

ROAD SAFETY COMMITTEE

Inquiry into federal-state road funding arrangements

Canberra — 17 March 2010

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Mr M. Harris, chief executive, Australian Automobile Association.

The CHAIR — Thank you for assisting the Victorian Road Safety Committee’s inquiry into federal-state road funding arrangements. As you can see, we are recording the evidence being taken today, and you will be provided with a copy of the transcript as soon as possible so that you can correct it if necessary. Please introduce yourself and proceed with your presentation.

Overheads shown.

Mr HARRIS — My name is Mike Harris. I am chief executive of the Australian Automobile Association. As well as being late I have brought the wrong version of the presentation, but you will nevertheless get the idea. What I wanted to share with you today is a program called AusRAP, which you may or may not know about. AusRAP stands for Australian Road Assessment Program, and it is one of the key programs in a worldwide road assessment program which comes under the auspices of a company called iRAP, based in London, of which I am a director.

AusRAP was one of the first of these programs established in the world, and it was established on the back of work that iRAP was doing in Europe, particularly in Eastern Europe, and in primarily developing countries. When we started AusRAP there was a similar program in the United States and a program in Europe. It has now extended to programs in South Africa, New Zealand and South America. We have just started a program in Vietnam; we completed one and we are about to do another one in Malaysia. We completed the first Malaysian one a couple of years ago. Internationally we have agreements with the Philippines, Bangladesh and one other country, the name of which escapes my memory for the time being. Internationally we also have funding agreements with most of the development banks to embed an assessment program into the preplanning stage of a road before development banks will provide funding for the construction of that road.

Up to date most of what we have done has been post-construction assessment to find the gaps and then suggest plugging the gaps. We have done one preconstruction assessment in Australia, and that was on the Perth to Bunbury Road, which is now under construction.

I have just taken you through a bit of early history. There is a very sophisticated computer system that does the assessment, and I will take you through some of that in a minute. That was put together for us by ARRB when we first started this.

Essentially what we are talking about is providing risk assessment maps for roads and star rating roads as far as safety is concerned, with five stars being the safest of roads and one star being the least safest. We publish that information from our perspective on the national network. We have published two or three documents star rating the national network over the last few years, and in your context the RACV uses the same methodology to assess state roads in Victoria. They also publish star rating maps on your state road network.

Basically what we are saying here is that there is a connection between risk ratings and star ratings. There is a lot of research — and I will show you some in a minute— that proves the benefit of moving from a 2-star to a 3-star and then from a 3-star to a 4-star and from a 4-star to a 5-star road in terms of the savings, particularly to the health system, because of the fewer crashes you have on the higher rated roads. This is one of the strong points we think this program provides, because you can actually quantify the dollar saving that is generated from an investment that is put into moving a road from 1-star to a higher star rating.

The CHAIR — What about the cost of bringing roads up to a 4 or 5-star rating?

Mr KOCH — Is there a cost benefit? What is the analysis?

Mr HARRIS — I will show you in a minute.

The CHAIR — Okay.

Mr HARRIS — Essentially what we have here are collective risk maps showing the density or the total number of casualty crashes over a given length of road and then individual risk maps, which show the casualty crash rates per vehicle kilometre travelled. They are slightly different.

This is the national highway network; essentially the network that is funded by the federal government but delivered primarily, in your case, by VicRoads. This is collective risk ratings. The black roads are where the most accidents occur, and the green roads are where the least accidents occur. Not surprisingly, the most

accidents and the most black roads are along the eastern seaboard. Clearly on the long roads in the west and from Adelaide up to Darwin you have much lower volumes and densities of traffic so fewer densities of crash.

The CHAIR — When you collate that information do you liaise with other road authorities like police?

Mr HARRIS — The data comes from the road authorities. It is their data; they give it to us and then we put it through the system.

The CHAIR — Is there a sharing arrangement between them?

Mr HARRIS — Yes, there is.

The CHAIR — And vice versa?

Mr HARRIS — Yes. The RTA in New South Wales was the last of the road authorities to provide data, so we did not have information for some of their roads until just recently, but there is a very good sharing arrangement between the road authorities.

Mr TILLEY — That road that runs east–west to Mildura through Albury — the Murray Valley Highway — for example, is rated there as low risk, but I understand it only has a 2-star rating.

Mr HARRIS — The next one should show us that.

Mr WELLER — That is not the Murray Valley Highway; that is up higher than the Murray Valley Highway.

Mr TREZISE — That is the one between Adelaide and Canberra.

Mr TILLEY — Is it?

Mr WELLER — Yes.

Mr TILLEY — Is it going through Echuca?

Mr WELLER — No, it is not going through Echuca.

Mr TREZISE — It is going to Adelaide and Canberra.

Mr HARRIS — In this case what we are showing are the star ratings or the risk ratings of the roads. That road you just referred to has low crash numbers, but it is also a highly rated road. So in this case the green roads are the safest roads and the black roads are the least safe. In terms of star rating, green is 5 and black is 1.

