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**HOUSE OF
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STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

Reference: Transport networks inquiry

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Wednesday, 7 September 2005

Members: Mr Neville (*Chair*), Mr Gibbons (*Deputy Chair*), Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Richardson, Mr Ripoll and Mr Schultz

Members in attendance: Mr Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Neville, Mr Richardson, Mr Ripoll and Mr Schultz

Terms of reference for the inquiry:

To inquire into and report on:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
 - land transport access to ports;
 - capacity and operation of major ports;
 - movement of bulk export commodities, such as grain and coal;
 - the role of intermodal freight hubs in regional areas;
 - opportunities to achieve greater efficiency in the use of existing infrastructure; and
 - possible advantages from the use of intelligent tracking technology;
- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

WITNESSES

METCALFE, Mr John Stewart, Director, Research and Public Policy, Australian Automobile Association..... 1

Committee met at 9.29 am**METCALFE, Mr John Stewart, Director, Research and Public Policy, Australian Automobile Association**

CHAIR (Mr Neville)—I declare open the public meeting of the House of Representatives Standing Committee on Transport and Regional Services inquiry into Australia's arterial road and rail services and their connectivity to the ports. This is the seventh public hearing of this important inquiry. It is part of an extensive program of public hearings, visits and inspections which will enable the committee to closely examine the key issues coming out of the submissions—much to do with road, rail and the conduct of the ports. The committee is seeking to determine how well the regional transport network is equipped to deal with the rapidly growing task of moving Australia's freight and the future ability of regional transport networks to handle that task, which will have a vital role in the continued growth of the Australian economy. The committee is also looking for ways to achieve greater cooperation between the three levels of government and also between governments and private enterprise in the provision and operation of freight transport infrastructure.

Today, the committee welcomes the Australian Automobile Association and its representative, Mr John Metcalfe. Although the committee will not require you to give evidence on oath, these are formal proceedings of the parliament and consequently warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Having said that, you are most welcome. Would you like to give us a five- to seven-minute overview of your submission and then we will break into questions.

Mr Metcalfe—Thank you. I am sure most of your committee know the AAA. We represent all of the state and territory motoring clubs. Collectively, there are six million members. At the outset I will say that the terms of reference are somewhat peripheral to our interest because the focus seems to be largely on the freight task but there are within the terms of reference some other aspects, such as policies and measures required to assist in achieving greater efficiency in the Australian transport network. There is reference to intelligent tracking technology and the role of three levels of government and the private sector in providing and maintaining the regional transport network. Simply, cars share the road with freight transport operators and rail competes with road for the freight movements. So I guess we have some interest here in this inquiry from that perspective.

Perhaps, to put the freight task into perspective, in our submission we note that 80 per cent of freight is transported over distances of less than 100 kilometres—I think that is referenced in the government's white paper—and 85 per cent of Sydney's 1.3 million TEU containers stay within 40 kilometres of Port Botany. Even with the doubling of the freight task which has been forecast, we believe that rail will be unable to cope with that increase. We certainly do not want to see any transfer of existing road funding to rail.

Our submission is largely what you might call macro in nature. It looks at funding overall and it looks at transport pricing. We have made reference at the micro level to one example in New South Wales. The rail line south of Sydney stops at the Shoalhaven River just south of Port Kembla and a lot of freight of course moves up from the South Coast along the Princes

Highway. One of our members, the NRMA, has made reference to an audit that they undertook showing that the Princes Highway was in fair and poor condition, depending on the various parameters you look at. Safe overtaking is restricted to 10 to 16 per cent of the highway in the Shoalhaven and Bega shires and there has been a concern expressed about the Princes Highway not being part of AusLink. So we would like to see it considered in the next tranche of AusLink that the Princes Highway be brought into the AusLink network.

As I mentioned, the terms of reference talk about efficiency of freight movements or greater efficiency in the transport network. We talk a little bit about road pricing and tracking technology. We made reference in our submission to the fuel taxation inquiry run by David Trebeck a few years ago. We note in particular that cars are overcharged compared to trucks. We did quite a lot of work on road pricing and what an appropriate pricing arrangement would be in the transport network, looking at both trucks and cars. We firmly believe that the current transport pricing mechanisms are unsatisfactory and lead to distortions between road and rail and within the road sector.

