

The Senate

Rural and Regional Affairs and
Transport Legislation Committee

Provisions of the AusLink (National Land
Transport) Bill 2004 and the AusLink
(National Land Transport—Consequential
and Transitional Provisions) Bill 2004

May 2005

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ISBN 0 642 71516 5

This document was prepared by the Senate Rural and Regional Affairs and Transport Legislation Committee, and printed by the Senate Printing Unit, Department of the Senate, Parliament House, Canberra.

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Terms of Reference

Referred by the Senate on 9 February 2005 on the adoption of the Selection of Bills Committee Report No.1 of 2005:

The provisions of the AusLink (National Land Transport) Bill 2004 and AusLink (National Land Transport - Consequential and Transitional Provisions) Bill 2004 be referred immediately to the Rural and Regional Affairs and Transport Legislation Committee for inquiry and report by 12 May 2005.

TABLE OF CONTENTS

<u>Membership of the Committee</u>	iii
<u>Terms of Reference</u>	v
<u>Table of Contents</u>	vii
Chapter 1	1
Conduct of the inquiry	1
The AusLink White Paper	1
The bill	2
Funding categories	2
National Land Transport Plan and Corridor Strategies	4
Comment of Scrutiny of Bills Committee	5
Scope of the report	5
Chapter 2	7
Background: Commonwealth road and rail funding	7
Commonwealth road funding	7
Commonwealth rail funding	9
Comment	11
Chapter 3	13
Issues raised in submissions	13
‘Shared responsibility’ and bilateral agreements	13
Comment	15
Arguments about the total level of funding	16
Comment	18
Giving adequate priority to maintenance	19
Comment	20
Need for clear principles for prioritising projects	21
Comment	22
Non-economic considerations	23
Comment	24
Need for efficient charges for use of infrastructure	25

Comment	28
Improving urban transport infrastructure	28
Comment	30
Extending Roads to Recovery to public transport, rural airports runways etc.....	31
Comment	32
Whether there should be a National Transport Advisory Council	33
Comment	34
Research and information.....	35
Recommendation.....	36
Additional comments by Labor Senators	37
National Highway Funding	37
Removing Politics from the Strategic Regional Projects Program	37
National Transport or Infrastructure Advisory Council.....	38
Additional Comments – Australian Democrats	39
Introduction	39
Funding Infrastructure – Getting the Balance Right	40
Making AusLink Transparent, Accountable and Strategic	40
Appendix 1	43
List of Submissions	43
Appendix 2	45
Witnesses who appeared before the Committee at the Public Hearings.....	45
Appendix 3	47
Additional information	47

Chapter 1

Conduct of the inquiry

1.1 The inquiry is into the AusLink (National Land Transport) Bill 2004 and the AusLink (National Land Transport - Consequential and Transitional Provisions) Bill 2004. The first is the substantive bill of interest, and references to ‘the bill’ in this report refer to it.

1.2 The inquiry was referred by the Senate on 9 February 2005 on the recommendation of the Selection of Bills Committee. The Selection of Bills Committee noted as issues for consideration:

1. Questions about the changes to the Commonwealth Government’s funding responsibility for construction and maintenance of infrastructure on what was formerly defined as the National Highway Network.
2. The need for a National Infrastructure Advisory Council, involving stakeholder and expert representation and input into planning.
3. Examine the extension of the criteria for Roads to Recovery projects to include public transport, cycling, walking infrastructure and regional airport runways.

1.3 The Committee advertised the inquiry in *The Australian* and invited submissions from State/Territory governments and many peak bodies. The Committee received 29 submissions (see Appendix 1) and held two public hearings (see Appendix 2). The Committee thanks submitters and witnesses for their contribution. Submissions and transcripts of the Committee’s hearings are available on the Parliament’s internet site at www.aph.gov.au

The AusLink White Paper

1.4 The bill implements the Government’s June 2004 AusLink White Paper on Commonwealth land transport infrastructure funding and related matters. The White Paper is the Government’s response to predicted strong growth in transport demand, including a predicted doubling of road freight over the next 20 years. The White Paper ‘sets out \$11.8 billion in [Commonwealth] land transport spending [over five years], including a massive upgrade of Australia’s east coast road and rail systems.’¹

1.5 According to the White Paper, AusLink has the following core components:

1 Hon. J. Anderson, Minister for Transport and Regional Services, *AusLink: building our national transport future*. media release 7 June 2004.

- a defined National Network of important road and rail infrastructure links and their intermodal connections;²
- the National Land Transport Plan which outlines the Government's approach to improving and integrating the National Network and the investments it will make;
- a single funding regime, under a new AusLink programme, for the National Network;
- separately earmarked funding for local and regional transport improvements;
- new legislative, intergovernmental and institutional mechanisms.³

1.6 Other important new policies in AusLink are:

- the proposal for 'shared responsibility' with the States for funding the National Network (as opposed to the Commonwealth's former full funding of construction and maintenance on the National Highway System);
- a commitment to 'corridor strategies' which will plan spending in a corridor in an integrated way with a common project approval regime for road, rail and intermodal projects;
- for the first time, a significant Commonwealth contribution to upgrading the Melbourne-Sydney-Brisbane railway.

1.7 AusLink is not about air or sea transport as such, but is concerned with intermodal facilities and links to ports and airports. The White Paper comments:

The Australian Government will closely monitor prospective trends and developments in air and sea transport. It aims to ensure that nationally significant infrastructure is planned and developed so that the efficiency of intermodal linkages continues to be enhanced.⁴

The bill

Funding categories

1.8 The bill defines six categories of funding:

- AusLink National Projects. These relate to roads, railways or intermodal transfer facilities which are on the National Land Transport Network which the Minister must declare (sections 5,10) (The proposed National Land Transport Network is shown in the AusLink White Paper).

2 'Intermodal terminal': a point at which products or commodities move between transport modes - for example, rail to road.' AusLink White Paper, p.130.

3 Dept of Transport and Regional Services, *AusLink White Paper*, 2004, p.15.

4 AusLink White Paper, p.120.

- AusLink Transport Development and Innovation Projects. These relate to planning and research related to development of the National Land Transport Network (section 30).
- Land transport research entities whose activities are likely to improve land transport operations (section 46).
- AusLink Strategic Regional Projects. These relate to roads, railways or intermodal transfer facilities which are not on the National Land Transport Network. Tests for inclusion include (among other things) whether the facility is ‘regionally significant’; whether it will improve safety; whether it will improve access for regional communities to services and employment (section 55).
- AusLink Black Spot Projects. These relate to sites, not on the National Land Transport Network, which contribute to serious motor vehicle crashes involving death or injury (section 71). This continues the present Black Spot program.
- AusLink Roads to Recovery Program. This continues the present program under the *Roads to Recovery Act 2000*, in which funds are given directly to local councils, according to a formula, for spending on roads (section 87).

1.9 For each of these categories the bill -

- empowers the Minister to approve a project/recipient as falling within the category;
- gives broad criteria to guide the Minister on whether it is appropriate to approve a project/recipient; and
- empowers the Minister to fund an approved project/ recipient.

1.10 The criteria to guide the Minister on whether it is appropriate to approve a project/recipient are expressed at a high level of generality. Examples are:

- for National Projects: ‘the extent to which the project will improve the efficiency, security or safety of transport operations...’ (section 11(b));
- for Strategic Regional Projects: ‘the extent to which the project is likely to improve a road, railway or inter-modal facility that is regionally significant...’ (section 55(b))

1.11 These criteria are not mandatory, and the Minister’s discretion to approve projects is wide: provisions are in the form ‘the matters to which the Minister may have regard... include, but are not limited to...’⁵

5 This formula does not apply to the Roads to Recovery provisions.

1.12 Funding may be conditional on there being a funding agreement between the parties. This would enable the Commonwealth to set detailed conditions on funding. There are no constraints on the type of conditions that could be included.

1.13 There are general conditions relating to accountability: recipients must spend the money on the approved project; must provide audited financial statement; must provide information on request, etc.

1.14 The bill does not itself appropriate money. This would be done through annual budget appropriations. Proposed Commonwealth spending is detailed in the White Paper. The AusLink (National Land Transport - Consequential and Transitional Provisions) Bill 2004 contains an appropriation to cover the purposes of the AusLink bill for the balance of 2004-05.

1.15 The *Australian Land Transport Development Act 1988*, which the AusLink bill will replace, contains a provision allowing the Minister to fund urban public transport projects which 'are likely to result in the reduction of the traffic on, or the wear and tear affecting any road' (section 7C). The AusLink bill does not contain any similar provision.

National Land Transport Plan and Corridor Strategies

1.16 The Minister may determine a National Land Transport Plan which 'sets priorities for expenditure on the National Land Transport Network' (section 4). This connects to project approval in that the matters which the Minister may have regard to in deciding whether it is appropriate to approve a project include 'the National Land Transport Plan' (section 11(b)). The bill makes no comment on what sort of things the plan should include.

1.17 The Minister may determine 'corridor strategies'. A corridor strategy 'relates to land transport issues affecting a corridor between two places ... included in the National Land Transport Network.' (section 4). This connects to project approval in that the matters which the Minister may have regard to in deciding whether it is appropriate to approve a project include 'any relevant Corridor Strategy' (section 11(b)). The bill makes no comment on what sort of things a corridor strategy should include. According to the White Paper corridor strategies will allow 'managing the total transport needs of a corridor by the most efficient means available, rather than a modally based approach'.⁶

1.18 The White Paper indicates that the Government intends that the White Paper should be the basis of the first national plan, with a view to its evolutions in future versions:

6 AusLink White Paper, p.22.

Future versions of the plan will be based on priorities identified in corridor strategies, which will be developed progressively for each of the major corridors that make up the AusLink National Network.⁷

Comment of Scrutiny of Bills Committee

1.19 The Senate Standing Committee for the Scrutiny of Bills has a brief to consider all bills as to whether they ‘insufficiently subject the exercise of legislative power to parliamentary scrutiny’ among other things.

1.20 The Scrutiny of Bills Committee was concerned by a number of provisions which exclude the Minister’s determinations from being subject to disallowance by parliament. These relate to determining the National Land Transport Network (section 5(4)), and various provisions about approving projects and approving Commonwealth funding of projects.

1.21 The Scrutiny of Bills Committee commented:

One difficulty the Committee has found in considering this legislation is that, in a number of areas, there is little provided by way of explanation to justify the exclusion of instruments from the usual tabling and disallowance regime. As a general rule, the Committee would expect the explanatory memorandum accompanying a bill to provide sufficient explanation to enable the Committee and, indeed, the Parliament to assess the need for such an exclusion.⁸

Scope of the report

1.22 The bill, considered narrowly, is essentially a machinery provision. It defines the types of projects which the Minister may fund, and sets accountability conditions (funding recipients must provide audited financial statements etc.).

