

File 470-20

11 May 2005

Mr Tas Luttrell
House of Representatives Standing Committee
on Transport and Regional Services
Parliament House
CANBERRA ACT 2600

Dear Mr Luttrell

**Inquiry into the Integration of
Regional Rail and Road Freight Transport
and their Interface With Ports**

Thank you for your letter of 14 April 2005 inviting the Australian Local Government Association (ALGA) to make a submission to the abovementioned Inquiry.

ALGA is a federation of state and territory local government associations which provides the national voice of local government, representing 673 councils across Australia.

Key activities include representation of local government on national bodies and ministerial councils, providing submissions to government and parliamentary inquiries, raising the profile and concerns of local government at the national level and providing forums for local government to guide the development of national local government policies. As one of Australia's three spheres of government, local government is represented by ALGA on the Council of Australian Governments.

In assessing the role of Australia's regional transport network, it must be recognised that local roads are a critical component of this system.

Australia's local road network consists of around 680,000 km of road - nearly 85% of the total road network - and related infrastructure, such as bridges, earthworks and road signage. Local roads are the capillaries which feed the nation's arterial roads and national highways. They link homes to schools and shops, they take commuters to arterial roads and national highways. In regional areas, they also link entire communities. The economic importance of local roads cannot be underestimated, with 73% of all freight trips beginning or ending on a local road.

Transport is not an end in itself, but only a mechanism to deliver the necessary economic and social outcomes to our community. However, providing effective and efficient transport services requires co-ordination and robustness throughout the entire transport network – not just the major interstate and metropolitan links.

In this context, ALGA would like to highlight three key areas where Australian Government programs can provide essential assistance in optimising transport efficiency across the transport system.

'Roads to Recovery' (R2R)

Local roads are owned and maintained by local government. The cost of this maintenance is immense and is met from rates and funding from state and federal governments. Over the years, the amount of funding available to local government has not kept pace with the cost of maintaining local roads to acceptable standards. Much local road infrastructure is now reaching the end of its economic life and its replacement cost cannot be met by local government alone. It is a \$75bn asset, much of which is in need of repair or upgrading - and indeed the Australian Government estimated an additional \$630m a year was needed if local road maintenance needs are to be adequately addressed. (*R2R Review pp.6-7*).

The R2R program has a strong rural and regional focus, with \$850m to be spent in these areas. This much needed funding has helped local government begin to address the backlog of local road maintenance, improving safety, transport efficiency and stimulating economic development across the country. R2R provides around \$300m a year to local government, augmenting local road spending of around \$2.7bn a year.

In 2002, the Federal Government agreed to consider the future of R2R beyond 2005 and established a review of the program with the Australian Local Government Association. The R2R Review, released in May 2003, found R2R had made the roads safer, improved the ease with which goods and people can use them, enhanced economic development and improved the amenity of living in many places.

The Review concluded: "The R2R program reduced the rate of decline in the condition of local roads. To maintain the asset at its current level of service the R2R funding would need to be not only continued but twice its current level. Local roads will revert to their pre-R2R rate of decline at the end of the program in 2005 if the program is not continued." (*R2R Review p.42*).

It also found:

- R2R met a need for additional local road funds but has not eliminated the backlog of works on local roads.
- Most of the expenditure was on existing roads, split about equally between renewal and upgrading capital expenditure.
- The program had strong employment benefits.
- The program maximised the available funding for road works.

Analysis by the Department of Transport and Regional Services estimated the shortfall in funding at \$630 million using the findings of local government studies in four states, as per the following table.

Gap Between Local Road Renewal Needs and Expenditure, \$m for Next Five Years

State	% length of the national local road network	Estimated annual local road renewal shortfall, \$m
NSW	22.3	\$156
Vic	20.0	\$176
WA	19.0	\$61
SA	11.6	\$66
Total	72.9	\$459
Australia (estimated)	100	\$630

The National Office of Local Government also estimated the value of the local road assets at \$75 billion, once again from State sources, as shown in the following table.

Value of Local Roads (replacement cost)

State	% road length	Value of the asset, \$ billion
NSW	22.3	30.8
Vic	20.0	14.4
Qld	22.6	10.0
WA	19.0	10.9
SA	11.6	4.8
Tas	2.2	2.0
Total	97.3	72.9
Australia (estimated)	100	75

The maintenance expenditure is essentially an operating expense for the road asset, while the renewal and a significant proportion of the upgrade expenditure offsets the deterioration (or consumption) of the asset due to traffic loading over time. Approximately 50% of the total expenditure would be a reasonable estimate of the total funding allocated to the renewal of the existing asset.

The level of expenditure prior to the R2R program would equate to an average renewal cycle of the road asset of 55 years. The R2R review showed that most of the R2R funding was spent on the existing asset, with approximately half being allocated to renewal, and the other half to upgrading existing roads to a higher standard.