Indeed, the ARA in its submission—I think it was to this inquiry—noted that one of the greatest changes we could effect in the transport industry would be to have a whole review of the pricing models for road and rail. We are inclined to agree and we have already done quite a lot of work on that. The National Transport Commission sets heavy vehicle charges based on full cost recovery. We would much prefer a marginal cost approach to be adopted, but that is another issue. There is a truck road user charge of 20c per litre. Simply to recover the costs from cars, using their methodology, cars should be charged 7c per litre, yet we are paying 38c a litre. So there are clearly some disparities in the charging mechanism. Other research by the BTRE also highlights some inadequate pricing of trucks versus cars.

We reference technology in our submission. We note that in AusLink there is funding for transport development and innovation. We think some of that could be directed to a number of technologies to improve freight efficiency. It might be SMS messaging, intelligent signs or traffic information to reduce congestion et cetera. We have welcomed AusLink and the integration of road and rail research funding into one rolling five-year plan and of course welcome the renewal of the Roads to Recovery program and the National Road Safety Black Spot Program.

We are concerned about the lack of agreement on the bilaterals between the Commonwealth and the states. We are really worried about the funding that is being held up and we would like to see those bilaterals concluded very quickly so we can get the funding flowing to the states that have not yet signed up. We highlight the backlog in road projects and the fact that AusLink has a \$12.5 billion expense attached to it. We note at the same time that \$70 billion is collected in fuel excise and that \$16 billion is collected in GST, which goes to the states. We have always been concerned about that disparity between collection and expenditure on fuel excise.

We also talk about investment and safety. We see investment as a benefit, not as a cost. The budget invariably identifies expenditure on AusLink as a cost and we think it should be seen as a benefit. We have done some surveys on the surplus, and 70-odd per cent of our members think that a greater amount of the surplus ought to be spent on infrastructure, including roads. We express some concern about the magnitude of AusLink expenditure. It is not as great as it is being touted as, we believe. There is still a huge backlog.

The AusLink network is now greater than the national highway system, so we believe the national highway funding is likely to suffer. We are concerned about the Pacific and the Hume highways being duplicated by 2016 and 2012. We think that is just too far out. We could lose another 400 lives on the Pacific Highway in that time. It really needs to be brought forward. Maintenance funding is a concern we have expressed. The Bureau of Transport Economics has indicated that \$360 million per annum needs to be spent on the national highway system alone by 2014-15, whereas the Commonwealth is only going to be putting in \$300 million.

I will conclude on the subject of safety. We certainly recognise the good work that your committee has done on safety, particularly the report titled *National road safety—eyes on the road ahead*. We are concerned that the government is yet to respond to that. It must now be a year or so since that report was tabled, yet I think there is a requirement to respond within three months. There are 37 very good recommendations in there. I will touch very quickly on AusRAP, our Australian Road Assessment Program, which you may be familiar with. We are rating Australia's roads for safety, colour coding the links based on crash history and traffic volumes. We are very pleased that the federal government, through the Australian Transport Safety Bureau, has contributed \$350,000 to our program of work in this year. To conclude: we think there is a backlog of road infrastructure projects; more needs to be spent; and, importantly, there needs to be a shift to better pricing of road and rail.

CHAIR—Thank you. You qualified your remarks by saying that, in representing six million motorists, some areas of our terms of reference are not germane to your interests. But could I ask you, quite beyond the immediate issues of who pays road user charges through excise and the charges on the trucking industry, what your view is on national arterial systems. For example, 80 per cent of the freight tasks between Sydney and Perth are on rail, but only 17 per cent of those between Melbourne and Brisbane are on rail. It follows from that that there are a lot of semitrailers on the road that probably do not need to be there. What is your view on that? Safety issues and the maintenance of roads must be of interest to your members. I would also be interested to know whether you think that certain corridors need to be dedicated, especially for long-distance freight.

I raise the issue because it is said—and I do not know if your research confirms this—that since the federal government has been assisting the New South Wales government with the Pacific Highway, which is not part of the national highway network, more and more semitrailer traffic is moving from the Newell and New England highways onto the Pacific Highway and that, as fast as the Pacific Highway is upgraded, the problem reinvents itself. I would be interested to know if you have any research on that. But could we have your comments on the arterial nature of roads and what you think of the existing corridors.

