local government and its own roads an amount

equivalent to its contribution prior to the implementation of the 4c a litre charge?

Mr Reynolds—Of the original 5c?

Mr NEVILLE—Yes.

Mr Reynolds—I would have to take that on notice because I cannot say off the top of my head what that is. The particular arrangement we have with the state government is that we receive 25 per cent of all funding. When I say 'we receive', I mean local roads receive 25 per cent of all funding that is identified and earmarked for roads in Western Australia.

Mr NEVILLE—Could we have a bit of an analysis of that for the committee?

Mr Reynolds—Sure.

Mr NEVILLE—My second question, Mr Chairman—

CHAIR—Didn't you just have two?

Mr NEVILLE—They were linked. It is very difficult to get an extra question on this committee. As you were waiting to give evidence, you may have heard me ask whether there was a case for a fourth form of funding where you have an economic hot spot, perhaps involving state, federal and even local government and mining companies whereby a particular road could be identified and funding for that be carried out outside the normal budgeting arrangements? Have you ever thought of that or do you think it dilutes the existing programs?

Mr Reynolds—I think that is possible. I think local government would welcome anything that took the impost of some of those major projects off the maintenance of our normal system. If that can be done in another way, I think we would be very happy to examine it. It does happen, in a sense, at the moment. I will take the example of the Woodie Woodie Road, which was one of the roads referred to earlier where the mining company is making something like a one-third contribution and the state government two-thirds.

The problem for us in local government is that after that road is completed it is a local road and we are then responsible for the maintenance of it, yet the mine is contributing little if anything to the income of the local government council. The state government quite naturally wants to move on to the next priority and does not want to remain committed to maintaining those roads. We would welcome anything that would improve that situation.

Mr Pech—If you are ever going to achieve that road across Central Australia, there has to be another system to do that. The Commonwealth will have to look at that in a different way.

CHAIR—Would the proposition of taking that road from Laverton across be in lieu of a Tanami connection or as well as?

Mr Reynolds—I do not know whether I am conversant enough with the Tanami to argue one against the other. The interesting thing about the Winton-Laverton connection is that over half of that is already bituminised. So it is a matter of making the connections. To a large degree, we would acknowledge that that is in the Western Australia section coming through from Uluru to Laverton itself.

Mr PETER MORRIS—It is a bit confusing there because the other one says exactly the same argument: if the Stuart Highway goes out, the national highway through the centre goes out, then the Tanami track would be the only alternative to get to the north. I will leave it. I do not want an answer because it is within your association—

Mr Reynolds—Perhaps we would agree that both roads are needed.

Mr PETER MORRIS—I think we would.

Mr Pech—Also you have to think about where the population centres are, too, from the south-west of Western Australia.

Mr PETER MORRIS—I think we will redirect that question from Halls Creek Shire Council back to the association and develop a strategy out of that for the association. Where do you see the most potential from the association's point of view for improving productivity and efficiency within your local constituents' activities and road work in maintenance and construction?

Mr Reynolds—I think it has been brought about by the increasing awareness in local government, as with other forms of government, that there is a need for us to be competitive, regardless of whether something is tendered out or not and that we are and looking at core business. I know that, in my own council's work force, the productivity has increased in recent years as a result of some open negotiation with enterprise bargaining built around improved road building techniques. It is my own personal view that our work force is as good as, and will produce as cheap as, any external provider.

Mr PETER MORRIS—Does your association look to fund research and encourage research into road construction and road maintenance practices and use of materials?

Mr Reynolds—No. Our association has a total budget for all purposes of less than \$1 million a year.

Mr PETER MORRIS—Does the industry itself do that or do you encourage industry to do that, those who win those contracts? This country spends about \$6 billion a year on road building and road maintenance. There ought to be a very healthy research industry from the private sector into road building and—

Mr Reynolds—Indeed.

Mr Pech—It actually gets back to available funds. That is our difficulty.

Mr Reynolds—Most of that is managed through Main Roads and I think Dr Michael—

Mr PETER MORRIS—I am sorry; I am not being clear. What I am talking about is that the recipients of most of that money are the private sector. One would expect that, in the private sector, there would be a very healthy research industry into road construction and road maintenance.