1.23 The bill does not itself set budgets, or define the National Network, or set the methodology of corridor strategies, or define criteria for project approval at a level of detail useful for prioritising projects.⁹ These are matters for decision pursuant to government policy. Many relevant policies are in the AusLink White Paper. Achieving their good intentions will depend greatly on the detailed implementation.

1.24 Most submissions were mostly concerned about implementation of the policies at the administrative level, rather than the bill considered narrowly. Some also dealt with matters outside the self-declared scope of AusLink (for example, whether

7 AusLink White Paper, p.19.

8 Senate Standing Committee for the Scrutiny of Bills, *Alert Digest*, No. 1 of 2005, 9 February 2005.

9 Some clauses do suggest criteria at a high level of generality: for example, clause 11 on approving National Projects: ‘...the extent to which the project will improve the efficiency, security or safety of transport operations on the National Land Transport Network...’

the Commonwealth should be involved in developing urban public transport infrastructure). This report mentions the main issues raised in the hope that the submissions, and the Committee's comments, will help the Government's deliberation on the policy matters, such as the development of the National Land Transport Plan.

Chapter 2

Background: Commonwealth road and rail funding

2.1 Building, maintaining and operating roads and railways is a responsibility of the States and Territories.¹ For many years the Commonwealth has contributed heavily to improving roads, by way of grants to the States/Territories or direct to local government. The Commonwealth has contributed to improving railways to a much smaller extent.

Commonwealth road funding

2.2 The Commonwealth has made grants to States for roads since 1922. It started full funding of a National Highway System in 1974. At the beginning of the 1990s the Commonwealth funded roads in the categories: the National Highway, national arterial roads, state arterial roads, and local roads. After various changes during the 1990s, the Commonwealth now (pre-AusLink) funds roads in the categories:

- the National Highway
- roads of national importance
- Black Spots
- local roads.

2.3 The National Highway, roads of national importance, and Black Spots are funded on a project by project basis. Local roads are funded by direct grants to local councils under the *Roads to Recovery Act 2000*, and by untied grants ‘through’ the States, under the *Local Government (Financial Assistance) Act 1995*, on the understanding that they will be spent on roads. The local roads grants are shared among the councils by a formula.²

2.4 In the 25 years to 1999 the Commonwealth spent \$43 billion on roads (including untied grants to States with a view to road expenditure; 1998-99 dollars). Of that, \$18 billion was for the National Highway System, including \$3.7 billion for the Hume Highway alone.³ Since 1997-98 Commonwealth road expenditure has been:

1 Subject to transfer of some railways to privatised track owners in recent years. Most of this has been by long lease.

2 The formula differs slightly between Roads to Recovery and other local roads grants.

3 P. Laird & others, *Back on Track: rethinking transport policy in Australian and New Zealand*, 2001, p.9, 199.

\$million current dollars	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	total
National Hwy	706	752	632	697	784	763	705	5039
Roads of National Importance	109	123	184	135	234	214	227	1226
Black Spots	36	37	38	41	42	44	45	283
Roads to Recovery				150	302	202	302	956
State identified road grants	391	397	409*					1197
Local gov't identified grants	370	377	389	406	425	451	462	2880
other	2	2	3	2	3	9	43	64
TOTAL	1614	1688	1653	1432	1790	1684	1785	11646

Totals may not add due to rounding. 2003-04 is an estimate.
 * Rolled into GST grants to States from 2000-01, so figures before and after are not strictly comparable.
 source: DOTARS, *ALTD programme progress reports* various years. DOTARS, *Portfolio Budget Statements*, 2003-04. Bureau of Transport and Regional Economics, information sheet 23: *Public road-related expenditure and revenue in Australia (2004)*. Parliamentary Library Bills Digest on AusLink (National Land Transport) Bill 2004.

2.5 In assessing the 'right' amount of road spending in an economic sense, the relevant figure is of course not Commonwealth spending, but total spending. Since 1988-89 total road spending by government has been:

\$ million current dollars	Commonwealth	State	Local	Total	Cth as per cent of total
1988-89	1232	1603	1431	4266	29%
1989-90	1358	1908	1635	4901	28%
1990-91	1596	2224	1556	5376	30%
1991-92	1720	2046	1570	5337	32%
1992-93	2177	1877	1706	5760	38%
1993-94	1552	2207	1636	5396	29%
1994-95	1535	2264	1503	5303	29%
1995-96	1602	2616	1654	5872	27%
1996-97	1623	2905	1845	6373	25%
1997-98	1636	3378	2000	7014	23%
1998-99	1707	3246	2329	7282	23%
1999-00	1675	3135	2585	7395	23%
2000-01	1458*	3911	2254	7624	19%*
2001-02	1821	3545	2214	7580	24%

Source: Bureau of Transport and Regional Economics, information sheet 13: *Public Road-related expenditure and revenue in Australia 1999*. Information sheet 23: *Public road-related expenditure and revenue in Australia (2004)*. Totals may not add due to rounding.
 * State identified road grants were rolled into GST grants to States from 2000-01, so figures before and after are not strictly comparable.
 Figures for Commonwealth spending in this table exceed those in table 1 because of the inclusion of Federal Interstate Registration Scheme amounts.

Note: 'These figures provide a picture of the expenditure on roads by each level of government net of transfers of funds from higher levels of government... it is a measure of the financial effort made by each level... While an effort has been made to estimate the expenditure on road construction and maintenance only, there is still some expenditure included on administration, regulation and subsidies.' BTRE Information sheet 23, p.1

2.6 Private spending on roads has also become significant in recent years, through privately financed urban tollways. An estimate of total spending on new fixed assets in roads, excluding repair and maintenance, is:

\$ million	Common-wealth	State	Local gov't	subtotal: gov't	private	TOTAL
2000-01	883	1953	1486	4322	870	5192
2001-02	1246	1001	1622	3869	1411	5280

Source: Bureau of Transport and Regional Economics, *Australian Transport Statistics*, 2003,2004. Derived from unpublished ABS and DOTARS data. Figures differ from those in previous tables because they exclude repair and maintenance.

Commonwealth rail funding

2.7 Commonwealth capital spending on rail, compared with its road funding, has been irregular and, on average, very small. It has mostly related to particular projects such as gauge standardisation from Adelaide to Crystal Brook and Melbourne (1982, 1995), and the Alice Springs - Darwin railway (2001-02).

2.8 In the 25 years to 1998-99 the Commonwealth spent \$1.2 billion on railways (excluding its subsidy of the operating losses of the then Commonwealth-owned Australian National).⁴ Since 1997-98 Commonwealth rail expenditure has been:

\$million current dollars	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	total
Alice Springs - Darwin railway				55	165	14		234
mainline track upgrade		5	50	46				101
AusLink investment							450	450
ARTC equity injection	18						143	161
other	3	7	9	13	9	3	1	46
TOTAL	21	12	59	114	174	17	594	992

source: DOTARS, various. Parliamentary Library Bills Digest on AusLink (National Land Transport) Bill 2004.

4 P. Laird & others, *Back on Track: rethinking transport policy in Australian and New Zealand*, 2001, p.199.

2.9 In assessing the ‘right’ amount of rail spending in an economic sense, the relevant figure is of course not Commonwealth spending, but total spending. It appears that there is no readily available time series information on total rail investment comparable to the figures for roads in table 2 above. This is most unfortunate, and the Committee hopes that the research needed to plan economically sound corridor strategies will remedy this.

2.10 States have from time to time made significant investments in their total rail networks,⁵ but overall it appears that most of their efforts are concentrated on maintaining capital city passenger services where the political pressure is highest. For example:

The [NSW] government will rise or fall on what it does about its CityRail. That is where its focus is; not on its regional rail. I think that is throughout the country and that is part of the problem.⁶

2.11 In calculating the total State effort to improve rail infrastructure, a complication is that vertically integrated State rail authorities may count as capital expenditure both below rail network improvements and purchase of rolling stock such as urban passenger carriages. The latter is often a high proportion of the total but, however worthy, it is not ‘infrastructure’ in the AusLink sense.⁷

2.12 An estimate of total spending on new fixed assets in railways, excluding repair and maintenance, follows. The figures for roads from table 2 are repeated for comparison.

Table 5: Total spending on new fixed assets in roads and railways: 2000-01, 2001-02						
\$ million	Common-wealth	State	Local gov't	<i>subtotal: gov't</i>	private	TOTAL
2000-01 rail	40	223	0	263	46	309
2000-01 road	883	1953	1486	4322	870	5192
2001-02 rail	17	1311	0	1328	485	1813
2001-02 road	1246	1001	1622	3869	1411	5280

Source: Bureau of Transport and Regional Economics, *Australian Transport Statistics*, 2003,2004. Derived from unpublished ABS and DOTARS data.

5 For example, Queensland main line upgrading in the 1990s, and Victoria’s current Regional Fast Rail projects.

6 Mr B. Nye (Australasian Railway Association), *Committee Hansard* 18 March 2005, p.25.

7 The cost of vehicles, whether it is borne privately or publicly, must of course be included in the total economic evaluation of transport alternatives. In the case of fully commercial transport services vehicles/rollingstock, over time, are effectively a consumable, and we may hope that their economic cost is adequately reflected in their financial cost to the operator. In comparing purchase of urban buses and trains for subsidised services with private spending on cars the situation is less clear. In both cases environmental aspects, such as the energy embodied in the vehicle, or the problems of disposing of it, should be considered.

2.13 The AusLink White Paper comments:

It is well-documented that the rail system in Australia has been under-funded for a long time and its role in handling the nation's freight task has been declining relative to road. The \$1.8 billion to be invested in the rail system improvements over the next five years will begin to turn this around. Rail has the potential to substantially increase its share of the freight task if significant improvements are made to rail infrastructure and operational practices are modernised.⁸

Comment

2.14 The disproportion between Commonwealth spending on road and rail improvement has often been excused by the claim that 'under the Constitution' railways are a State responsibility. This refers to the fact that at Federation railways were left in State ownership.

2.15 In fact both railways *and* roads are a State responsibility - they are crown land vested in a State.⁹ Both are also a Commonwealth responsibility insofar as the Commonwealth voluntarily accepts responsibility for helping to improve the national transport network. The fact that the Commonwealth has contributed primarily to improving the national highway system has been a matter of history and political choice.

2.16 After including State, local and private spending, it appears that a very large gap still remains between the rate of capital formation in roads and railways.¹⁰ Whether this balance between road and rail investment is economically optimal appears to be unknown.