Mr Metcalfe—You have covered a lot there. As to the arterial nature of the roads, we have certainly supported the concept of the Commonwealth, the states and the private sector working together to develop a proper road system throughout Australia, integrating the road and rail funding and research funding. We are very supportive of that approach.

As for your point about 80 per cent of the freight tasks between Sydney and Perth being on rail but only 17 per cent between Melbourne and Brisbane being on rail, I do not know what the right percentage is. I do not think we should even be saying what the right percentage should be

on those corridors. It comes back to my point about pricing. If you price these things properly it will work itself out through the system. But we are also very supportive of the corridor strategy.

You mentioned certain corridors and whether they should be dedicated to freight. We are certainly aware of the four pilot corridor strategies that are being developed between the Commonwealth and the states—Adelaide to Perth, Sydney to Melbourne, Adelaide urban and Brisbane to Cairns. All of our clubs are working with their state road authorities, injecting as much information as they can into this corridor strategy so that we can assess the needs of the corridors, so it is not just simply a road corridor but a freight and passenger corridor. We are very supportive of that approach and, as I say, the clubs are working with the state road authorities to understand the needs within those four pilot corridors and then, beyond that, of the remaining, I think, 20-odd corridors that need to be completed by 2017.

You mentioned the Pacific Highway not being within the national highway system. That is true, but it is within the AusLink network. We are currently extending our AusRAP analysis, which in the first instance was just for the national highway system. In November this year we will provide the results of the crash history on links along the Pacific Highway, as it is part of the AusLink network.

Dr JENSEN—You talk about the pricing between cars and trucks. Are you particularly talking about fuel or road damage?

Mr Metcalfe—In our submission to the Trebeck fuel tax inquiry, we looked at the current NTC charging methodology and the inequities within that system. That is a full cost-recovery approach. We went further and said that our preferred approach would be to charge the full social cost—in other words, charging not only for pavement wear but also for crash costs, air pollution and noise pollution—and we came up with some numbers as to what should be charged in rural areas and in urban areas. Obviously the pollution aspects are much higher in the city and so we had different numbers for the city.

Dr JENSEN—With regard to road damage, did you use fourth power law?

Mr Metcalfe—Yes, we did. I guess there is always going to be some criticism of the NTC methodology in terms of how they apportion the separable costs and the inseparable costs and what parameters they use—whether it be ESAs, which is about axles or how much weight you put on gross vehicle mass and passenger car units. It is a very technical area and I will not go into it here. Suffice to say, there can be a lot of argument about the various parameters and we did explore some of those issues in our research.

Dr JENSEN—Through this inquiry, it has struck me that one of the absolutely critical factors is going to be the issue of actually costing the various modes of transport. If you get that costing right, as you said, not only would volumes sort themselves out but some of the other problems will probably sort themselves out in terms of replenishment of infrastructure. That is just my personal view at the moment.

Mr Metcalfe—On that point, we do think that the NTC is really moving too slowly. Their methodology really has not changed much since 1995, I think, when the first charges determination was introduced. We are 10 years on. There have been changes at the margin. If

you have a look at Switzerland and Austria, you will find that they have GPS tracking technology now that can tell you where the truck is, how far it has travelled and what mass it is carrying and charge accordingly. We do that in telecommunications, gas and electricity. We charge access, we charge usage and we charge peak and off-peak. So it can be done. We are suggesting, to some extent, in our submission that there is funding within the AusLink program in the research and development area where maybe some of these things could be introduced.

Dr JENSEN—A division has been called. I will give you another question to think about while we are away. You have the AusRAP road safety colour code. Can you think of ways of maybe expanding that into the freight capability of the different roads, not just the arterial network but perhaps inside urban areas as well?

Proceedings suspended from 9.49 am to 10.08 am

Mr Metcalfe—We are in the early stages of the AusRAP development. We picked it up from EuroRAP—the work that is being done in Europe with the road authorities and all of the motoring clubs. You talked about different freight capabilities and whether we can use the AusRAP in that area. Yes, we can look at the crash history and the volume of heavy vehicles in freight corridors and do a similar sort of mapping. It will not be easy, because every jurisdiction—and this is a real problem—collects and reports their crash data differently. Even serious injury is reported differently in every jurisdiction. We would hope, and we want to try and progress this, that maybe through the government, through ATC, we can perhaps think about connecting AusLink funding with safety outcomes and having a common template of recording.