Mr Reynolds—They have the opportunity to contribute to the Australian Road Research Board, the ARRB, which of course does most of that research in Australia in conjunction with Austroads.

Mr PETER MORRIS—You would be happy, though, if a lot more work on research was being done by the private sector?

Mr Reynolds—Indeed.

Mr PETER MORRIS—You have heard the question that was put earlier to Dr Michael. Can you confirm that all of those dollars that have come to your members in this state untied from the federal government intended for roads have in fact been used on roads?

Mr Reynolds—Without having the 142 council budgets in front of me, I could not confirm that in the sense that you want it confirmed. I would confirm that local government in Western Australia spends much more money than is provided to us by both the Commonwealth and state for road funding.

Mr PETER MORRIS—One of the criticisms that is made of that kind of arrangement is that some cases will not get to the council table and to the state cabinet table. A bit gets syphoned off. That is why we are looking to see whether that system works effectively.

Mr Reynolds—My view, as a grants commissioner involved in the distribution of that fund and also as the transport spokesperson for WAMA, is that I would think all councils do, but without physically looking at their budgets, I would not want to go on record.

Mr PETER MORRIS—To the best of your knowledge?

Mr Reynolds—To the best of my knowledge, that much and a lot more is spent on roads in Western Australia.

Mr Pech—To add to that, there is no question in my mind, without actually swearing on a bible—

Mr PETER MORRIS—You would be very unhappy if it was not, wouldn't you?

Mr Reynolds—And we would take our members to task on that quite severely.

Mr Pech—All the councils that I am aware of spend much more than what they get in untied grants on roads by a long way.

Mr RANDALL—Could we get that answer on notice; is there any way you could find that out for us?

Mr Reynolds—We would have to research 142 budgets; I suppose that could be done.

CHAIR—I think the question has been answered as best as these gentlemen possibly can without going to that extent. We are going to have to wind up the evidence there. We thank you very much for taking the time to come along this morning and answer questions. We thank you for your comprehensive submission. There was one question on notice from Mr Neville. If you can take the opportunity to respond to the committee secretariat on that, that would be very good. If the committee comes up with any further questions we need clarified, we will put those in writing to your association.

Mr PETER MORRIS—Can I just make one point. The comment was made that this inquiry seems to be confined to national highways. That is not the case. That is a very narrow reading of the terms of reference.

CHAIR—It is the Commonwealth's role in road funding across Australia.

Mr Reynolds—We are very pleased that it is that wide and we are trying to encourage it to be as open and as wide as possible.

CHAIR—We can assure you that it is that wide.

Mr Reynolds—Excellent.

CHAIR—That is why we were in the remote parts of Western Australia yesterday.

Mr Pech—We were very pleased to hear that you had been up there and looking around. Obviously the fact that your plane was delayed gives you an idea of the distances that we have to cover on the ground.

CHAIR—We do appreciate that.

Mr Pech—Thank you very much for taking the time to listen to us today. We hope that you will look very closely at our submission and take notice of what is in there.

CHAIR—Thank you very much.

[10.37 a.m.]

GILES, Mr Robert David, Committee Member, Fix Australia Fix the Roads Steering Committee, PO Box 241, West Perth, Western Australia 6872

O'DEA, Ms Marie Catherine, Committee Member, Fix Australia Fix the Roads Steering Committee, PO Box 241, West Perth, Western Australia 6872

CHAIR—Thank you for making the time available to come in this morning. I presume you are going to make a brief—I emphasise ‘brief’—opening statement. In that statement, it would be appreciated if you could just give us a quick outline of Fix Australia Fix the Roads.

Ms O’Dea—That is basically what brief our opening statement will be. The Fix Australia Fix the Roads committee was established in late 1993. It is a forum for road customers such as the WA Farmers Federation and the Transport Workers Union. There is the Livestock Transporters Association, local government, the Road Transport Association—Main Roads are part of that—and a number of other organisations, including the Royal Automobile Association here.

The main aim when we commenced was to get a change in the road funding policy. Initially that was to get the 7c of fuel excise being returned to roads increased to 14c. With the changes and the increases in it, our main aim is now to have 40 per cent of that excise collected returned to roads instead of 20 per cent of the excise collected returned to roads.