2.17 The economically correct rate of investment in each mode depends on many things such as their relative importance in Australia's total transport task (present and predicted), the quality of their existing assets and the likely trend in the productivity of their use of assets and, therefore, the likely rate of return on further investment.¹¹ The Committee is unaware of any past attempt by government to assess these things on a unified basis in order to discover whether the balance of public spending on road and rail is economically sound - that is, whether it directs investment with priority to

8 AusLink White Paper, p.62.

9 In recent years some railways have been transferred to privatised track owners, usually by long term lease.

10 Subject to the qualification that longer time series information comparable to that in table 5 seems to be not available.

11 Road and rail have about equal shares of Australia's freight transport task in tonne/kilometres (35% and 37% respectively; with 28% sea and 1% air). 86% of the rail share is bulk commodities, mainly coal and ore. AusLink White Paper, p.3. Australasian Railway Association, *Australian Rail Industry Report 2003*, p.9.

where the returns are highest, without preconceived bias towards one mode or the other.

2.18 Considering the large amounts of public money involved, this is regrettable. The Committee is optimistic that corridor strategies under AusLink will fill this gap.

2.19 This comment is mainly about the National Network and long distance non-bulk freight transport, since this is the area where road versus rail choices most arise.¹² The Committee accepts that spending on local roads and regional projects is affected by social policy considerations to do with supporting rural communities. Thus, as a matter of policy, they may take a priority higher than that suggested by a purely economic calculation. However it is still important that these projects should be prioritised in a disciplined way, with economic and non-economic motives clearly distinguished.

12 Most other traffics clearly belong either to rail or road. Rail dominates transport of bulk commodities. Road dominates non-bulk freight traffic over short distances or on diverse routes with low densities. Road dominates passenger transport except on a few routes in big cities.

Chapter 3

Issues raised in submissions

3.1 On the whole submissions welcomed and supported AusLink and the present bills. Submissions most strongly approved the overall boost to funding; the promise of integrated assessment of road and rail investment needs on key corridors; and the Commonwealth support for significant rail upgrading on the east coast main line.

3.2 However submissions did raise some concerns, which are summarised here.

‘Shared responsibility’ and bilateral agreements

3.3 The Commonwealth has, pre-AusLink, accepted full responsibility for construction and maintenance of the National Highway System. AusLink proposes to replace this with ‘shared funding’ of the National Land Transport Network - that is, States and Territories must contribute. The White Paper justifies this in several ways:

- The AusLink National Network includes links that were State or Territory responsibilities: ‘It is the unambiguous position of the Government that such elements of the network should continue to attract funding from States and Territories, at least in proportion to the benefits they obtain.’
- It is right that the parties contribute in proportion to the benefits they obtain: ‘The Australian Government will invest in those projects on the National Network that are of national priority and have substantial national benefits. The Government has a clear expectation that States and Territories will invest in those projects on the National Network which provide benefits at the State or Territory level.’
- If all parties have a stake it will encourage better planning and reduce the risk of cost-shifting.¹

3.4 The Department of Transport and Regional Services (DOTARS) stressed that AusLink as a whole involves ‘large increases’ in funding for the National Land Transport Network, and ‘...the Australian Government is continuing to fully fund many projects on the new National Land Transport Network that would have been on the former National Highway System, especially in rural and remote areas.’²

1 AusLink White Paper, p.23.

2 Submission 6, DOTARS, p.4.

3.5 Exact funding arrangements will require bilateral agreements with the States and Territories. Negotiations are now underway.³

3.6 Many submissions were concerned that ‘shared responsibility’ might lead to unclear responsibilities. They particularly regretted the Commonwealth moving away from full responsibility for the National Highway System. The Australian Local Government Association feared that ‘if the states and NT have to find extra funds to maintain national highways, this could lead to reduction of already low state expenditure on lower category roads and subsequent cost-shifting to local government.’ The Transport Workers Union argued that ‘the planning, construction and maintenance of the national Highway network clearly rests with the Federal Government and must remain so.’⁴

3.7 The Australian Road Forum thought ‘the change in Commonwealth policy needs to be more fully explained within the context of a co-operative national effort....’

Until this is in place, ARF believes it would be best not to make significant changes in the distribution of notional responsibility.⁵

3.8 On the other hand, the Warren Centre suggested that responsibilities would be clearer if the Commonwealth was responsible for construction only, and the States were responsible for maintenance, since ‘they are better able to fund this latter work through user-pays systems such as fares, vehicle charges and the like.’⁶

3.9 Unions were concerned about the Commonwealth’s intention, foreshadowed in the White Paper, to use bilateral agreements to insist that the National Code of Practice for the Construction Industry should apply to all projects which the Commonwealth funds significantly.⁷ For example, the Construction Forestry Mining Energy Union argued that ‘the Government is effectively saying that public contracts will only go to those States that are prepared to adopt the Government’s political views on the matters contained within the Code...’

That is not a proper basis for determining which States will obtain the benefit of essential transport infrastructure...It is highly desirable that the

3 Mr M. Mrdak (Deputy Secretary, DOTARS), *Committee Hansard* 18 March 2005, p.2

4 Submission 7, Australian Local Government Association, p.5. Submission 18, Transport Workers Union, p.1. Similarly submission 16, Local Government Association of Queensland, p.2. Submission 23, Civil Contractors Federation, p.3. Mr M. Apps (Bus Industry Confederation), *Committee Hansard* 18 March 2005, p.32.

5 Submission 15, Australian Road Forum, p.7.

6 Submission 9, The Warren Centre for Advanced Engineering, p.2.

7 AusLink White Paper, p.92-3.

AusLink bill should afford protection against the Government attaching its industrial relations “strings” to the funding of projects.⁸

Comment

3.10 In considering arguments about shared responsibility and funding of construction versus maintenance, or funding of different classes of roads, two issues arise:

- What division of responsibilities is best in principle, whether administratively or politically (for example, to encourage cooperative project planning, or to reduce incentives to cost-shifting between governments)?
- How should the available funding be divided between the various needs?

3.11 In principle these are separate issues. Statements such as ‘the Commonwealth should retain full responsibility for the National Highway, because the States will not be able to afford to contribute’ tend to roll them into one.

3.12 The best division of responsibilities in principle should be considered without regard to who pays what at present. If the best division of responsibilities suggests that one level of government should contribute more and another less than they do now, other areas of expenditure or untied grants to states or local government can and should be adjusted to compensate.

3.13 For example, if States are to contribute to maintaining what was formerly the Commonwealth-maintained National Highway System the Commonwealth, to maintain its proportion of the total road funding effort, will have to either spend more in other areas, or increase untied grants. The untied grants would presumably flow through to State-funded maintenance of the highway, assuming that the present maintenance was needed and there was the political commitment to continue this.

3.14 The Committee accepts the Government’s arguments for shared responsibility at paragraph 3.3. The Committee notes the Government’s assurance that AusLink, while it introduces shared responsibility for the National Network, does significantly increase total Commonwealth transport infrastructure spending.⁹

3.15 Much will depend on all governments approaching bilateral agreements in a constructive and cooperative way. The principle of sharing the total available budget among the various needs efficiently, without being driven by which government happens to have nominal responsibility for which item and how big its taxing and spending capacity is, will obviously require more effort on research and planning, so that we know what the most efficient pattern of spending on the various needs will be.

8 Submission 19, CFMEU, p.8. Similarly submission 18, Transport Workers Union, p.5. Submission 21, Rail Tram and Bus Union, p.1.

9 DOTARS, answers to questions, 6 May 2005, p.3.

3.16 The Commonwealth's AusLink proposals for the first five years are on the table. The Committee hopes that this will allow the development of the first bilateral agreements to focus on a suitable template of general conditions without the distraction of competition among the States in relation to their shares of the total funding.

3.17 Concerns about cost-shifting also arise between State and local government. It is a large part of the controversy over proposals to close some smaller grain branch lines in New South Wales where it appears that road transport would be cheaper than maintaining the railway.¹⁰ Many local communities, apart from their concerns about the safety implications of more trucks on local roads, fear that a rail maintenance saving to the State will become a road maintenance cost to local councils, without adequate compensation.

3.18 In this case the same principles should apply. Which option is most economical for the community as a whole (after including full life-cycle costs and externalities such as road accident costs) should be assessed objectively without regard to who pays what. If that suggests that there should be a new division of responsibilities (for example, local councils spend more on road maintenance), the money needed to carry out the responsibility will have to follow. This would have to include arrangements to guarantee that the funding stream will be secure into the future.

Arguments about the total level of funding

3.19 Since the 1970s investment in infrastructure has fallen from about 7% to about 3.6% of Gross Domestic Product.¹¹ It is widely argued that it needs to increase. Arguments about road and rail funding are part of that broader argument.

3.20 The Australian Automobile Association quoted surveys showing that most people would like to see more infrastructure spending in preference to a government surplus.¹² The Transport Workers Union advocated 'innovative mechanisms' for addressing the infrastructure backlog, including 'engaging the private sector on projects that could potentially provide a return to shareholders.'¹³ The Civil Contractors Federation argued that government should not be afraid to borrow to fund infrastructure:

10 A 2004 report recommended five NSW grain lines for upgrading, three as 'unlikely to justify upgrading,' and seven for further assessment. Grain Infrastructure Advisory Committee, *Report on Rail/Road Options for Grain Logistics*, 2004, p.31-32.

11 Submission 4, Railway Technical Society of Australia, p.1.

12 Submission 13, Australian Automobile Association, p.2.

13 Submission 18, Transport Workers Union, p.3.

Public debt in Australia is low by OECD standards and accordingly there is scope to use borrowings, not for financing recurrent expenditure, but to finance long-term infrastructure assets.¹⁴

3.21 These arguments extend easily to arguments for increased spending on roads and railways. Engineers Australia's *Australian Infrastructure Report Card* in 2001 gave national roads a grade of C and railways a grade of D minus. The Australian Automobile Association argued that new AusLink funding is not as great as it seems, and there is a backlog of economically viable road projects of \$4.4 billion in New South Wales, \$3.8 billion in Victoria, and \$2.2 billion in Western Australia. Similarly, the Civil Contractors Federation claimed that 'against the overall need it is only a beginning and spread over five years the "new money" component is relatively minor.'¹⁵

3.22 The Australian Rail Track Corporation in 2001 estimated a cost of about \$3 billion to bring the interstate rail network up to the Australian Transport Council's targets for speed, axle load and train length. The Australian Council for Infrastructure Development in 2004 estimated an investment backlog of \$10 billion in roads and \$8 billion in railways.¹⁶

3.23 AusLink aims to encourage private sector investment in transport infrastructure. The White Paper argues that experience has shown that private tollroads can be efficiently run and release government funding for other worthwhile public infrastructure. It suggests that there are opportunities for capturing increases in land value caused by transport improvements.¹⁷

3.24 The Australasian Railway Association (ARA) noted that there is strong support for further private investment in rail infrastructure. However the ARA was concerned that the AusLink framework 'does not easily allow for blended private public investment':

14 Submission 23, Civil Contractors Federation, p.2.

15 Submission 13, Australian Automobile Association, p.3-5. Submission 23, Civil Contractors Federation, p.3. Submission 28, Engineers Australia, p.1. For the Government's answers to the AAA's argument that new funding is not as great as the Government claims, see DOTARS, answers to questions, 6 May 2005, p.3.