Dr JENSEN—Standard metric.

Mr Metcalfe—Yes. You asked about AusRAP applying to the urban area. At the moment we have only analysed the national highway system, the interurban network. We are extending it this year to the AusLink network, which will include a little bit of urban but not a great deal. Urban is very different because the crash patterns are different. In the rural area we tend to see ‘run-off road’, ‘head-on’ and ‘intersection’, whereas in the urban area we have got a lot of rear-enders and how to propose treatments to deal with those rear-end crashes is another exercise. How you measure links in an urban area and the traffic volume on links is difficult. So our first phase is on the interurban route, but, yes, we can do the sorts of things that you suggest but that might take some time.

Mr RICHARDSON—You talked about your frustrations and our frustrations in relation to the bilateral arrangements for funding. Can you explore that for us? Can you see any way that it could be done better?

Mr Metcalfe—Our concern is that the funding is not flowing to the states. We assume that it is not. Funding was conditional on the bilaterals being agreed, with of course the construction code being part of that. So it is a concern about the funding not flowing. We have certainly asked our state colleagues—our clubs—to take the issue up with their own governments in the states. That is about all that I can say. We really want to get on with the job. If funding has been made available, let us get on with the job particularly as to the Pacific Highway and it taking time to duplicate the Pacific Highway to 2016. Even delaying it for another year is another 80 deaths. There are five deaths a day on roads in Australia. We want to get the job done.

Mr RICHARDSON—Are you suggesting that the federal funding has been delayed or that the federal funding is going to the states but the states are not providing that money?

Mr Metcalfe—It is two-way; it is a deal between the Commonwealth and the states. We would like to see the bilaterals concluded as quickly as possible. We are not necessarily pointing a finger at one or the other. There are two parties to the agreement. Let us get on and do it.

Mr HAASE—Further to that line of debate, the situation in Western Australia is certainly unacceptable—and I can understand your point of view—but specific knowledge about the negotiations for the signing of that bilateral reveals some pretty dug in situations. We have got the Peel bypass now experiencing substantial cost overruns from the original agreement, an agreement under which the federal government contributed 50 per cent of the cost, and the proposition is being put that those overruns be paid 50 per cent by the Commonwealth in addition to the original funding. That is one of the major causes of that negotiation not being successful. I agree with you that there ought to be a very speedy signing of that bilateral, but it might require some head changing, I suspect.

I was personally concerned as to another line of questioning. In figure 1 of your submission you illustrate motorists' attitudes on a government surplus versus spending more on infrastructure. I note that 74 per cent responded that they agreed there should be more expenditure on infrastructure. This is a technicality but I am concerned as to how the question was couched. For instance, did it say, 'Would you like more spent on infrastructure given that you are required to contribute more?' or was it simply a question such as: 'Do you think the government should spend more money on roads?' to which I would expect there would automatically be agreement. As I know that these surveys are used as a basis for many opinions held by umbrella groups, I wonder whether you could assure us that that was not a very simplistic line of questioning that would solicit an automatic positive answer.

Mr Metcalfe—With respect to the Peel bypass and the cost overruns, I do not think I can say much more.

Mr HAASE—I accept that.

Mr Metcalfe—I will take the concerns back to the RACWA and mention the concerns that have come from you. As for the survey, I do not have the specific question here with me, but we engage ANOP to undertake surveys for us on a regular basis. We certainly try to be unbiased in the way the question is phrased and I agree that sometimes it is difficult to phrase a question so that it is as unbiased as you would like it to be. I think the question was: 'If a government has a surplus what should it be doing with it?' The various components were: 'Should it be spending more on infrastructure, including roads'—we did not segment infrastructure into all of its components like ports, water, sewerage et cetera—'or should we have some surplus and some spending; should we spend more on services, or should we continue with the substantial surplus?' A very low percentage of respondents supported the continuation of a substantial surplus. I can certainly get back to you with the specific question we asked.

Mr HAASE—You can understand my interest. If you ask 1,000 people whether they want a pay rise the majority will say yes.