This would increase the BTRE estimate of total council annual spending to \$3.0 billion (i.e. the \$2.7 billion plus the \$300 million annual R2R funding) and the total expenditure on renewal to approximately \$1.6 billion. This has the effect of reducing the average renewal cycle required of the local road asset to 47 years. While this may be still too high for many councils it shows that the R2R program has for its first four years made a significant contribution to assist councils manage their assets in a long term sustainable way.

The Australian Government's 2004 decision to renew R2R for a further four years was thus very strongly welcomed by local government. R2R is seen as an excellent example of productive partnership between the two levels of government, providing vital financial assistance to address the massive backlog in road maintenance faced by Australian councils.

It has been suggested that R2R project criteria should be extended to include non-roadworks items. ALGA considers the prime purpose of R2R is to reduce the local roads maintenance backlog and thus suggests that any such wider funding should essentially be limited to the current provisions for cycling and walking facilities, where these are proposed by a council.

The AusLink Strategic Regional Component (SRC)

The SRC is not part of R2R. Rather, it is an additional and separate element of AusLink, aimed at achieving national objectives at a regional level. The SRC should provide valuable opportunities for local government to engage in productive partnerships to enhance regional transport networks in a way which maximises both local and national benefits.

While the principles and objectives for the SRC as outlined in the legislation seem reasonable, ALGA is concerned that many of the guidelines and processes for the operation of the SRC are yet to be released. It is important that the SRC administrative arrangements are simple, efficient and transparent and should clearly specify how SRC projects are selected in terms of criteria, priority and timing.

Given the importance of regional transport links to national logistics efficiency, it seems appropriate that funding allocated to the SRC be significantly increased. Indeed, due to pre-election commitments in 2004, less than 20% of the original \$150m SRC funding pool remains unallocated. Additional investment to bring total SRC funding to \$400m would be in line with the original sum proposed for the R2R 'strategic pool'. The recharged SRC should then be allocated equitably between all states and territories, and then within each jurisdiction, on a competitive basis.

ALGA would also favour some flexibility in the type of projects eligible for SRC funding. For example, a limited share of the total SRC pool (say 10%) could be available for 'soft infrastructure' projects, like data collection and asset management. Such initiatives could provide valuable synergies with the R2R program, allowing optimal use of both R2R and SRC resources.

Connectivity to Ports

A critical element of freight transport efficiency is port connectivity. This is often very difficult in relation to ports located in major cities, where freight access is complicated or restricted by competition with passenger traffic (whether road or rail) and/or impacts on residential amenity and safety.

Intermodal freight hubs in regional areas or on the metropolitan fringe may be a solution, but only if good quality access for the consolidated traffic is available to the ports.

While the Australian and state and territory governments have responsibility for most of the port connectivity infrastructure and regulatory frameworks, local government has a useful role in relation to balancing the transport industry's need for efficient port access with community expectations on residential amenity.

The Australian Government is in a unique position to promote, co-ordinate and disseminate information on sustainable port accessibility initiatives across all levels of government. While the state and territory governments will need to take the lead on many programs, many beneficial changes in transport use, such as freight route segregation, heavy vehicle access times and conditions and freight depot location, also require promotion at the local community level.

Australian Government funding assistance to local government for a pilot program in these areas, would expedite consideration of key issues such as integrated land use and transport planning (where local government is a core player), traffic congestion, safety and travel demand management.

Other Issues

1. Modal choice for regional freight traffic is a complicated issue; usually best determined on a specific case basis. In general, local government considers there are both infrastructure protection and environmental benefits in using rail, rather than road transport, especially for bulk freight. Accordingly, it is important to recognise that full externality costs should be taken into account in setting the regulatory framework for regional freight. For example, the establishment of regional rail grain terminals where local grain rail lines are replaced by truck services, must recognise the often massive increases in use and infrastructure damage on the local road system – and fully compensate local councils for this.
2. The issue of changes to the Commonwealth's responsibility for full funding of what was the National Highway Network is of considerable concern to ALGA, in that if the states and NT have to find extra funds to maintain national

highways, this could lead to a reduction of already low state expenditure on lower category roads and subsequent cost-shifting to local government.

3. ALGA has consistently supported the establishment of an independent body to provide advice on strategic transport resource allocation and planning issues. The National Transport Advisory Council as envisaged under AusLink, or the National Infrastructure Advisory Council advocated by the Opposition would both seem appropriate in this regard.

I trust these observations will assist the Committee's deliberations.

If you need any further information or clarification of the above information, please contact Mr Robin Anderson, Director, Transport Policy at ALGA, ph (02) 6122 9432 or e-mail robin.anderson@alga.asn.au

Yours sincerely

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