16 Australian Rail Track Corporation, *Interstate Rail Network Audit - summary report*, 2001, p.4. Australian Council for Infrastructure Development, *Modelling the Economic Effects of Overcoming Underinvestment in Australian Infrastructure*, 2004, p.14ff. Mr C. Althaus (Australian Trucking Association), *Committee Hansard* 18 March 2005, p.15-16. ACID's rail figure exceeds the ARTC audit rail figure mainly because it includes a Melbourne-Brisbane inland route (\$1.8 billion), Sydney urban projects (\$2.5 billion) and various projects not on the interstate routes which were the subject of the ARTC audit.

17 AusLink White Paper, p.26.

It also has no apparent capacity for public investment in privately owned infrastructure where there is a public benefit.¹⁸

3.25 The ARA also noted that because below rail and above rail investments need to be well co-ordinated for maximum benefits, train operators need to have track investment plans that are long term, transparent and have clear timeframes: ‘Uncertainty in investment in track increases the risk for above rail investments.’ Others also stressed the need for long term certainty about funding.¹⁹

3.26 The Australian Logistics Council stressed that ‘it will be important to ensure that infrastructure is not addressed in isolation...’

Logistics is a system and investment in infrastructure must be matched by attention to reform and streamlining of regulations and by the development of people with the skills to operate the system. These three areas, infrastructure, people and regulation, must all be considered within the AusLink framework.²⁰

Comment

3.27 The Committee agrees with the need to upgrade Australia’s infrastructure investment. However spending on things like roads and railways must compete for public funding with other important areas of government responsibility such as defence, education and health care. Deciding the right balance of expenditure between these widely different goods is essentially a political, not economic matter, because of the difficulty of comparing their very different, and often non-quantifiable, costs and benefits. However orderly the cost-benefit study of a new highway deviation is, whether it should take priority over a new operating theatre comes down more to community values than economic analysis.

3.28 Similarly within the transport sector: showing that a road or rail project is beneficial considered in isolation is only the first step in showing what priority it ought to have for funding. The task of government is to set priorities within limited budgets. The Committee supports corridor strategies as a way of doing that in an economically sound way.

3.29 While the Committee agrees with submissions that there is nothing wrong with public borrowing to fund infrastructure, this needs to be done with discipline to ensure that the benefits which flow from the investment will be at least enough to pay the interest. Direct private investment should also be encouraged, but that will tend to be limited to situations (such as rail freight and urban tollways) where it is practical to

18 Submission 22, Australasian Railway Association, p.2.

19 Submission 22, Australasian Railway Association, p.2. Submission 5, Monto Shire Council, p.5. Submission 15, Australian Road Forum, p.4. Submission 25, Western Australian Government, p.5.

20 Submission 26, Australian Logistics Council, p.1.

recover costs through direct user charges. Where benefits are widely spread among the community at large or it is not practical to recover costs commercially, it is necessary to make the investment publicly and pay for it either through general taxes or through government levied charges on user groups, if they can be identified fairly.

3.30 An arbitrary preference for private investment over public borrowing is not advisable, since it may bias investment in favour of the types of projects which most lend themselves to private funding, when other projects that require public funding might be just as beneficial.

Giving adequate priority to maintenance

3.31 It is natural that if the total capital stock increases at a linear rate, the cost of maintaining what exists already, relative to the cost of increasing it further, will increase. As well, it is argued that many roads and bridges built in the 1950s, 60s and 70s are coming to the end of their lives, and ‘the chickens are all roosting at once’.²¹ In recent years there have been suspicions that some privatised rail track owners have been economising costs unsustainably by deferring maintenance. In large part the present debate over the future of grain branch railways, especially in New South Wales, is caused by inadequate maintenance in the past.²² Maintenance deferred too long can increase the eventual expense of restoration disproportionately.

3.32 Submitters were particularly concerned about the maintenance backlog on the existing network, especially on local roads.²³ For example, Engineers Australia was concerned that AusLink might be too focussed on new projects:

Existing infrastructure is, in some cases, in a disturbing state, especially rail and local roads. The emphasis of AusLink is on the development of new projects. However, existing investment in infrastructure, and overall system performance, needs to be safeguarded as well. We believe it essential that the national infrastructure programming methodology adopt a whole of life analysis approach when prioritising investment in the expanded National Land Transport Network.²⁴

3.33 The Australian Automobile Association (AAA) quoted estimates by the Bureau of Transport and Regional Economics (BTRE) that the maintenance needs of the National Highway would be \$360 million a year by 2014-15. On this basis the AAA thought that planned AusLink maintenance funding is insufficient:

21 Submission 15, Australian Road Forum, p.7.

22 Submission 21, Rail Tram and Bus Union, describes problems of the Eyre Peninsula system. There are similar problems in Victoria and Western Australia: Dr P. Laird (Railway Technical Society of Australia), *Committee Hansard* 18 March 2005, p.36.

23 For example, submission 15, Australian Road Forum, p.4. Submission 23, Civil Contractors Federation, p.2.

24 Submission 28, Engineers Australia, p.1.

Increased funding needs to be allocated to maintenance... the government needs to identify and report on the asset value of the National Network so that the appropriate level of maintenance spending can be identified and account for depreciation of the asset.²⁵

3.34 The Western Australian Government was concerned that the Commonwealth's proposed maintenance funding formula might favour the more populous states.²⁶ The ACT Government noted that maintenance funds are not indexed whilst performance outcomes sought are constant: 'This will potentially see costs and risks shifted to States and Territories in the longer term.'²⁷

3.35 Monto Shire Council stressed the need to plan capital expenditure and future maintenance together in order to optimise the present value of the investment.²⁸ This is relevant, for example, in the debate over the future of grain branch railways which are in poor condition because of deferred maintenance. The high cost of restoring them may tempt governments to turn to road transport; but the ongoing road maintenance costs must also be considered.

Comment

3.36 The Committee agrees with the importance of prioritising maintenance needs appropriately. The proportion of the budget that should go to maintenance as opposed to new projects needs to be assessed in an economically sound way. It is perhaps tempting to put more of the money into new projects because they are more visible. Conscientious governments should try to resist the temptation to overfund new projects and underfund maintenance because of that. Inadequate maintenance prejudices the whole network.

3.37 As to the proposed 'Commonwealth responsibility' for maintenance, the comments at paragraph 3.10ff apply. The fact that there are urgent maintenance needs does not necessarily mean that it should be the Commonwealth's responsibility to meet them. It does mean that the division of funds between governments should match the division of responsibilities so that where the responsibility lies, the spending capacity is found, subject to the constraints of the total budget.

3.38 The Committee notes that under AusLink the Commonwealth is committing \$300 million per year to road maintenance in the five years to 2008-09, compared with \$289 million per year on average in the five years to 2003-04.²⁹

25 Submission 13, Australian Automobile Association, p.5.

26 Submission 25, Western Australian Government, p.26.

27 Submission 27, ACT Government, p.2.

28 Submission 5, Monto Shire Council, p.3.

29 DOTARS, answers to questions 6 May 2005, p.4.

Need for clear principles for prioritising projects

3.39 The White Paper promises a new approach to prioritising projects in a transparent, orderly way through corridor strategies and the National Land Transport Plan. However in the bill the Minister's discretion to approve and fund projects is extremely wide. The sections that could be regarded as guiding the Minister's discretion are brief, rudimentary and expressed at a high level of generality.³⁰ The intention is obviously that more detailed guidelines will be developed at the administrative level.

3.40 According to the White Paper corridor strategies will allow managing the total transport needs of a corridor by the most efficient means available, rather than a modally based approach'.³¹ DOTARS advised:

The development of corridor strategies will be supported by a range of rigorous studies to determine needs, deficiencies and future investment priorities. For each corridor, the following assessments will be made:

- how the corridor needs to perform to meet future demands safely and effectively;
- relative benefits of, and synergies between, transport modes;
- consistency with, and contribution to, national priorities; and
- how to maximise private sector involvement and potential for public private partnerships.

3.41 DOTARS advised that all jurisdictions have agreed to adopt a standard methodology for project assessment, and pilot strategies are now under way for the Sydney-Melbourne, Adelaide urban, Brisbane-Cairns and Adelaide-Perth corridors. DOTARS promised that 'the input and views of non-government stakeholders will be sought during the development of the corridor strategies...'³²

3.42 Submissions generally welcomed the promise of more holistic corridor planning. For example, the Australian Trucking Association said:

The development of agreed investment appraisal guidelines, which include the need to assess both public and private investment opportunities, should provide a rational basis for government investment, whether from recurrent expenditure or debt funding, or in partnership with private investment.³³

3.43 However some submitters were concerned that the bill leaves too much discretion to the Minister in approving projects. Others were concerned that the first

30 These are the sections of the bill headed 'Is it appropriate to approve a project?'

31 AusLink White Paper, p.22

32 Submission 6, Dept of Transport & Regional Services, p.2,4.

33 Submission 8, Australian Trucking Association, p.2. Similarly submission 13, Australian Automobile Association, p.7.

five year plan has been settled in the absence of corridor strategies, and without any clear statements of reasons about the chosen priorities. For example, the Civil Contractors Federation was concerned that:

The identification and prioritisation of projects lacks transparency or a clear methodology (although the development of a cost-benefit based approach is promised). Such a methodology needs to be completed quickly. Also, the degree to which funding decisions are discretionary in the hands of a Minister is not preferred.³⁴

3.44 The Australian Automobile Association (AAA) ‘would have liked to have seen the increased transparency and the application of benefit cost analysis which was promoted in the White Paper to have been applied to the project selection *prior* to the commitment of funding.’³⁵ The AAA ‘looks forward to seeing the benefit-cost ratios of all AusLink projects made available in the near future.’³⁶

3.45 The Sustainable Transport Coalition WA urged the need for triple bottom line assessment including environmental, social and economic costs and benefits. It argued that this should include giving due attention to future oil vulnerability:

The economic and social consequences of oil supply shocks and escalating fuel prices... must make this a key factor in planning and funding land transport infrastructure.³⁷

3.46 Concerns about the need for clear transparent project selection criteria arise particularly in relation to Strategic Regional Projects. For example, the Australian Local Government Association said:

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 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.³⁸

Comment

3.47 The Committee affirms the need for disciplined, transparent, publicly available project assessment guidelines. The Committee looks forward to seeing the National Land Transport Plan and the corridor strategies which will guide this.