Mr Metcalfe—We did give them alternatives: ‘Do you want a pay rise or do you want something else?’ In this case we gave them alternatives.

Mr HAASE—Do you survey your membership in relation to their attitude towards tollways?

Mr Metcalfe—Yes, we do.

Mr HAASE—What has been the response?

Mr Metcalfe—I do not have the detail here. We surveyed them in our March 2005 survey and the results differed from state to state, so we have done a state breakdown. You would understand that the results differ in those states where toll roads already exist from those states where there are no toll roads.

Mr HAASE—Can you recall that variation? Should we assume that where tolls have already been introduced and the freeway is very efficient people do not mind paying and are therefore accepting of the idea, or is it contrary to that?

Mr Metcalfe—Once the toll is introduced there tends to be a gradual acceptance of the toll. In other words, once people have to pay it there is almost a resignation. So there is a part acceptance of the toll because there is not much else people can do. I would imagine that it would vary from toll road to toll road and it would depend on how many toll roads you drive on. In a couple of years time, if you drive from the north of Sydney to somewhere around the airport you might have to spend about \$12 one way on tolls, depending on how many toll roads you went on. If you interviewed those people, I guess you would find that they would not be too happy about it. So you need to come down to that level of detail if you want it.

Mr HAASE—If you have on record some reference to that survey about tolls I think we might be interested to hear what it is. Finally, I have a simple question: would the adoption of mass distance charges overcome the problem of unequal charges to infrastructure users? You may also believe that it might lessen overall charges; could you give us your answer on that?

Mr Metcalfe—Certainly car drivers believe that if you were to apply a fuel excise to cover the costs of using the road—that is, pavement wear, crash costs, air and noise pollution—motorists would pay about 10c per litre less than they are currently paying. With freight I guess our concern is that the charges are set on an average class of vehicle, on an average mass carried and on an average distance travelled.

It is an averaging process, so clearly the big six-axle articulated vehicles that are travelling large distances are being subsidised by the lower end of the trucking fleet. That is a concern because of the damage, the pavement wear, that is being caused to the roads. We think it makes sense to charge users for the distance that they travel. After all, the costs vary by distance travelled. That is the basis on which we think the charging should be applied.

Mr HAASE—Is your group familiar with the New Zealand experience?

Mr Metcalfe—Yes. I cannot say I am entirely familiar with it, but I know they have odometers and tachographs and they charge on the basis of distance travelled in New Zealand. I

guess that is old technology now. We can use GPS to track distances. As I said, it has been done already. The system is in place in Switzerland and Austria. We could do it here. Many big trucking operators already track their fleet. They want to know, from a fleet management point of view, how much fuel they are using, when they are having rest breaks and what mass is being carried. They can track that from a room. They could do it offshore if they wanted to. There is a lot that can be done in this area. We think that we would get a lot more efficiency in freight movements if we moved to that system rather than the incremental, slow approach that is being pursued by the NTC at the moment.

Mr HAASE—Do you believe that your sedan-owning membership would countenance such a change? Have you surveyed that amongst your clubs?

Mr Metcalfe—We have. I think there is always an acceptance of paying for the costs of using the network. If you can communicate that message of paying for using the network and that you are imposing certain costs, whether it be for congestion in the cities, there is acceptance of that.

Mr HAASE—Is it your proposition that the investigation and introduction of that technology be something that is funded by AusLink?

Mr Metcalfe—We think it could be. There is provision within AusLink for research and development funding. Those funds could be directed towards an exercise of that nature, yes.

Ms BIRD—You made the point about 80 per cent of freight being moved within a 100-kilometre radius. One of the issues that we have heard on a number of occasions is that in the big, built up population centres we have a lot of freight movement on roads, which I assume is reflected in the point that you make. There are some cost problems for taking it off roads and on to rail because it is such a short distance, yet for your membership there is increasingly a conflict of road use interest between growing freight movement and car movement. Having made the point, is there any particular policy position that you would be looking for in order to address that problem? It will only increase with population increase.