We felt it was important to raise awareness of road funding needs to the general public—that has been the main aim—and to make as a political imperative, through the general public, changes to current arrangements for road funding to occur. We believe we have achieved this increased level of awareness in the general public of the importance of roads for things such as employment, road trauma, environment and the cost of living. We do have evidence to show that we have had a change in public perceptions.

We believe it is the federal government’s responsibility to maintain and improve the nation’s \$150 billion asset—the road system. We will continue to raise awareness and be an information source for the general public to get the road system recognised as an asset. We need to be maintaining and improving that asset, not seeing it as something that should be ignored.

Some of the other things that we have been doing are: we have had various publications circulated; we have done national advertising campaigns; we have a site on the Internet; and we have facilitated the national road information network, which has helped bring various groups such as the National Farmers Federation and the Local Government Association together to combine their resources and information so that we can actually get some changes happening through things such as this and get some changes happening in the electorate through the ballot box. I will now pass to Rob, who will give you a quick summary of our submission.

Mr Giles—I would just like to give a brief outline of what we think should happen in relation to the committee’s five terms of reference. We believe there should be a stronger continuing role for the

Commonwealth in road funding because they actually set and attempt to facilitate national objectives. We should continue the national highway system, which needs to be looked at differently, and the needs of local and state networks should be taken into account when developing priorities and strategies for the national highway network. There should be an increase in the federal fuel excise from 20 per cent to 40 per cent. This could be achieved incrementally by using the six-monthly CPI increases—and when the campaign started the collection started at 29c per litre and it is now around 36c or 37c per litre.

Mr PETER MORRIS—An increase in the proportion of excise going to roads, not the excise?

Mr Giles—Yes, the increase in the proportion of the current collection. We also believe that administration should be simplified, that we should remove some duplication and there should be partnership arrangements between the levels of government in meeting road needs. We believe there should be private sector funding, where appropriate, and we should encourage the buying of priority by contributions from all levels of government to road projects as well as the private sector.

CHAIR—Thank you, Mr Giles. Mr Morris has already clarified the one point I wished to clarify. Further on that, you are talking about increasing the allocation of fuel taxes collected to roads from the existing levels?

Mr Giles—That is correct. Approximately 22 billion litres of fuel is used on the road each year. At 37c, about 7c of that per litre comes back to roads. We would like to see the amount increased to 40 per cent of the current collection. As I mentioned earlier, that could be achieved by making the six-monthly CPI increases dedicated to roads. For instance, the last increase on 1 February put the fuel excise up by 0.14c. It does not sound like much but actually collects in a full year \$30 million Australia-wide.

CHAIR—So rather than pursuing a line of direct hypothecation, you are just talking about increasing the level of funding rather than an administrative hypothecation of a percentage of that fuel levy across to roads?

Mr Giles—I guess there is a case for having identified funds. One of the areas of concern is that where funds are identified and there is no hypothecation of any sort it can be spent anywhere. The committee would support dedicated funds to roads, and how that would be achieved would be—

CHAIR—Your organisation is Western Australian based?

Ms O'Dea—Yes, but we do have a national focus and have Queensland and South Australia setting up similar things. We are not just Western Australian based and we have had national links. The Australian Local Government Association fully supports us as well.

Mr RANDALL—You said earlier that you had evidence that your organisation had been successful in achieving some of its aims for greater funds and attention. Could you provide that evidence to the committee?

Ms O'Dea—Yes. It actually raised the level of awareness of what people knew about roads and the importance of roads before the campaign started.

Mr RANDALL—But it is well-researched evidence, is it?

Ms O’Dea—Yes.

Mr RANDALL—Can you provide that to us?

Mr Giles—Yes, we can.

Mr RANDALL—The Western Australia government as a revenue raising measure has doubled fines on the roads. Are any of these measures going to come back to roads specifically or just to revenue?

Mr Giles—Not to my knowledge. I guess to some extent we would see a certain proportion of the federal fuel excise as a road user charge. The National Road Transport Commission, for instance, has identified up to 18c per litre as the road user charge for heavy haulage. I believe fines are not necessarily a road user charge, whereas you could say that federal fuel excise is a road user charge.

Digressing slightly, in Queensland, where they have no fuel levy, you pay, say, \$250 to register a Commodore to use it on the road whether you drive it one kilometre or 100,000 kilometres. In Western Australia it is somewhat less. It is about \$75 or \$80 to register a Commodore. The more you use it on the road network, the more you pay. So it is user pays. You could equate the federal fuel excise as part of that user pays principle.