34 Submission 23, Civil Contractors Federation, p.3.

35 Submission 13, Australian Automobile Association, p.7. Similarly submission 16, Local Government Association of Queensland, p.6. Submission 18, Transport Workers Union, p.2.

36 Submission 13, Australian Automobile Association, p.2.

37 Submission 29, Sustainable Transport Coalition WA, p.1.

38 Submission 7, Australian Local Government Association, p.4.

3.48 The Committee is sympathetic to concerns about the commitment of such large amounts of money in advance of the project assessment methodology that AusLink promises. However, the Committee notes DOTARS's assurances that the White Paper projects were the outcome of exhaustive consultation, both with the states and through submissions to the AusLink Green Paper:

The department received some 550 submissions in a very open process of discussion with a whole range of parties.... The states put forward to us what their priority projects would be on the network in the lead-up to the preparation of the white paper... I think it is fair to say that from our dealings with the states on the whole we have picked up the bulk of their priority projects, if not all of their projects, in this five years.... The timing of our payments to some of those projects may differ to what they would have hoped, but on the whole my experience has been that all the states have seen this as according with their own priority needs.³⁹

3.49 The Committee suspects that submitters would not suggest that the AusLink funding boost should be postponed for two or three years to allow corridor strategies to be completed. The Government's approach is a necessary compromise between the urgent need for a boost to transport infrastructure funding, and the fact that setting in place new planning systems will inevitably take time.

3.50 The Committee stresses that in the longer term it is the unified project assessment methodology that is most important element of AusLink. The success of AusLink will depend on continued effort, and the Committee urges the governments to make this a priority.

3.51 The Committee is pleased to note that the Commonwealth and State/Territory transport ministers in November 2004 agreed to a set of national guidelines on how projects will be planned, brought forward, and assessed on a common basis across the country.⁴⁰ The Committee will take an ongoing interest in reviewing progress on the national plan and corridor strategies.

3.52 Clear project assessment criteria are particularly necessary for the Strategic Regional projects, to avoid accusations that the road funding decisions are influenced by political considerations.

Non-economic considerations

3.53 The Commonwealth funds rural local roads which would probably score poorly in a formal cost-benefit analysis in comparison with urban arterial roads. This funding appears to be for social policy reasons to do with supporting rural communities. Some submissions were concerned that too 'economic' an approach to project appraisal will militate against these:

39 Mr M. Mrdak (Deputy Secretary, DOTARS), *Committee Hansard* 12 April 2005, p.28.

40 Mr M. Mrdak (Deputy Secretary, DOTARS), *Committee Hansard* 18 March 2005, p.2.

Prevailing practices in government transport agencies suggest that such assessments will be biased to proposed road projects where high traffic volumes or significant delays dominate all other considerations. As such, it is unlikely a strategic project in a rural area will out-rank a project in an outer urban area or in a major regional centre.⁴¹

3.54 As well, it must be said that prioritising projects on economic criteria may cut across concepts of giving each State, region or council its ‘fair share’ of funding according to some formula. It may happen that the economic analysis suggests that funding should go with priority to a particular area, simply because that area has been most under-funded in the past in relation to need. For example, arguably this applies to upgrading the Melbourne-Sydney-Brisbane railway.

3.55 The Western Australian Government was concerned that ‘such an approach will not adequately take into consideration social and equity objectives, benefit the more populous States, and penalise those States that have historically been a good custodian of their transport infrastructure.’⁴² The Local Government Association of Queensland thought that ‘funding must be allocated equitably across states and regions...

...there should be no nationally competitive process - The total strategic funding pool should initially be divided on the same individual council allocation as the core component to determine a state and then regional shares...’⁴³

Comment

3.56 In the Committee’s view there is a need for social policy considerations to be factored into funding decisions. For example, it is essential to keep up the effort in maintaining rural local roads for the sake of the overall prosperity and social cohesion of Australia’s regions. However the goals must be clear, the criteria transparent, and projects must be prioritised in a disciplined way with reference to their social purposes just as they should be with reference to their economic purposes.

3.57 On the matter of a cost-benefit approach to distributing money versus ‘fair shares’, the Committee comments: there may well be a tension between these motives. A strict ‘fair shares’ approach militates against ‘nation building’ projects, since they inevitably involve one particular area getting more than its ‘fair share’ this time round. This would be undesirable. For example, upgrading the Melbourne-Sydney-Brisbane railway should not be put off simply because it does not benefit Western Australia.

3.58 On the other hand, a competitive application system, taken down too far towards the local level, becomes administratively cumbersome. Formulas for

41 For example, submission 5, Monto Shire Council, p.2.

42 Submission 25, Western Australian Government, p.5.

43 Submission 16, Local Government Association of Queensland, p.4.

distributing funding to states or regions rely on the assumption that on average their needs are similar, and the money will be as well spent in one region as another. In the case of local road grants this is probably a reasonable assumption.

3.59 Strategic Regional Projects stand somewhere in the middle. The White Paper proposed that they would be funded by competitive applications, but including some concept of ‘fair shares’ among States. The Committee notes that as an election commitment the Government decided to allocate the strategic regional allocation promised in the White Paper (\$400 million over four years) to councils by a formula similar to the Roads to Recovery formula. The Government also committed an extra \$150 million for strategic regional projects. DOTARS advised that the Government has not decided how to allocate the part of this which has not already been committed.⁴⁴

3.60 The Committee notes also the argument of Monto Shire Council that ‘continuity of funding to local governments is essential in ensuring sound asset management practices’.⁴⁵ At the local level formula based shares are more likely to ensure this.

Need for efficient charges for use of infrastructure

3.61 Efficient charges for the use of transport infrastructure are an essential prerequisite to economically sound decision-making about priorities for infrastructure investment. If use is underpriced, for example, use will be greater than is economically optimal. An investment which reduces costs per user will then seem to be more beneficial because there are more users; but it may simply be causing the growth of sub-optimal economic behaviour.

3.62 Heavy vehicles pay to use public roads through registration fees and fuel excise. Rail train operators pay access charges to track owners.

3.63 Heavy vehicle road use charges are based on a formula for distributing road costs among the various road users devised by the National Transport Commission (NTC - formerly National Road Transport Commission). Whether the charges adequately cover costs which should be attributed to heavy vehicles (such as road wear) is disputed.

3.64 The Australian Trucking Association argued that heavy vehicles pay 110% of the costs allocated to them. The Rail Tram and Bus Union claimed that heavy vehicles underpay. The Railway Technical Society of Australia noted that ‘there is a strong

44 AusLink White Paper, p.83. Mr M. Mrdak (Deputy Secretary, DOTARS), *Committee Hansard* 18 March 2005, p.3-4,13.

45 Submission 5, Monto Shire Council, p.5.

debate about the adequacy of the level of road pricing for heavy trucks and the structure of the present charges.⁴⁶

3.65 The Bureau of Transport and Regional Economics (BTRE) in 2003 said that ‘current heavy vehicle infrastructure pricing arrangements achieve the objective of recovery of aggregate distributed costs, including capital costs (108 per cent)’.⁴⁷ This refers to heavy vehicles as a whole - an important qualification in respect of the heaviest vehicles is mentioned at paragraph 3.69 below.

3.66 Arguments that heavy vehicles do not pay their way have two strands. Firstly, critics point out that the cost elements which are the basis of the NTC charges exclude some costs, such as heavy vehicle registration and enforcement costs, and external costs such as congestion, pollution and crash costs (excluding externalities favours road over rail because external costs are higher for road than for rail).⁴⁸

3.67 Secondly, critics argue that the NTC’s detailed methodology for distributing costs among road users is inappropriate in some ways.⁴⁹ For example, ‘non-separable’ costs, which are regarded as including the cost of building a minimum possible standard of road, are allocated across vehicle classes according to total vehicle kilometres travelled. Some argue that these costs should be allocated according to Passenger Car Units (a measure of the road space a vehicle takes up). This would increase the proportion of the cost borne by heavy vehicles.

3.68 In relation to this the BTRE notes that ‘the appropriate choice of road use parameter, and consequently the share of road expenditure attributable to heavy vehicles, is not certain...’

For example, in the first determination road maintenance expenditure was attributed according to ESA [equivalent standard axles]-kms whereas in the second determination road maintenance expenditure was allocated by AGM [average gross mass]-km. The effect of this change was that larger heavy vehicles paid a smaller share of road maintenance costs under the second determination than previously.⁵⁰

3.69 Regardless of these arguments, it seems to be agreed that the heaviest vehicles and the most fully loaded vehicles do not pay their way, but are subsidised by lighter

46 Submission 8, Australian Trucking Association, p.3. Submission 21, Rail Tram and Bus Union, p.1. submission 4, Railway Technical Society of Australia, p.3.

47 Bureau of Transport and Regional Economics, *Land Transport Infrastructure Pricing: an Introduction*, working paper 57, 2003, p.vi.

48 The NTC is to consider external costs as part of the third heavy vehicles charges determination due to be implemented in 2005.

49 For example, see submissions of Pacific National Pty Ltd to Productivity Commission review of National Competition Policy reforms, 2004.

50 Bureau of Transport and Regional Economics, *Land Transport Infrastructure Pricing: an Introduction*, working paper 57, 2003, p.5

heavy vehicles (if one argues that heavy vehicles as a whole do pay their way) or by other road users (if one argues that heavy vehicles as a whole do *not* pay their way).⁵¹ The BTRE, which as noted says that heavy vehicles as a whole do pay their way (given the methodology for distributing costs), qualified this by saying:

The arrangements achieve only 90 per cent recovery for the heaviest vehicles.⁵²

3.70 The AusLink Green Paper noted that averaging provisions in the NTC methodology mean that ‘those trucks that carry greater than average loads and travel greater than average distances bear less than the costs attributed to them by the NRTC’.⁵³

3.71 Another difficulty in setting charges is that using fuel excise as a charge for marginal road wear costs is not ideal, because as vehicle load increases fuel use increases at a declining rate, but road wear increases at an increasing rate.⁵⁴ This favours the heaviest vehicles. Mass-distance charges have been suggested as an alternative.⁵⁵

3.72 These points are significant for competitive neutrality because it is the heaviest vehicles that compete most directly with rail.