Mr Metcalfe—It is obviously going to be a problem in the major capital cities—Sydney, Melbourne and Brisbane—and South East Queensland in particular. Again, we are just not pricing the movement correctly. We could introduce congestion charging. That was one of the proposals we put forward in our submission to the Trebeck inquiry. We need a whole reform of fuel taxation and we need to implement a better pricing mechanism so that price signals indicate to users the costs of using the network in peak and off-peak times and allow consumers and freight operators to choose whether they want to drive in congested conditions and pay for it, or whether they want to change their time patterns.

We think it is fundamental. It is done in all other industries. We have peak and off-peak gas, electricity and telecommunications pricing, but we do not have it in the transport sector. We are in the dark ages in the pricing of transport for efficient freight movement. We think that this is fundamental. It would probably have to be introduced at the state level but in conjunction with the federal government. The congestion and the road network in those urban centres is obviously the responsibility, in large part, of the state governments, but at the same time the federal government is collecting fuel excise. So there needs to be a system developed that deals with this collectively at state and federal levels.

Congestion is a huge cost to the economy. Obviously, road spending and improving road capacity is one way, but we do not see it as necessarily the best way. The pricing aspect, which I keep coming back to, seems to be critical. As I said, the ARA, in their comments to you a week or so ago, said the same thing.

Ms BIRD—It is an interesting point. I think there will be some struggle with it, because the other outcome of using a pricing mechanism is that the costs of living for those people who live in cities, and who then pay for that through the purchase of the goods that are freighted, increase significantly as well. So there are a whole lot of flow-on implications. Pushing to off-peak means that people who are in their cars are also in their homes at off-peak hours, and the movement of freight becomes an issue. So it is not easy.

That leads in to the second question. One of the things that is happening in New South Wales, as you have alluded to, is the attempt to move some of it out of Sydney to Newcastle and Port Kembla and to use those links to ports in order to alleviate some of that freight movement through Sydney. I am aware of the NRMA's report on the economic impacts of the Princes Highway. In that report they do make the point that too often we rely on research and reporting to advise where to invest, but governments do far too little post-investment assessment of the impact of the money that has been expended. I thought it was an interesting point to make. The NRMA report highlights lost opportunity in terms of economic activity because of the poor condition of the Princes Highway and the lack of a rail infrastructure into that region. But they are quite open about saying, 'If people are arguing that money should be put in, we should assess the efficiency of that expenditure afterwards to see if it actually achieved what people claimed it would do.' I wonder if the national body had a view on that proposal.

Mr Metcalfe—Just very quickly on your first point: with reform there are always going to be winners and losers. I guess we then need to look at ways of compensating those who may be disadvantaged. That is always going to be an equity issue. There are always going to be people arguing about whether you should compensate and how much. We think the net benefits overall will be positive. That is the key point.

Then you asked about research and reporting: where to invest and then no impact on post-assessment. It is clearly important to have a look at what the impact of your investment is or has been. AusRAP is, in some respects, going to be doing just that. We are going to be looking at the investment that the Commonwealth is undertaking on all of the road links throughout Australia, and through our safety measure we will be able to say: 'These are the benefits that we have. This road or these links are the most improved. We are now saving X number of lives on this link as a consequence of government investment. And we will do that link by link and we will show what are the most improved roads.'

We will certainly be doing that on a safety angle. I guess you are asking whether we will do it on other parameters. I think that, yes, it is important. We need to look at it in terms of travel time savings. In fact, I am aware of work that is being done, for example, on the City Link, which shows the travel time savings on the City Link as a consequence of the investment. They have been able to go back and say, 'Ex post, the benefit cost ratio is X.' And the NRMA, one of our members, also do audits of all of the highways through regional New South Wales, and they again look at the improvements that have been undertaken and, for example, the travel time savings that have resulted. They do the travel time savings in the urban area as well.

CHAIR—I do not want to cramp your style on the charging mechanism, but I think we are straying from our focus, which is the arterial road and rail network, its connectivity to ports and the transference of freight from road to rail. Mr Metcalfe might like to bring us up to date on the latest thinking but, as I understand it, the freight task on roads is going to double in the next 10 years and treble in the next 20. Obviously, it is not desirable for the freight industry nor for the other motorists on the road if we do not do something about that. Someone argued that new roads and highways are one part of the answer; the other answer is to get a more appropriate amount of freight onto rail. I do not want us to stray from our core term of reference but nor do I want to inhibit the debate on these peripheral issues.

