

ROAD SAFETY COMMITTEE

Inquiry into federal-state road funding arrangements

Sydney — 16 March 2010

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Witnesses

Mr M. Fairweather, chair, and

Mr P. Clauson, executive officer, Infrastructure Association Queensland.

The CHAIR — Thanks very much for being here today. You heard my introductory remarks to earlier witnesses.

Mr FAIRWEATHER — Yes, thank you.

The CHAIR — As you can see we are recording the evidence today, and you will get a copy of the transcript, to which you can make changes as you see appropriate. You are protected by parliamentary privilege here, but you are not afforded that privilege for anything you say outside this building.

I invite you to introduce yourselves, and we will ask questions as we go, if that is okay.

Mr FAIRWEATHER — Thank you very much, Chair. My name is Mark Fairweather. I am the chairman of Infrastructure Association Queensland. My colleague here is Paul Clauson, who is executive officer of IAQ.

We would like to open by just thanking you for the invitation to contribute to discussion on these matters. It is very much appreciated.

The CHAIR — Thank you for being here.

Mr FAIRWEATHER — We have had some challenges, I guess, and opportunities in infrastructure in Queensland over the last few years, having gone through a fair amount of infrastructure delivery, so hopefully we have something we can add to your examination of these issues around road funding.

My role as chair is a voluntary one, and my paying job is one involved with planning, design and construction of transport infrastructure, whereas this is Paul's gig.

Mr CLAUSON — It used to be your gig at one stage, a long time ago.

Mr FAIRWEATHER — Yes.

Mr KOCH — We are aware!

Mr FAIRWEATHER — IAQ is an industry association that represents a wide variety of sectors and disciplines involved with infrastructure. It includes consultants, constructors, asset owners, legal firms and commercial firms, so it is a fairly broad church involved with infrastructure.

In representing our members we focus on robust research and contribution to wider debate in forums such as this and engagement with government and asset owners, as well as providing information and awareness for our members, whether it be through presentations or broad discussions. We have prepared some commentary in relation to your terms of reference and what may be of interest, so I will pass to Paul now just to highlight the salient points — not to read through it all but to go through the salient points and then some of the suggestions.

Mr CLAUSON — Thanks, Mark. I will not dwell on the premise too much. The submission makes reference there to functioning alcoholics and what have you, but that is the way we see the system as it has developed over time. Historically it has been a piecemeal operation. It goes back, I guess, to the time when the federal government took over the responsibility from the states for raising income tax. From that point forward we have had the usual commonwealth-state financial relations arrangements that have caused all sorts of angst and grief over the years as we have gone forward from there.

From a practical point of view, and that is the point of view that we would like to speak from as an industry, we see the issues on a very broad and practical scale. From an industry perspective we find it is difficult enough dealing with state and local authorities when you are trying to get projects up, particularly big transport infrastructure projects, and from a perspective of national importance and national priority there seems to be a sad lack of determination to work towards an integrated national transport strategy and plan.

The thrust of what we are saying here today is that in Queensland we recognised the fact that we had a burgeoning population initially in the Queensland south-east region and that we were developing a congestion issue that was starting to become embarrassingly obvious. As a result of that the Queensland government did make steps to address that by introducing a new planning concept which led to the south-east Queensland regional plan, and off the back of that ran the development of the south-east Queensland regional infrastructure

plan and program. Notwithstanding the fact that that plan looked at hospitals, schools and all of those requirements, at the same time it looked at the necessity to integrate the entire transport system within that region.

From that point forward they have been developing other regional plans up and down the coast that will have infrastructure plans to back them up. We look at that as a good basis upon which to develop a national system, because no matter which state you come from we are always told we are getting an increased population. Whether it is population shift in the major areas or something else, there are major planning issues where you are going to have satellite development, and there is very little consideration between the satellite development and the main hubs that already exist within your community.

What we are suggesting is that there should be a directed approach towards the development of a national transport strategy plan to go with that and that there should be constitutional requirements and responsibilities so that if you are basically in charge of the planning issues and agreeing to put the strategy forward, then you commit to the planning and the lockstep with funding for that plan at the same time.