3.73 Rail access charges usually comprise a ‘flagfall’ charge per train plus a charge per tonne-kilometre. According to the BTRE track owners report positive returns on assets, however it is likely that the returns, while they may cover track maintenance, may not be enough to cover track renewal and investment needed in the long term: ‘It follows that current charges may not reflect the economic cost of providing rail freight infrastructure in the long run.’⁵⁶

3.74 In the case of some lightly built and poorly maintained New South Wales grain lines, it appears that access charges cover only a very small proportion of the cost of maintaining the asset.⁵⁷ On the other hand, the NSW Farmers Federation argued that ‘current road freight rates offered by some companies to attract grain into super sites do not reflect the actual cost of moving grain and are not sustainable over

51 ‘Heavy vehicles’ are those with a gross vehicle mass of 4.5 tonnes or more.

52 Bureau of Transport and Regional Economics, *Land Transport Infrastructure Pricing: an Introduction*, working paper 57, 2003, p.vi.

53 AusLink Green Paper, 2002, p.36.

54 Road wear increases greatly with increasing axle load.

55 Bureau of Transport and Regional Economics, *Land Transport Infrastructure Pricing: an Introduction*, working paper 57, 2003, p.9-10.

56 Bureau of Transport and Regional Economics, *Land Transport Infrastructure Pricing: an Introduction*, working paper 57, 2003, p.vi. AusLink Green Paper, p.36.

57 Grain Infrastructure Advisory Committee, *Report on Road/Rail Options for Grain Logistics*,

the longer term.’⁵⁸ This complicates the issue of deciding whether it is more economic to upgrade or close smaller lines.

3.75 The discussion above refers mostly to long distance freight transport. Efficient pricing is also needed in urban areas. The Australian Automobile Association stressed the need to ‘address the issue of transport pricing sooner rather than later, and how it might helpfully address the congestion problems in our major capital cities.’⁵⁹ This refers to proposals for ‘congestion pricing’, so that vehicles which drive in the most congested areas, or at the most congested times, pay more to reflect the costs they impose on others.⁶⁰

Comment

3.76 The Committee affirms the need to continue working towards efficient pricing of access to infrastructure as a prerequisite to sound corridor strategies and related matters such as deciding the future of grain railways. The Committee acknowledges the work of the National Transport Commission in this regard and notes that the Commission is now working towards its third heavy vehicles road pricing determination with a view to bringing proposals to the governments in 2006.⁶¹

Improving urban transport infrastructure

3.77 Some submitters argued that the Commonwealth should be more involved in improving urban transport infrastructure, since its quality intimately affects the efficiency of the long distance freight movements which are AusLink’s focus. The Civil Contractors Federation said:

The inherent competitive advantage of road transport, at least, is the capacity to move passengers and freight from a multiplicity of origins to destinations with great flexibility. The proposed legislation does little to address new road funding, maintenance and remediation in the urban and regional catchment areas at either end of the national corridors.⁶²

3.78 Some extended this idea to argue that it should include improving urban public transport infrastructure as a way of moderating road congestion. The Western Australian Government argued that ‘AusLink, in its present form, can only be considered a freight policy and not a comprehensive transport policy while it is not

58 Submission 20, NSW Farmers Association, p.1.

59 Submission 13, Australian Automobile Association, p.2. Mr J. Metcalfe (Australian Automobile Association, *Committee Hansard* 12 April 2005, p.11.

60 A motorist entering a congested road is delayed by others but also causes delay to others. This delay increases greatly as the level of congestion increases. If motorists are not required to pay for the costs they impose on others, economically inefficient overuse of the road will result.

61 Mr M. Mrdak (Deputy Secretary, DOTARS), *Committee Hansard* 12 April 2005, p.31.

62 Submission 23, Civil Contractors Federation, p.3.

more inclusive of all modes of transport such as public transport and cycling infrastructure...’

In reality, lack of alternatives in passenger transport is of profound importance to freight as the two tasks compete for space on the same network.⁶³

3.79 The Rail Tram and Bus Union argued that ‘urban public transport infrastructure requires urgent federal support, as it receives in all other federal OECD countries’. The Chartered Institute of Logistics and Transport in Australia suggested that Roads to Recovery should include public transport.⁶⁴ The Sustainable Transport Coalition WA said:

If the aim is to enhance transport efficiency for national benefit... then other measures should be eligible for funding. For example, improvements to urban public transport services or a behavioural travel demand management program could reduce commuter traffic to the benefit of freight transport efficiency...⁶⁵

3.80 The AusLink White Paper considered and rejected such arguments, saying: ‘the Australian Government’s position on public transport is clear: it is primarily a State and Territory Government responsibility...’

The Australian Government considers that State and Territory governments are best placed to deal with the metropolitan and local complexities of public transport. The Australian Government’s role has focused, and will continue to focus, on interstate connectivity and trade and commerce between the States and with other nations.⁶⁶

3.81 The White Paper argued that ‘even if service improvements on public transport could be achieved, it would still not be enough to significantly affect growing road congestion.’⁶⁷

3.82 However it appears that these issues are still on the table. DOTARS reported that in November 2004 the Australian Transport Council decided to commission work ‘on the key issue of urban congestion.’ As well, corridor strategies ‘will examine issues impacting on the efficiency of the urban links on the National Land Transport Network, including the role of public transport.’⁶⁸

63 Submission 25, Government of Western Australia, p.1. Similarly submission 4, Railway Technical Society of Australia, p.5.

64 Submission 21, RTBU, p.5. Submission 24, CILTA, p.1.

65 Submission 29, Sustainable Transport Coalition WA, p.2.

66 AusLink White Paper, p.9.

67 AusLink White Paper, p.9.

68 Submission 6, DOTARS, p.5-6.

Comment

3.83 The efficiency of urban passenger transport, and the efficiency of the freight transport which is the focus of AusLink, are intimately connected, since trucks and cars use the same roads, and freight and passenger trains share the same tracks.⁶⁹

3.84 The Committee notes that Strategic Regional Projects under the AusLink bill can include *any* road or rail projects which are not on the National Land Transport Network (clause 54). Although the criteria at section 55 seem to assume that they will be rural and regional, the Minister is not limited by these criteria. They could include urban projects. The Committee suggests that any move in this direction should relate to projects that support the goals of AusLink.

3.85 As for the arguments about urban public transport: to say that improving public transport will not significantly affect road congestion may be true overall, but it does not prove that improving public transport is unimportant. In favourable corridors, in conjunction with congestion pricing of road use, it may help. In the long term, by increasing the public transport mode share, it may hope to at least moderate the *growth* of traffic and therefore reduce or postpone the pressure for new roadworks. This also depends greatly on having urban planning policies which shape city growth in ways that allow public transport to work efficiently. Urban planning issues are a State responsibility.

3.86 Efficient transport investment requires better road pricing. This will probably mean significant new charges for using urban roads at the most congested times and places. This is unlikely to be politically acceptable without serious improvement to public transport networks, so that more motorists have other choices.

3.87 Serious improvements to public transport infrastructure - particularly rail extensions - are costly, tend to come in large, indivisible packages, and have very long payback periods. They are hard to program within State-sized budgets, and easy to shelve in favour of more incremental roadworks. However this outcome is not necessarily optimal in the long term.

3.88 The Committee does not suggest that the Commonwealth should take over the States' basic responsibility for urban public transport. However there may be a case for Commonwealth assistance to major projects such as rail extensions which are unlikely to happen, or unlikely to happen soon enough, without the involvement of the bigger budget which the Commonwealth commands.

69 The second point is most significant in Sydney, where freight trains are curfewed for long hours during peak periods so as not to risk holding up commuter trains.

Extending Roads to Recovery to public transport, rural airports runways etc.

3.89 Submissions were divided on whether Roads to Recovery money should be used for things like cycleways, pedestrian facilities, public transport or rural airport runways. Some were concerned that this would reduce funds available for roads. For example, the National Farmers Federation said:

Despite the *Roads to Recovery* program, there remains inadequate funds available for the maintenance and upgrade of rural roads. As a result, any change to the program which would dilute the resources available for road upgrades should be strongly opposed.⁷⁰

3.90 Some accepted the value of these other things, but did not think they should be mixed with Roads to Recovery. The Australian Local Government Association said:

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. However, with the increasing pressures on public transport, there is growing justification for federal involvement in a new dedicated public transport program.⁷¹

3.91 Others supported greater flexibility, mostly on the grounds that local communities should be able to make their own choices. For example, the Municipal Association of Victoria ‘would support the broadening of the scope of R2R criteria to enable local councils to have a degree of choice in relation to their transport-related priorities.’⁷²

3.92 The Warren Centre pointed out that limiting eligible cycleways to those ‘associated with a road’ (as at present) favours on-road cycleways which must have road thickness pavements, whereas it might be possible to build an off-road cycleway with a thinner pavement much more cheaply.⁷³

3.93 The Australian Airports Association argued strongly that Roads to Recovery money should be available for rural airport runways and ancillary aeronautical equipment. The AAA argued this on the grounds that:

70 Submission 3, National Farmers Federation, p.2.

71 Submission 7, Australian Local Government Association, p.4.

72 Submission 10, Municipal Association of Victoria, p.2. Similarly submission 18, Transport Workers Union, p.5

73 Mr K. Dobinson (The Warren Centre for Advanced Engineering), *Committee Hansard* 12 April 2005, p.5. The limitation ‘associated with a road’ arises from the definition of ‘road’, which limits eligible projects: *Roads to Recovery Act 2000*, section 3. AusLink (National Land Transport) Bill, section 4.

- since the Commonwealth handed responsibility for these airports to local government in the 1990s, local councils have not been able to afford to maintain them adequately;
- in remote areas upgrading airports may be less costly than upgrading roads;
- communities should be able to choose their priorities.⁷⁴

3.94 Others argued against extending Roads to Recovery to airports, again because it could reduce money for roads. The National Farmers Federation thought that any initiative to upgrade airports should be considered separately.⁷⁵

3.95 DOTARS noted that Roads to Recovery money can already be used for pedestrian and cycling facilities associated with a road. It advised that government policy is that ‘public transport is the responsibility of the states’. It noted that local councils may use their untied grants to meet other needs such as the needs of rural airports.⁷⁶

Comment

3.96 The Committee notes that pedestrian and cycling facilities associated with a road can already be funded under Roads to Recovery. The AusLink bill does not change this, as the definition of ‘road’, which includes these things, is unchanged.⁷⁷

3.97 The Committee accepts the Government’s argument that councils may use their untied grants for purposes such as maintaining rural airports. However the Committee is concerned by the evidence that in practice many councils find it difficult to afford this. The Committee suggest the Government should keep this issue under review. There may be a case for compensation where one council is responsible for maintaining an airport which is used by others in the areas.