Ms HALL—I know what you are saying, Chair. The questions I will ask will relate to the terms of reference. Mr Metcalfe, I note that in your report, on page 10, you say that the investment of \$15 million over five years towards the cost of maintaining road links on the national network is insufficient. I also note that you have identified in your report a number of road projects that need urgent attention. Would you be able to identify what you think is a reasonable amount of money that should be invested and, of the long list of road projects that you have identified as needing urgent attention, which ones are most urgent and is it possible to prioritise them?

CHAIR—You also say, on page 8, that with AusLink it was projected that there would be a 64 per cent increase in spending but in reality it is only 24 per cent. Can you give us some idea of what is inhibiting that?

Mr Metcalfe—I agree that we have perhaps not focused strictly on the intermodality issues. As I said at the start, our interests are a little peripheral to this inquiry in the sense of focusing on the freight task, so we tended to try and take a macro approach—

CHAIR—Nevertheless, it does affect motorists.

Ms HALL—Enormously.

Mr Metcalfe—Absolutely, and that is why we are here. As to your question about what is a reasonable amount to be invested, that is always a difficult question. We have identified around a \$12 billion backlog of road projects throughout Australia. We have to look at how we address that backlog. Our members are saying we should use some of the surplus. We are saying we should try to put a bit more into road infrastructure because it should not be seen as a cost. There are huge benefits in road safety and productivity for the freight sector. Which roads are the most important? In our budget submission we identify, state by state, the roads that our member clubs believe are the most important roads on which upgrades need to be undertaken.

Ms HALL—Would you be able to give a copy of that to this committee?

Mr Metcalfe—I can get you a list of that. They are prioritised. We say, ‘In New South Wales these are the roads that need to be fixed, this is the reason why and this is how much needs to be spent.’ We have an order of priority which we make available.

Ms HALL—From that, can you identify it nationally—that you have it state wide?

Mr Metcalfe—No, I cannot say that we have said, ‘The Bruce Highway is more important than the Calder Highway,’ for example, which I gather is what you are looking for. People can draw out of our AusRAP analysis, if you like, something about where priorities ought to be. Indeed, we say that AusRAP ought to be used as a means of prioritising. If you can see some black and some red links in some states then that gives you a bit of an indication—at least from a safety point of view—of priorities nationally. But, other than that, we have not provided a national list in that sense.

Chair, you asked about the percentages. I guess the simple difference between the government number and our number was that the government was assessing the increased expenditure against forward estimates. We just did not think that by saying, ‘We’re now going to be spending X dollars. We were previously going to be spending Y dollars and those Y dollars were based on forward estimates,’ that that was an appropriate basis for claiming the increase.

CHAIR—Another thing that some of the coalition members heard during the week—it was a hypothesis; it is not said with any criticism of the New South Wales government—was the hypothesis that the RTA is very slow to move on getting their ducks lined up to get their projects finalised and put in place, and that frequently Commonwealth funds are on offer but they are slow in being utilised. Is that part of the lag? In association with that question, is there a case—albeit with the concurrence of the states—for the Commonwealth to take a more aggressive role in perhaps getting private contractors or putting in place some competitive mechanism so that companies like, for example, Leightons or Balderstones, or someone like them, might start rolling out some strategic sections of major highways on a commercial construction basis, rather than relying on Main Roads and RTAs and bodies like that, when they appeared to be snowed under?

Mr Metcalfe—I guess it comes back to the point I made earlier. There are two parties to these agreements: the Commonwealth and the states. I do not want to be pointing any fingers at anyone in particular at this stage, but I hear what you are saying—

CHAIR—I assure you that I was not in any way trying to be party political. The comment has been made that the state authorities are not moving quickly enough on the spending of Commonwealth funding. Is that confirmed by your studies?

Mr Metcalfe—I guess it is confirmed by the fact that the bilaterals have not been signed. As I said earlier, that is a real concern and, in listening to the committee here today, it is certainly something that I will take back to our clubs. I will emphasise to them the concerns that are coming from this committee and see whether we can get our clubs to raise these issues with their state road authorities.

Ms HALL—There are reasons, though, why the bilaterals have not been signed, aren’t there?

Mr Metcalfe—I am not privy to the discussions that are taking place between the Commonwealth and each of the states.