Mr NEVILLE—That is a very interesting concept. I have often thought of the idea of the CPI factor being dedicated specifically to roads, and over time the proportionality would adjust itself. I would be interested to know your views on this \$2.5 billion that the state needs over the next 10 years. Local government in particular will require nearly \$1 billion of that. Do you believe the current form of funding is adequate, or can you see the Commonwealth having to move into selected state and local roads? You would have heard previous evidence about economic zones or mining zones where there may be a fourth tier of funding. What is your view on that?

Mr Giles—I certainly would support that fourth tier of funding. We have done some studies on the amount of revenue raised in particular areas, say, on mining roads and main roads in Western Australia.

Mr NEVILLE—Could we have a copy of that for the committee?

Mr Giles—Yes. We studied five mining roads in Western Australia and their contribution to the economy by way of federal fuel excise, export earnings and employment, et cetera. It would seem appropriate that special funding be dedicated to areas such as the north-west of Western Australia, northern Queensland and the Northern Territory, where there are mining activities. It can be seen as an investment which is going to generate employment and life in towns. So it is not purely putting money towards roads. It is actually putting money towards improving Australia’s lot, if you like. I would certainly support—I am sure our committee would, too—the approach of identifying particular areas or particular roads which support national objectives.

Mr McDOUGALL—I would like to take another approach. I am quite intrigued with your organisation. When I look at its membership, I see that individually they are all pretty good lobby groups and are organisations which are heavily involved in making submissions and putting their arguments forward. How do you as an organisation, either state based or nationally based, propose to influence government other than through what your individual organisations already do?

Ms O’Dea—The aim is a group of road customers getting together—there being more power in the strength. It is difficult for individual organisations, like the WA Farmers Federation, to be able to mount a campaign, even statewide, to try to raise awareness of the importance of roads. For our own membership, we would be speaking to the converted. At times, even just with our general executives, when discussing issues, it is like, ‘Don’t talk to us about it. We know all about it. You have to talk to the million people in Perth, who have a greater influence in the ballot box than we have as farmers in the ballot box. We elect only a certain number of federal politicians, but those in Perth they elect a few more.’ That was part of the reason for getting the strength together from a wider range.

Mr RANDALL—You are not considering targeting marginal seats, I hope!

Ms O’Dea—The aim has been to advertise in the *West Australian* and in capital city newspapers. We have not actually targeted marginal seats and did not do so at the last election at all.

Mr Giles—If I could add to that answer, the strategy for the campaign was to take an apolitical approach. That is why it is called Fix Australia Fix the Roads. It was dealing with a national problem. While we are based in Western Australia, there was no point saying, ‘We need a bigger slice in Western Australia.’ The issue we were on about was a bigger cake for the whole of Australia. We felt that the \$8 billion or thereabouts contributed directly by road users through the federal fuel excise was a fairer target to achieve more funding for roads.

Mr McDOUGALL—In setting up this organisation from all these bodies, is there a permanent secretariat?

Mr Giles—The chairmanship was originally the Director-General of Transport. The current chairman is the previous President of the WA Road Transport Association, and the reason he is not appearing here today is that he is at the road transport forum in Queensland. I suppose one of the ways we have supported the secretariat is we have hired a public relations company who provide secretarial support, strategic advice, et cetera, and additionally various groups provide support for committees and so on.

Mr McDOUGALL—In relation to funding?

Mr Giles—Yes.

Mr McDOUGALL—So at the end of the day is each state going to have to do that themselves or do you see this becoming a national body which will be contributed to by the states through their own internal structures?

Mr Giles—Since 1994 we have attempted to have similar committees established in other states. For one reason or another, we have not been successful in setting up a committee which has been as vigorous and as consistent as ours has. But what we have found is that, while there is not support for an overarching group, there is support for our principles and our campaign from the smaller groups. Our next brochure is intended to have the names from each state of supporting organisations. In South Australia, for instance, the local government association there has given an indication that they support our principles and in Queensland the Australian Road Federation have indicated as much. So there is a broadening support of it. Whether we can achieve the establishment of a committee similar to ours is a matter of some conjecture.