We notice that the federal government has just indicated that it wants to be involved, amongst other things, in urban planning. Our view would be that that is all well and good; however, we do not see that the federal government should be a hands-on agency or should be directing states as to how they should handle their population growth in particular regions. What it should be doing is acting as a facilitator to help that issue be accommodated by the state governments so that they are better able to plan and implement their plans for those population pressures that will come.

We in Queensland have a peculiar sort of circumstance inasmuch as we have a growing population — it has not been a huge population, but it is now growing quite significantly — we have a massive resources area that we are trying to deal with and we are now looking at regional plans of the same nature as that for the south-east corner. We think that if you look at roads such as the Bruce Highway heading north and you look at the development of the North West Minerals Province and places like that in regional Queensland, you see that we are being confronted with some real issues there that need to be addressed that we cannot address as a state government solely; we need to have a bigger input from the federal government in relation to these sorts of issues that will come up.

We see that the whole thing needs to be turned on its head effectively. This might be utopian thinking, but this is where the industry comes from. We as an industry need a pipeline of projects to work forward with. In that way you avoid the wind-up, wind-down situation. To some extent you can avoid the huge cost bubble that comes with the demand for resources when, as soon as you start a demand-driven process, labour goes up, cement goes up, gravel goes up, bitumen goes up and there is a scramble to get steel. We have had the mining industry and the resources industry competing even for manpower with the infrastructure industry in the last couple of years, because taxi drivers leave their jobs and become farm workers the next day. Those things have major ramifications from the point of view of occupational health and safety, and they have training ramifications from an industry perspective.

The CHAIR — Filling a vacuum that is created.

Mr CLAUSON — Yes. It was a nightmare. Resources were so scarce they were taking tyres off mining trucks and burying them in the ground just in case they needed them again and they could not get new tyres. I do not know if any of you knew that, but those are the sorts of issues — —

Mr KOCH — It does not happen in Victoria!

Mr CLAUSON — Those are the sorts of issues that confront you as soon as you create a demand bubble and you suddenly realise you have neglected all of your infrastructure development for a very long time. You then create this enormously vigorous and virile demand for resources and a competition, and then of course the government turns around and says to the private sector, 'You guys are ripping us off'. I am sorry, we are not. We have to pay for the stuff ourselves and we pass the cost on; that is just how it is.

Given that illustration of practical pressure, we think it would be a great and wonderful opportunity to develop a national transport system plan and implementation program going forward. I have been sitting here listening to the grants guys and what have you. It is the usual frustration. I have sat in your chair — albeit in the

Attorney-General's chair — and in a cabinet situation I understand where you are coming from. I understand how difficult it is to get money out of Treasury from time to time. One way that I can see you could facilitate that would be if the federal government encouraged the states — those that have not adopted it fully — to look at early engagement with the private sector with regard to financing, construction and operation of some of the major facilities.

The CHAIR — I was going to ask about that, Paul. I suppose in Victoria as well we are seeing a population boom. In the next 5 to 10 years we will see a period of growth. We are grappling with a limited state budget.

Mr CLAUSON — That is right.

The CHAIR — And we're grappling with how to cope with this growth. Clearly as a government Victoria is going down the path of the public-private partnership process. From your perspective, how much more of that PPP should occur in relation to some of these roadworks?

Mr CLAUSON — I think there is scope for it. Even in a mature market you are looking at between 10 per cent and 15 per cent of major ticket projects going that way. I think it boils down to the fact that it needs to be coupled with a review of how you use your infrastructure as well as how you construct infrastructure. If you are able to more efficiently utilise the infrastructure you have — shifting peaks or whatever it may be in relation to major roads, for example — well and good; however, you still need to make sure you have that plan going.

I do not see a resistance to tolling. I have personal experience of this. Way back my constituency was on the southern side of the Brisbane River when the Gateway Bridge was opened. When it opened I had a bunch of my constituents lining up outside my electorate office complaining about the 40 cent toll. Within six months I had a different group of people — some were the same — lining up to complain about the fact there were not enough gates to allow you to get onto the bridge fast enough.