3.98 Public transport infrastructure (as opposed to operations) controlled by local councils would probably be limited to bus-related roadworks and bus shelters and interchanges. Bus-related roadworks could be funded as roads. In relation to other facilities, the argument that local councils may use their untied grants would also apply.

74 Submission 14, Australian Airports Association. Similarly, submission 12, Outback Areas Community Development Trust. Submission 25, Western Australian Government, p.7.

75 Submission 3, National Farmers Federation, p.2.

76 Submission 6, DOTARS, p.6.

77 *Roads to Recovery Act 2000*, section 3. AusLink (National Land Transport) Bill, section 4.

Whether there should be a National Transport Advisory Council

3.99 The AusLink White Paper advised that the Australian Transport Council ‘intends to establish a National Transport Advisory Council to provide strategic analysis and advice to ministers on the long-term development of the national transport system....

The council will focus its analytical and advisory work on three important transport policy areas agreed by Ministers:

- developing advice on priorities for national infrastructure investment
- advice on reforms to support modal integration
- advice on strategies, policies and options for infrastructure pricing.

The structure and detailed operations of the Council have not yet been agreed by the Australian Transport Council. The Australian Government will discuss with the States and Territories the extent to which a National Transport Advisory Council might be appropriate for progressing some of the strategic planning issues associated with AusLink and the development of future versions of the National Land Transport Plan.⁷⁸

3.100 Since then it appears that the ministers have had second thoughts. DOTARS advised that in November 2004 the Australian Transport Council ‘took a decision that it was not the right time to establish such a council, that the issues did not warrant such a council being effective at this point, that they would prefer to work through existing Commonwealth and state mechanisms to do further work and that they would review that decision in about 12 months time.’⁷⁹

3.101 Almost all submissions strongly supported establishing a National Transport Advisory Council including stakeholder representation. For example, Engineers Australia thought that relying on existing State/Federal working groups would lead to too ‘narrowly focused’ advice:

At present, the government’s internal advice comes from bodies with a narrow division of responsibility (on the basis of transport modes), which leads to advice that is narrowly-focused. It is our view that a single body be given responsibility for providing advice on all transport modes, to provide greater integration.

Engineers Australia strongly believes that an independent advisory body is essential to the AusLink process. We believe that the advisory body needs to include representatives from the private sector, as well as Federal, State and local government representatives.⁸⁰

78 AusLink White Paper, p.95.

79 Mr M. Mrdak (Deputy Secretary, DOTARS), *Committee Hansard* 18 March 2005, p.14. Similarly 14 April, p.34.

80 Submission 28, Engineers Australia, p.2.

3.102 The Australian Road Forum ‘would also like to see more effective consultation between governments and industry stakeholders...’

In part, that has not been possible simply because of the number of stakeholders that are on the job, if you like, and the fact that there is no effective means of ever bringing them together.⁸¹

3.103 Only the Australian Logistics Council did not support creating a new body, but this was not because it thought the proposed activities are unnecessary, but because it thought the Australian Logistics Council could carry the role.⁸²

3.104 It appears that the proposed role of the advisory council would be more higher level stakeholder consultation and priority setting than detailed project analysis. It is unclear how much it would be involved at the middle level of working out corridor strategies under the National Land Transport Plan. Engineers Australia suggests that the role of the council would be to provide a national perspective on matters including:

- strategic development, best practice and standards;
- cross-jurisdictional issues and impacts;
- relationships and interaction between different forms of infrastructure;
- the application of the principles of ecologically sustainable development; and
- overall balance of infrastructure provision.⁸³

3.105 Engineers Australia suggested a framework ‘which combines a top-down approach which establishes the appropriate level of funding in relation to need and resources, at a strategic level, and conducts a bottom-up technical analysis of candidate projects – and then matches the two via a needs analysis and some form of optimisation process.’⁸⁴

Comment

3.106 In the Committee’s view it is essential to have a forum for co-ordinating policy on the three areas suggested in the White Paper as roles for the council’s advice: investment priorities, modal integration, and infrastructure pricing. It is essential for it to include industry and other stakeholder representation.

3.107 The Committee has concerns about whether existing Commonwealth/State working groups can carry this role. The Committee notes the strong support for the proposed council among almost all the key interest groups who submitted to this inquiry. The Committee supports reconsidering this matter, as the transport ministers’

81 Mr I. Webb (Australian Road Forum), *Committee Hansard* 12 April 2005, p.25.

82 Submission 26, Australian Logistics Council, p.1.

83 Submission 28, Engineers Australia, p.2.

84 Submission 28, Engineers Australia, p.3.

resolution implied. The Committee hopes and expects that ‘review in 12 months’ will involve a genuine review.

Research and information

3.108 The bill allows for funding ‘transport development and innovation projects’ (part 4) and ‘land transport research entities’ (part 5). The White Paper proposed that of the \$8.6 billion five year Commonwealth commitment to the National Network, one per cent will be spent on research and technology:

The Australian Government will consider technology-based solutions as part of, or as alternatives to, the construction of new infrastructure or as increases to the physical capacity of existing infrastructure. Funding support for applied research and development will also be considered.⁸⁵

....These funds could be used for:

- the development of transport data sets
- research and development
- planning, investigations and feasibility studies
- the development and trialling of new technologies and practices.

Funds are earmarked to contribute to improved corridor planning, the development and trialling of innovative technological applications, and as Australian Government contributions to national research organisations. The Government will also contribute funding towards enhancing the development and analysis of nationally important data on the National Network.⁸⁶

3.109 Submissions supported an improved research effort. The Australian Road Forum noted that road research today is ‘at greatly reduced levels’, and is ‘generally reactive in nature’, compared with what it was in the 1960s and 70s. It welcomed AusLink’s commitment to research.⁸⁷

3.110 The Sustainable Transport Coalition WA argued that the definition of ‘research’ in the bill appears more restrictive than the definition in the *Australian Land Transport Development Act 1988*, which the AusLink bill will replace. It thought that ‘areas worthy of greater research attention include land use and behavioural measures that could reduce urban car dependence, transport energy including vulnerability to peaking oil supply, and smarter freight logistics.’⁸⁸

3.111 Submissions stressed the information needs to enable the best management of the national assets in roads and railways. The Australian Road Forum said that ‘Australia lacks a transparent system of national road accounts which aggregates the

85 AusLink White Paper, p.30,67.

86 AusLink White Paper, p.94.

87 Submission 15, Australian Road Forum, p.9. Similarly submission 21, Rail Tram and Bus Union, p.3. Submission 23, Civil Contractors Federation, p.4.

88 Submission 29, Sustainable Transport Coalition WA, p.2.

road infrastructure expenditure of our various levels of government'. The Australian Automobile Association argued that 'the Government needs to identify and report on the asset value of the National Network so that the appropriate level of maintenance spending can be identified and account for depreciation of the asset.'⁸⁹

3.112 The Committee notes that the Australian Transport Council in November 2004 endorsed a National Transport Data Framework. This 'adopts a high-level strategic planning focus with the aim of advancing a better approach to assembling data to meet long-term strategic planning of transport infrastructure....' It recommended an incremental approach to establishing the framework, and stressed the need for it to be owned by all jurisdictions.⁹⁰

3.113 The working group report on this noted that in general 'basic road infrastructure data is extensive and reasonably consistent, but the position with respect to road-usage data appears to be mixed. Comparable data on rail asset condition is not yet available... Basic information on intermodal transport facilities is even less readily available.'⁹¹

3.114 The Committee supports work towards better data to inform planning transport infrastructure. In the case of rail, it will be important to have protocols to ensure that the move to corporatisation and privatisation in recent years does not fragment information-gathering of industry-wide importance.

Recommendation

3.115 The Committee recommends that the bill should be passed.

Senator the Hon. Bill Heffernan

Chair

89 Submission 15, Australian Road Forum, p.6. Submission 13, Australian Automobile Association, p.5.

90 Australian Transport Council, *National Transport Data Framework*, 2004, p.iii,2.

91 Australian Transport Council, *National Transport Data Framework*, 2004, p.iii,2.

Additional comments by Labor Senators

Labor Senators recognise the need for and support policies which will provide an integrated national transport policy for Australia.

Whilst Labor Senators agree in the main with the Committee's report, including recommendations regarding the passage of the Bills, some issues require further clarification.

It is important that the funding appropriated to AusLink be used in a transparent manner to deliver integrated national transport infrastructure which will serve the national interest.

However, in the wake of the highly politicised and questionable use of Regional Partnerships funding in the lead up to the 2004 election, the lack of transparency surrounding the assessment of AusLink projects approved in the same period and evidence heard by this committee, Labor Senators remain concerned that AusLink funding has the potential to become another part of the National Party's electoral slush fund.

National Highway Funding

The creation of an integrated land transport network has the potential to improve strategic infrastructure planning.

In the view of Labor Senators however, the implementation of an integrated land transport network is threatened by the change to the funding mix by the Howard Government in the first five year AusLink plan.

By abandoning its full responsibility to fund the construction and maintenance of the former National Highway System and requiring matching funding from the States, the Howard Government's AusLink policy threatens to force State governments to divert funds away from other important State road and rail infrastructure.

The Howard Government's decision to cap road maintenance funding at \$300 million per annum for five years coupled with a lack of ongoing commitment to maintenance foreshadows a significant threat to the condition of the former National Highway in future.

In the view of Labor Senators, the change to the funding mix must not foreshadow a future withdrawal or reduction of the Howard Government's responsibility to adequately fund both construction and maintenance of important national transport links, including all roads formerly fully funded by the Commonwealth.

Removing Politics from the Strategic Regional Projects Program

The Committee heard evidence that demonstrated the Howard Government had manipulated the Strategic Regional Projects program for political purposes during the 2004 election campaign.

Originally the program was to make available \$120 million, on a competitive basis to regional groupings, over five years.

However, prior to the development of guidelines and in many instances prior to receiving applications for funding, the Howard Government committed \$93 million of the available \$120 million in funding under this program in the lead up to the 2004 election.

It is now unclear whether a number of projects promised to date by the Howard government under this program will proceed given some funding commitments were made based on matching State/Territory Government funding without adequate consultation with or approval of funding by the relevant State or Territory Governments.

Recommendation

To avoid the perception or reality of the use of Strategic Regional Projects program funding for political purposes, the Howard Government must ensure all projects announced to date and all future projects are rigorously and transparently assessed, following the development of appropriate guidelines, and in consultation with all other funding contributors.

Such guidelines should be developed and publicly available no later than 1 July 2005.

National Transport or Infrastructure Advisory Council

In addition to the overwhelming views of stakeholders, the experience prior to the 2004 election of politically-driven decision-making in relation to Strategic Regional Projects illustrates the importance of independent industry, expert and consumer input into the development of strategic infrastructure priorities.