CHAIR—Two states have signed.

Mr Metcalfe—Victoria and South Australia have signed.

Ms HALL—There are reasons that some of the states have been slow to sign?

Mr Metcalfe—I am sure there are issues about the construction code and there are issues about funding shares. The shares are open to negotiation. My understanding is that there was a general agreement that the national highway system would be funded 80-20 and other roads would be funded 50-50. But I think that varies from project to project.

There is some very good information, by the way—and the department should be congratulated for this—on the AusLink web site, showing every project and its status. I think it is auslink.gov.au. It is obviously not complete because the funding has not been agreed. You will see, for example, projects like the Bruce Highway. You do not see the Commonwealth contribution listed there, so it is still to be resolved. So funding shares and the construction code issues are obviously sticking points.

Ms HALL—I understand that some of the states are not happy about moving away from the Commonwealth funding national highways and the states funding roads of significance and then the local government funding the roads that they have funded in the past. I understand that that is a bit of sticking point.

Mr Metcalfe—We also believe that the Commonwealth should still meet its commitments to fully fund the national highway system as it stood before its incorporation into AusLink.

CHAIR—That is the sort of thing we want to hear.

Ms BIRD—The bit I am interested in, rather than us debate what is happening in other places, is the idea of the private partnership and investment component. As you point out for Sydney, there is a lot of private investment going into roads because you have the population base to get your money back. I would imagine that some of the places that will show up as black markings on your maps would be places where you have not quite got that population intensity that you have in major cities—so there is a point about whether private investors would see it as viable. So there are two questions to comment on. I thought that that part of the chair's question was particularly pertinent to us. Would it be tolerable for your membership to see an increase in tollways in areas not used to them—that is, outside major urban areas—and is it your view that private enterprise would be interested in developing that?

Mr Metcalfe—You used the word 'tolerable'. I think it is fair to say that our clubs would tolerate private sector investment. Our preferred option has always been for governments to invest in roads. They are a natural monopoly. There are returns to the community from investing in roads. Why not return those benefits of reduced travel times and crash costs back to the community rather than to individual shareholders of private companies? If it comes to the point where we are just not getting these roads built and people are dying on the roads and we have so much congestion then we may need to tolerate—to use that word again—the use of private funds to get those roads built to get traffic and freight moving.

Ms HALL—In your submission on page 6 you talk about the role of the three levels of government, and I suppose the private sector, but I want to talk about the role of the three levels of government. How do you think the interaction between the three levels of government

impedes the actual construction and maintenance infrastructure in lines with the terms of reference of this committee?

CHAIR—Good question.

Mr Metcalfe—Yes, it is a good question. I have touched on the private sector in response to your last question in terms of its role. As for the Commonwealth, the states and local government, I think the local government activity is working well. The reports that we get back from our clubs indicate that the Roads to Recovery program is working well. Of course, there are additional financial assistance grants provided to local government. Obviously that is a welcome addition. We are seeing, I guess, some problems at the moment—and we have talked about those over the last 10 or 15 minutes—between the Commonwealth and the state in working together. It is a noble approach. It is a way of avoiding cost shifting. But maybe there are some teething problems in this first tranche of AusLink, in working through the sharing arrangements and other issues.

Previously it was a fairly straightforward arrangement. The Commonwealth was responsible for the national highway and the states were responsible for the state arterial network. There was a very clear delineation of responsibility, but there was some cost shifting going on, obviously. Maybe the Commonwealth was not getting the best return it could for its money. It was not involved so much in the planning processes, yet it was handing out money. Now, with the corridor strategies, the government—perhaps quite rightly—is getting involved in seeing that its money is being spent wisely and efficiently. We think the model is right, but we may need to review that—perhaps at the end of the five years of AusLink—and see how it settles down once these agreements between the Commonwealth and the states have been put in place.

CHAIR—I would like to thank the AAA and Mr Metcalfe for their submission today. I must say, Mr Metcalfe—and would you convey this to your board—that we appreciate the readiness of the AAA to always appear before the committee and always give quality evidence. We hope we may rely on you in the future in that capacity.

Mr Metcalfe—Thank you.

Resolved (on motion by **Ms Hall**):

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

Committee adjourned at 10.46 am