Public education is a big factor in this area. I think there is scope for public-private partnerships on the major national road system. I think it has to be an inevitability. You very kindly paid for a ticket for me today — that is a toll. You get on a train, you pay a fare — that is a toll. You get in your car, you drive over a bridge — that is a toll. It is inescapable. Ultimately the money comes from the taxpayer's pocket one way or the other. If you can develop infrastructure faster, in a better time frame and more efficiently and have it run more efficiently, then I think people are quite happy about that.

Mr FAIRWEATHER — I would also add that perhaps early engagement of industry to improve the chances of success of projects where you are considering PPPs can be very successful and minimise the downside risk of it not working. Having things in place and structures in place to enable early conversations about whether a particular project may or may not be suitable for a PPP — and certainly not all of them will be — can be very successful in managing the downside risk from our perspective.

Mr CLAUSON — If you put the project into the PPP template early to see if it will return value for money, that is very important from our perspective, from the industry's perspective. The other thing that I think is significantly important to the private sector is that lead-in time be reduced as much as possible. We have experienced situations with regard to probity being extraordinarily, unbelievably difficult to deal with. We have also experienced issues where government has said to the bidders, 'All the due diligence must be done by you. We are not accepting anything to do with the due diligence'. Sometimes that is really silly. If government is in possession of geophysical data, if it is in possession of corridor data and all that sort of stuff, why not give it to all the proponents up-front and say 'Here we go'? How ridiculous is it that you have got three or four bidders and everyone is out doing geophysical drilling and escalating the cost of the whole exercise? The losers, sure, in some cases do get compensated for the work they do, but only to a very small extent compared to the cost. Bid costs are a major issue in relation to other PPPs. That is the Queensland experience. I think Victoria, to be honest, has a more mature approach to PPPs. If their model were utilised a little more widely — I do not want to flatter you — —

Mr KOCH — We are not flattered.

The CHAIR — Some are not.

Mr CLAUSON — If it were, I think the private sector would be generally a lot happier. I heard the conversation before about congestion charging or road user charging. That is fine, providing you have got alternative routes around your hub; that is all good. You have to bring the public along with you if you are going to do this sort of stuff. If you do not do that, it is hard enough on the public anyway, because they do get a bit of infrastructure development overload when it is happening in urban areas, and people get angry if they have to go through the city and you hit them with a congestion charge.

Long-distance charging is a different kettle of fish. I think that needs to be thought through very carefully. Governments, by their very nature, are coercive creatures, and they like taking money from people, because it is only way they can get any. I think you have to be exceptionally careful where you are going to have a government-imposed regime over a road system — say, an interstate transport system et cetera — where you have got road charges set arbitrarily by the coercive component of government, because the temptation is always there to just up it a bit when you run a bit short on the readies when you need them.

Mr WELLER — Yet in one of your suggestions you are saying the government should give serious consideration to applying alternative procurement models beyond the standard design and construct model. What is your alternative model?

Mr CLAUSON — That would be the public-private partnership model. There are many manifestations of that model that are around. It can be finetuned to suit circumstances, but that is what we are saying: if you have a big-ticket item looming, for goodness sake put it into the early engagement process with the private sector early and establish whether or not it would stack up as a public-private partnership. If it does, if it produces value for money, well and good. I am sure there will be an appetite to adopt it.

Mr WELLER — You were talking before about there being too much demand. Are you suggesting we should manage the number of projects that are out there and have a longer term strategy?

Mr CLAUSON — That is right

Mr FAIRWEATHER — What we might term a ‘pipeline’, so that industry has confidence to invest at what might be a sustainable level. We appreciate that there are cycles in terms of funding and availability of funding that will influence that and that broader economic conditions will influence that, but what we have seen in Queensland over the last couple of years is that industry has built up, say, an \$18 billion per annum infrastructure spend in Queensland. It is going to come down to a \$10 billion per annum spend. The level of investment by industry to gear up to that \$18 billion per annum spend is very significant, and the employment issues, as one example, are very significant. Industry will be far more willing to invest, and you will get much better broader community benefits out of it, whether it is cheaper or there is more value for money in the spend for the infrastructure, if there is confidence for longer term investment. That is coming back to tying the infrastructure program to a regional planning context.

