



Australian Government

Department of Transport and Regional Services

FAXED

Secretary

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Senator Judith Troeth
Chair
Standing Committee on Employment, Workplace Relations and Education
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Dear Senator Troeth

Inquiry into workforce challenges in the transport industry

Thank you for your letter of 8 May 2007 regarding the Senate inquiry into workforce challenges in the transport industry.

The Department of Transport and Regional Services (DOTARS) administers the Australian Government's funding for road and rail transport, acting primarily in the role of informed financier.

DOTARS also undertakes a number of coordination roles in the transport regulatory arena and as part of this it has been making a contribution to alleviating the skills shortage in partnership with the Australian Logistics Council (ALC), the Australian Freight Councils and the Transport and Logistics Centre (TALC). The Australian Government provided \$4 million over two years to the TALC in support of improvements in the attraction, training and retention of personnel in the transport and logistics sector. Several of the State/Territory based Freight Councils are developing and distributing transport and logistics career information; in particular, those in South Australia, Victoria and Queensland are actively engaged in addressing skills and careers issues.

The role of financier is a long standing one that began in the early 1920s; much more recently, we have been engaging in strategic planning in partnership with the States and Territories to better inform that primary role. The intention of AusLink is to take a long-term, strategic approach to investment in Australia's transport infrastructure – both road and rail – in recognition of the need to handle the future land transport task across the country. The White Paper is premised on an expected doubling of the freight transport task over 20 years. In some areas of the country such as the strategic routes along the eastern seaboard, the freight task could possibly triple.

A key planning element of AusLink is the development of 24 corridor strategies covering each component of the National Network to which the Australian Government contributes funding. These corridors represent the "backbone" of the transport system and the strategies are being developed in cooperation with the states and territories. Each details the role, utility and deficiencies of each corridor and assess its future challenges. From this foundation, governments will be better placed to make judgements about directing funding to those areas most in need.

The Council of Australian Government has asked that all 24 corridor strategies be complete by the end of June 2007, with final publishing to follow shortly after. The majority of the strategies have now been completed to draft stage and posted on the AusLink website at www.auslink.gov.au for stakeholder comment.

AusLink is also the Government's primary programme for investing in Australia's land transport infrastructure. During the current five year plan to 2009, the Government will invest \$15.8 billion. Under AusLink 2, in the period 2009-2014, the Government will invest a further \$22.3 billion, including \$16.8 billion for projects and maintenance on the AusLink Network, \$1.8 billion for the Roads to Recovery programme, \$300 million for the Strategic Regional programme, \$300 million for the Black Spot programme and \$3.1 billion in untied local roads grants.

There have been recent examples of significant cost increases on AusLink projects but the extent to which skills shortages may have contributed to this is difficult to estimate and the Government will put in place measures to limit this under AusLink 2. There appear to be three main causes of cost increases:

- the risks associated with the original cost estimate may not have been fully recognised – there is a bias towards optimism in estimating at the early concept stage, in particular;
- poor initial scoping of the work leading to the omission of particular items, or a failure to take full account of community expectations and standards; and
- the cost of building roads is increasing at a rate faster than inflation – the BTRE estimates the cost of road construction increased by 26.6 per cent between 1999-2000 and 2004-05, an average annual increase of about 5.3 per cent.

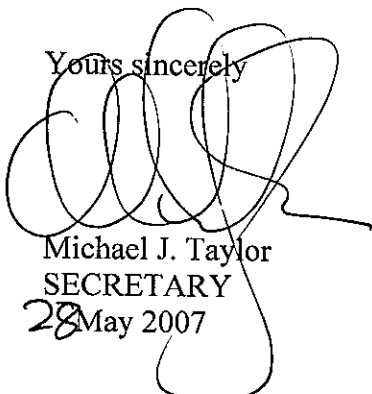
The last point may indicate skill shortages in the engineering and construction sectors and there seems to be some anecdotal evidence to support this.

The final issue which I may be able to offer some insight on is whether increased Australian Government funding contributes to market shortages in the construction industry. The significant increase in activity levels in the non-building construction sector over the past five years has been driven by the growth in mining, energy and telecommunications infrastructure construction. This has increased demand for materials and labour across the sector, resulting in corresponding price increases. The road construction industry is a small part of this sector and its price movements reflect the broader movements of the non-building construction sector rather than fluctuations in road construction activity. For example, in 2005-06 only 15 per cent of activity in the non-building construction sector (\$5.6 billion) was public funded roads. Accordingly, it seems unlikely that government construction spending on roads is a principal contributor to cost increases in the sector or, by inference, market shortages for skilled labour or materials.

It may be that the coincidence of a construction boom in the building sector with the mining boom are more significant contributors to current market pressures. However, the projected cooling of new mining and minerals infrastructure construction and in building construction over the next five years may well see these pressures ease.

I hope you find these brief comments useful. As you know, the issue of skills shortages and improved training within the transport industry are primarily issues for other Departments, such as the Department of Education, Science and Training, and for the private sector.

Yours sincerely



Michael J. Taylor
SECRETARY
28 May 2007