Recommendation

The Howard Government must provide national leadership and work with the members of the Transport Ministerial Council to design and establish an appropriate advisory council to provide input from independent industry, expert and consumer organisations into the development of strategic land transport, and where appropriate national infrastructure priorities.

Senator Geoff Buckland (Deputy Chair, Labor Senator for South Australia)

Senator Kerry O'Brien (Labor Senator for Tasmania)

Senator Ursula Stephens (Labor Senator for New South Wales)

Additional Comments – Australian Democrats

Introduction

In principle, Australia's transport systems should be accessible, safe, integrated and efficient. They should contribute less to our greenhouse gas emissions, utilise less fossil fuels and generate significantly less air pollution now and in the future.

The impact of transport on our environment is substantial, accounting for 14% of national greenhouse gas emissions in 2001 – an increase of 25% over 1990 and this figure continues to rise. The freight load is forecast to double by 2020.

Urban planning and transport funding has favoured road over rail and private cars over public transport, walking and cycling. Australia has one of the lowest rates of utilisation of public transport in the OECD. Excise on fossil fuels has reduced in real terms and there are almost no incentives to shift transport to cleaner alternative and renewable fuels or to more energy efficient vehicles.

AusLink was an opportunity to address these transport issues and while the Australian Democrats support the commitment of extra funding to construction and maintenance of Australian transport infrastructure, we are disappointed that this is not the promised comprehensive, strategic, long-term plan of Australia's transport infrastructure needs.

According to the Government:

"AusLink will revolutionise the planning and funding of Australia's national roads and railways by taking a long-term, strategic approach to our long-term future. It represents the most significant change since Federation in the way we tackle the national transport task.."¹

These are well-meaning words, but they are empty and fundamentally misleading. Firstly, the program is not comprehensive, focussed exclusively as it is on major roads and railways. Urban congestion is dealt with only insofar as it concerns barriers to freight movement and public transport services are entirely missing. It also fails to address the long-term problems inherent in continuing to rely on national highways as the primary mode of regional freight transport, ignoring the economic and environmental advantages of shifting freight to rail.

The program has been funded for five years (with most of the money already allocated), with plans to continue AusLink in future five-year packages. Aside from the empty rhetorical flourishes about 'transforming' Australia's transport infrastructure, there are no clearly defined aims and verifiable objectives of the AusLink program

¹ "AusLink – At A Glance" – Department of Transport and Regional Services fact sheet, available at <http://www.dotars.gov.au/auslink/factsheets.aspx>

that is said to inform its development and priorities in years to come. It is impossible to take a long-term, strategic approach without a comprehensive national transport infrastructure plan. Rather, this is a patch-up of existing road and rail systems. By concentrating solely on regional freight networks, ignoring whole areas of infrastructure need such as urban public transport, and by failing to articulate a clear vision for what AusLink is to achieve in the long-term, the Government has failed in its objective before it has even begun.

In respect of this Inquiry into the AusLink bills, we support the general conclusions of the main Committee Report, but believe that they do not go far enough.

Funding Infrastructure – Getting the Balance Right

Across all levels of Government in Australia, roads receive the bulk of all transport infrastructure funding, many times more than the amounts allocated to rail. Funding for infrastructure for bikeways and pedestrian safety, amenity and access remains minuscule. AusLink, which pools road and rail infrastructure funding remains heavily weighted to road transport - \$10.9 billion for roads and \$1.8 billion for rail - and focused entirely on freight.

The Australian Democrats believe that this balance needs to be addressed as a matter of urgency. The fact that AusLink focuses almost exclusively on regional freight transport means that critical issues such as urban passenger transport and public transport to alleviate congestion are essentially ignored.

Further, the balance of funding priorities within the AusLink pool needs to be shifted, to reflect that the environmental impact of transporting freight can be reduced if the focus shifts from road to rail. Currently 85% of freight on the eastern seaboard is transported via our road networks. One Melbourne-Sydney freight train replaces 150 semi-trailers and rail uses only one third of the fuel per tonne hauled. Unfortunately lack of investment in modern infrastructure has made it hard for rail to be cost competitive as access charges for rail are 30% of operating costs compared with 5% for road. We believe that there should be a rail-specific fund for modernising rail infrastructure, with an emphasis on the east coast route, multimodal exchanges, rail links into ports and nationally consistent regulations, codes and communication systems.

The Democrats support road and rail user charges but note that there is no intention that these will reflect the full externalities, such as air, noise and water pollution, greenhouse emissions, habitat destruction and traffic congestion.

Making AusLink Transparent, Accountable and Strategic

The Australian Democrats are seriously concerned about the extremely broad discretion that has been granted to the Minister in terms of determining funding allocations through the AusLink program. Without wishing to cast any doubts about the sincerity and professionalism of Transport Ministers in general, a system of broad

and unfettered Ministerial discretion is inherently problematic in that it may raise suspicions about the integrity of the program and the principle of merit-based funding allocations. We believe that the scheme must be run according to clearly established and well-publicised criteria, and the funding decisions must be transparent and accountable.

It is a fundamental point that decisions on the 'worth' of projects should be made according to a triple-bottom-line assessment - that is, not merely on economic criteria. While the economic cost-benefit analysis of any particular project is obviously very important, the established criteria for selection of projects for funding must also take into account the social and environmental impacts of the proposal. Decisions about transport infrastructure funding by their very nature have a major impact on communities, and on our natural environment, and a bottom line that only recognises the monetary aspects will fail to take these essential considerations into account.

We support the proposed concept of a National Transport Advisory Council to assess the merit of projects and make recommendations to the Minister according to the established criteria. Members of this Council must be appointed on merit through a transparent process, and should be chosen to represent the broad basis of interests in the transport sector – including freight, passenger and environmental group representatives.

The Australian Democrats also believe that the recommendations of the Advisory Council should be made according to a comprehensive, long term national transport infrastructure plan - so that decisions are made strategically and not on an ad-hoc basis. This plan should be developed with extensive consultation, effective modelling, creative alternative transport solutions and an emphasis on environmental, social and economic sustainability. We must take a long term and holistic view of Australia's transport infrastructure needs to ensure that these needs are met both now and into the future.

Lyn Allison
Senator for Victoria
Leader of the Australian Democrats

Appendix 1

List of Submissions

- 1.** Mr Peter Brohier (VIC)
- 1a** Mr Peter Brohier (VIC)
- 1b** Mr Peter Brohier (VIC))
- 2.** Victorian Farmers Federation (VIC)
- 3.** National Farmers' Federation (ACT)
- 4.** Railway Technical Society of Australasia
Engineers Australia (ACT)
- 5.** Monto Shire Council (QLD)
- 6.** Department of Transport and Regional Services (ACT)
- 7.** Australian Local Government Association (ACT)
- 8.** Australian Trucking Association (ACT)
- 9.** The Warren Centre (NSW)
- 10.** Municipal Association of Victoria (VIC)
- 11.** Local Government Association of South Australia (SA)
- 12.** Outback Areas Community Development Trust (SA)
- 13.** Australian Automobile Association (ACT)
- 14.** Australian Airports Association (VIC)
- 15.** Australian Road Forum (VIC)
- 16.** Local Government Association of Queensland Inc. (QLD)
- 17.** Shoalhaven City Council (NSW)
- 18.** Transport Workers' Union of Australia (VIC)
- 19.** Construction Forestry Mining Energy Union (NSW)
- 20.** NSW Farmers Association (NSW)

21. Rail Tram and Bus Union (NSW)
22. Australasian Railway Association Inc. (ACT)
23. Civil Contractors Federation (VIC)
24. The Chartered Institute of Logistics & Transport (NSW)
25. Western Australian Government (WA)
26. Australian Logistics Council (NSW)
27. ACT Government (ACT)
28. Engineers Australia (ACT)
29. Sustainable Transport Coalition (WA)

Appendix 2

Witnesses who appeared before the Committee at the Public Hearings

Friday, 18 March 2005

Parliament House, Canberra

Australian Trucking Association

Mr Chris Althaus, Chief Executive

Mr Neil Gow, National Manager, Government Relations

Department of Transport and Regional Services

Mr Michael Mrdak, Deputy Secretary

Mr John Elliott, General Manager, AusLink Planning

Ms Joan Armitage, General Manager, AusLink Systems and Regional Investment

Bus Industry Confederation

Mr Michael Apps, Executive Director

Railway Technical Society of Australasia

Dr Philip Laird, Chairman, Government Relations Committee

Mr Jon Bailey, Member, Government Relations

Australasian Railway Association

Mr Bryan Nye, Chief Executive Officer

Mr Peter Brohier (Private capacity)

Tuesday, 12 April 2005

Parliament House, Canberra

Warren Centre for Advanced Engineering

Professor Michael Dureau, Executive Director (by teleconference)

Mr Ken Dobinson, Project Director, Sustainable Transport in Sustainable Cities
(by teleconference)

Australian Automobile Association

Mr John McIntosh, Executive Director

Mr John Metcalfe, Director, Research and Policy

New South Wales Farmers Association

Mr Nick Bryant, Board Member

Mr Macneil, Board Member

Australian Road Forum

Mr Ian Webb, Executive Director

Civil Contractors Federation

Mr Doug Williams, Chief Executive (National) (by teleconference)

Department of Transport and Regional Services

Mr Michael Mrdak, Deputy Secretary

Ms Joan Armitage, General Manager, AusLink Systems and Regional Investments

Mr Robert Hogan, General Manager, AusLink Road Investment

Australian Airports Association

Mr John McArdle, National Chairman

Mr Kenneth Keech, Chief Executive Officer

Shoalhaven City Council

Mr Gregory Pullen, Economic Development Manager

Appendix 3

Additional information

Additional information accepted as public evidence of the inquiry:

A. Answers to questions put by the Committee

C. Miscellaneous further comment

H. Submitted during hearings

date	type	from	topic [Hansard page reference]
18/3/05	H	Australian Trucking Association	ACIL Tasman, <i>Trucking - Driving Australia's Growth and Prosperity</i> , 2004 [p.16]
18/3/05	H	Australasian Railway Association	Port Jackson Partners, <i>The Future of Freight</i> , 2005 [p.22]
12/4/05	H	Australian Airports Association	form: Budget Planning and Comparative Financial Analysis [p.36]
7/4/05	A	DOTARS	Answers to questions
6/5/05	A	DOTARS	Answers to questions and Attachment – Draft ARTC North – South Corridor Strategy 9 February 2005. Attachment – Draft ARTC Hunter Valley Strategy April 2005. National Guidelines for Transport System Management in Australia Volume 1: Framework Overview Volume 2: Project Appraisal Volume 3: Foundation Material