Mr CLAUSON — That also raises the question of other things. If you do have a properly orchestrated planning process and an infrastructure plan to go with it, it also helps you to deal with some of the significant practical issues. Corridor identification and acquisition is a bit of an issue. That raises itself from time to time in Queensland because we have lots and lots of Crown land. It gets sold off and goes into consolidated revenue. Then when a major project comes along you have got to re-establish a corridor again, and all sorts of angst and woes attach to that process, as we all understand.

The other thing is that it is important to provide the pipeline so that when projects are prioritised the private sector knows what is happening and it is able to react to that in a way in which the project can go forward seamlessly without too much interruption. That means making sure that you have got practical things in place, like where you are going to do your lay-downs — in other words, where do you put your reinforced concrete sections? If you have to pull them through the city on the back of trucks day after day after day, that leads to significant disruption and public anger. They are the sorts of issues that from a practical point of view the industry has to deal with on a day-by-day basis. Where you have got a truck with a dog on it crawling up a leafy lane somewhere or other and scraping people’s Saabs and BMWs they get a bit iffy about it all and start complaining bitterly about the whole thing. We have just had that issue, I think, with Airportlink.

It is a real old boy scout thing. It is a case of ‘be prepared’ but make sure you have made the commitment to it. I really think that from our perspective, as an industry perspective, it would be good if the federal government in

its statement of intent with urban planning actually understands what it is talking about, because our experience is that the federal government should set the direction. It should assist in making the ground, but it should not be there on the ground interfering with the actual minutiae of states' and local authorities' rights and obligations with regard to dealing with their own issues.

Mr WELLER — So to get the pipeline, as you called it, working, how would you change the current federal and state funding for road arrangements?

Mr FAIRWEATHER — Infrastructure Australia is a very good first step in getting some rigour in terms of the process. I think it is about having some commitment to the funding that comes from Infrastructure Australia and also integrating what they are coming up with with the various state plans. I appreciate that IA has a role to look at prioritisation across Australia; we suggest that needs to occur. As long as that is tied to what the states are looking to do and is consistent with their planning framework, I think that will assist greatly in helping to manage the pipeline — if there is a commitment given by each of those levels of government that are going to be funding the pipelines.

Mr TILLEY — You probably touched on this previously. I am interested in some research that is coming out of Queensland, and in particular from a Lloyd Davis from Queensland Roads, dealing with the pavement damage on the infrastructure.

Mr CLAUSON — Yes.

Mr TILLEY — You made mention of the National Transport Commission and other bodies. Do you see a role for these types of organisations to play in our road networks on a national basis where a carrot is dangled for those vehicles using our roads which create less pavement damage, creating a longer sustainability for our road network?

Mr FAIRWEATHER — Yes, sure.

Mr CLAUSON — Yes. There are a couple of aspects here, and we touched upon this in the paper. First of all there is such a confused regime of road charging in the country; that needs to be rationalised, and rationalised quickly, so that after having audited that you can look at the funding structures and say, 'Okay, this is where we can go to from here'. That way you develop some sort of step towards equity in relation to who is paying for what. At the moment it is just a big, misty cloud.

The other thing is that in relation to road maintenance — and this is one of our pet aversions, I suppose, with regard to project delivery over the last 50 years — politically it is unpalatable to quote beyond what the thing costs. Once the bridge is there, you cut the ribbon and run away; it is all good. That is not all good, because what happens is that there is no consideration of the whole-of-life support for the asset. You then end up with a piecemeal, patchwork situation — 'Oh, crikey. It's got a crack. Let's patch it'.