Mr McDOUGALL—As a follow-on from that, what are your organisation's thoughts in regard to the private sector making a contribution towards road construction?

Ms O'Dea—We have said that road users would say that they are already contributing to road funding. Private work, if it is appropriate, we do not disregard completely, but do see that, particularly here in Western Australia—and for the committee members most of our experience is in WA so there is going to be a somewhat parochial element in that—the road toll idea is not going to work and it will probably push things onto residential roads. We do have private investment in roads in the mining sector anyway.

Mr Giles—The Ripon Hills road is a case in point. I guess from my own perspective, if you introduce tolls, it might be seen as charging the road user twice for the same road, if you agree that the federal fuel excise has any component of road user charge in it. So one would shy away from private sector funding through that. But where a mining company gains some sort of competitive advantage through reduced transport costs or whatever, I see no problem with private sector funding there at all.

Mr LINDSAY—In your evidence today you referred to one of the objectives of your organisation as being to make changes through the ballot box. In the run-up to the next federal election and after the next federal election, would you strongly support and publicly support overdue reforms to the taxation system in this country?

Ms O'Dea—It is probably not one that we have actually discussed at this point in time, because the main aim has been to raise the level of awareness of the importance of the road network as an asset. When we get closer to the next election, there may be change in perception as the committee sees—

Mr LINDSAY—But you want to fix the roads, don't you?

Ms O'Dea—Yes. But exactly how we might be saying it in the appropriate way, with the organisations that are represented—

Mr LINDSAY—I think you should be brave.

Ms O'Dea—It is not up to me to make the suggestion. It would have to be a committee decision. Given the diversity of officials that are on the committee you are going to have a difference of views.

Mr PETER MORRIS—In your research you have carried out expenditure patterns. Given that your organisation is sponsored by the state, are you able to say that the level of dollar road effort from state

sources has remained at the same level as it was prior to the introduction of the levy, since the levy has been instituted? In some states where states have brought in a levy a steady substitution has taken place. They have reduced their road effort from sources other than the levy and substituted it with the proceeds of the levy.

Mr Giles—In Western Australia all motor vehicle licence fees and the state fuel levy of 9.67c per litre for petrol and about 7½c for diesel are dedicated to roads. That all goes to roads. The untied federal road funds as part of the cabinet decision are also dedicated to roads and there are no other sources apart from, I guess, some internal sources from property and plant sales from within Main Roads. All that goes to roads. One of the drawbacks we have had in other states, without wishing to name states, is that we

come from a position in Western Australia where all available funds which could be put into roads are put into roads. There is no siphoning off, if you like, of state fuel levies for other purposes. That is why we are quite prepared as a committee to go to the federal government and say: ‘We feel that we should get some of your federal fuel excise. We are putting 100 per cent of what is available from those sources into roads.’

Mr PETER MORRIS—Was the state expenditure on roads here only applied to the levy just from registration fees in the two categories you itemised? Was there not also a certain proportion coming from other sources of revenue?

Mr Giles—Not to my knowledge.

Mr PETER MORRIS—What I am trying to ascertain for the committee is that the level of state road effort from other sources has been maintained at the level that it was prior to the introduction of the levy—so the levy is an additional effort, from whatever source it was coming from.

Mr Giles—We can say categorically that all those funds are put to state use. There has been an increase in the amount of state based funds going to roads over recent years. I think you are probably as aware as anyone of the contribution that the state government makes to roads in Western Australia. The funds are basically dedicated to roads.

CHAIR—Thank you very much. I apologise for the changed schedule for today. We certainly appreciate your having taken the opportunity to come in and make your submission. I am sure that you understand now that the committee shares your concerns with the focus as it stands on Australia’s roads. I would like to put on the record the committee’s appreciation for the work that Mr Giles did personally in organising our inspections yesterday in the northern parts of Western Australia. I said to your boss this morning, Mr Giles, that it was excellently done. We certainly gained a lot from that experience, and you did a great job in putting that together. I would like to put on the record the committee’s appreciation of your having done that for us.

Resolved (on motion by **Mr Randall**):

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

CHAIR—Finally, on behalf the committee I would like to thank all witnesses who have given evidence at the public hearing today. I declare this public hearing closed.

Committee adjourned at 11.00 a.m.