I think the private sector has probably got a role to play there as well inasmuch as if you are running a pipeline of projects, there are second-tier companies that can quote and take contracts for maintaining those assets and perhaps upgrading them in part. So you then develop a properly integrated construction process for new infrastructure, which has its own built-in whole-of-life circumstance that is essential. Then you go to that secondary level where you look at what you have already got and you put in place a process whereby you put out performance-based maintenance contracts on the operations and repair of existing infrastructure.

That way it helps obviate, I think, the impost on road users, whether they be heavy-duty vehicles or someone who drives a lot in his car and caravan, or however you want to work it. In a sense all users pay based upon the degree to which they make use of the facility. Trucks are an issue, and this is why we have the problem, because you hear the truckies complaining about their burden and you hear the motorists complaining about theirs, and frankly — and I know this is probably talking against my past occupation at one stage — politicians do not mind that really. It sets everybody in a state of their own self-interest against everybody else, and governments need to get a bit tougher with themselves in regard to these areas.

Mr WELLER — So you are saying that we should move away from the fuel excise and towards putting a charge on each user of the road; is that what you are saying?

Mr CLAUSON — No, not quite.

Mr WELLER — You said we should rationalise, and then you went down to each user.

Mr CLAUSON — What I am saying is that first of all you need to have an audit. What the solution will be is up to what the solution will be in regard to those charges. Obviously if you are going to charge for the use of the road — and this goes back to the coercive state of mind of government where you are talking about the fuel tax, for example — how much of it is going into roads? Very little in real terms.

This is what I say: the raft of all of these things needs to be audited, and you need to say, ‘Okay, we are going to use those funds for the development of new infrastructure and the maintenance of infrastructure’. Get the private sector involved, too, so that we have a complete and utter integrated approach towards the new provision and the existing maintenance, and a happier user cohort on the road, because they have transparency of where their money is going. I think that is a major issue for every motorist, no matter what he does.

Mr WELLER — So you are saying the whole of the 38 cents should be spent on road infrastructure?

Mr CLAUSON — Yes. In the mind of the user he sees what he is paying and knows what he has been told by government in the past that that money was going to be used for — to build, develop and maintain the national network. When you see the way in which it is being hijacked off into other areas — no-one knows where it goes; heavens above! — and you drive down the road and your car rattles apart on the way to Sydney from Brisbane, you get a little bit irritated by the fact that the roads are in that condition and petrol is at whatever price it is. It goes up and down, but petrol is an expensive item for the average person today per se. You get a bit iffy about it all when your car starts rattling apart in potholes. You say, ‘Where is the money going?’.

Mr KOCH — Does IAQ at the end of the day see the need for the state bodies — the grants commission and that type of thing? Would you give consideration to more regional distribution from a federal level in relation to road funding across all states? What are your thoughts from that point of view?

Mr FAIRWEATHER — In terms of delivery agencies and who is able to deliver things I guess we see that the state-controlled road network is best managed and delivered by the state. I think it would be a stretch for the state to be able to deliver on the local government road network, particularly at the level of detail they have to go to. I think that would be a challenge. IAQ does not particularly have a view, though, from that perspective.

Mr CLAUSON — Our view is that is how it works at the moment.

Mr KOCH — That is what I was alluding to.

Mr CLAUSON — Yes, that is how it works at the moment.

Mr KOCH — I am interested in how you think it should work into the future.

Mr CLAUSON — I guess in my utopian view if you had a national transport system and a plan, if you could see that pipeline of projects coming forward, if you could see where the priorities lay and if you had a proper maintenance program in place, I do not know whether it would change the way in which the grants commission operates, but I think it would make their job a lot easier in identifying where the money is best spent. If you get efficiencies coming out of the people to whom you are giving the money, that makes your job even better, because at the end of the day, as I say, the money comes out of your pocket and mine. It is not the government’s money; it is our money. We give it to them to redistribute in the best and fairest manner that we expect them to, hopefully in world’s best practice. I do mention whimsical externalities in my writing there.

Mr KOCH — I noticed. I appreciate that, because that is where you started your conversation in relation to a national strategy, and that is why I was coming back to that point.

The CHAIR — Thank you very much for being here.

Mr CLAUSON — A pleasure.

Witnesses withdrew.