If we go back to the eastern seaboard, you can see that the road between Melbourne and Sydney, which is the main road, is effectively dual carriageway all the way from Melbourne to the border, and it has been for a while. It is therefore a 5-star rated road. You will see the characteristics a little later on. Again, from the border up past Canberra to Sydney, where the highway has effectively been dualled over the last few years, it is a 5-star rated road. The further north you get, the less dual carriageways you have got. As a consequence the star ratings go down. When we go back and do another assessment, maybe next year or the year after, we will see that green line is progressing much further north as the highway gets dualled going further up.

Mr KOCH — How often are these assessments taking place?

Mr HARRIS — When we have the money to do them, and I do not have the money at the moment.

Mr KOCH — Yes, because that is quite old now, is it not?

Mr HARRIS — Yes, it is. The initial funding to do this work came from the federal government. It gave us \$300 000 a year for about three years to set the model up and to do the initial assessments.

Mr KOCH — Now the model is set up, does your association get involved with your roads authorities in every state from a joint point of view? VicRoads has now completed the mapping of Victoria, which could easily be

transposed onto what you are doing or vice versa. Have you gone down that track at all? Its mapping is far more current than what you are displaying here today.

Mr HARRIS — Yes, it is. There is, if you like, a division of roles and responsibilities between us at the national level and the RACV at the state level. I do not do mapping of state roads, but the RACV does. That relationship occurs between VicRoads and the RACV, so they share the data. The RACV information is much more up-to-date than mine, but the RACV does not do the national road within network within Victoria, if you understand what I am saying.

Mr KOCH — That is a shame.

Mr HARRIS — Yes, but if the board gives me my budget allocation this year, then over the next 12 months we will update these charts.

To give you a bit of background, this table shows you the division of 4-star, 3-star and 2-star roads across states. On the national network, in Victoria's case you have got 44 per cent of the national network is 4-stars. Across the network more than 50 per cent is less than 4-stars, which we think is unacceptable. The position in terms of your state road network would not be too much different. On the other hand it is not necessary for every state road to be 4-star, and certainly it is impossible to get unsealed roads up to 4-star status, and you probably would not want to anyway.

Mr KOCH — The numbers used in the Northern Territory, for instance, are 63 per cent are 4-star. In New South Wales, it is 24 per cent. Is that an accurate reflection?

Mr HARRIS — On the national network it is, because in the Northern Territory, for example, the national network comprises the highway from Alice Springs up, and then from Darwin down through to Kununurra.

Coming to costs, this research tells us that the average crash cost is 2.7 cents per vehicle kilometre travelled on a 4-star road, 5 cents on a 3-star road and 10 cents on a 2-star road. Effectively, when you up the rating of the road by one star, you halve the cost of the crash. If you up it again, you halve it again. That is a graphical presentation of the same exercise. Taking those numbers and relating them to the number of crashes that you had, you can actually calculate the cost of those crashes. Using the iRAP methodologies you can also identify countermeasures, which I will come to in a minute. You can cost the countermeasures and therefore work out the benefit of investing in those countermeasures from the point of view of the reductions in crashes and therefore the money saved as a consequence of those reductions.

There is a strong argument to say that road safety is actually a health issue more than a safety issue, because the impact is on the health system, and that is where most of the cost is borne. Some people then move to the next step and say, 'If you are going to save all that money out of your health system, therefore invest it in the roads'. I have spent the better part of 30 years working in treasuries across the country, and I know that no matter how much you save in the health system it is a never ending queue, because all you are doing is freeing up the system to take more people into the system. It is not true to say that you are saving the money out of the system, but it is true to say that you can free up the system to deal with more of the queue than it is currently dealing with.

What we are saying is that an investment of \$24 billion in the national network would result in the upgrading of all 2-star roads, so that we do not have any 2-star roads, and an improvement in the others on those percentages.

The interesting thing is that research that was done by the University of Queensland about three years ago — and it has just updated its numbers — identifies the cost to the nation of crashes on our roads as being \$17 billion to \$18 billion per year. The updated figures are going to move that to about \$18.5 billion. That is on data that is about three years old; I think it is 2006 data. If we translate that forward to today, it is reasonable to say that the cost of crashes to the national economy is somewhere around the \$20 billion mark. The investment by the federal government in the road networks is \$24 billion over four years. There is a substantial difference. What we are saying is that if you up the investment, you can eat away at that \$20 billion cost quite significantly.

Mr WELLER — So you are saying that an investment of \$24 billion would get rid of the 2-star roads?

Mr HARRIS — It would get rid of all the 2-star roads, reduce the percentage of 3-star roads and change the percentages for 4-star roads. You could calculate, going back to those numbers in the earlier slide, what that improvement would be and compare it against the \$24 billion. I am not sure I have done that in this presentation.

Mr WELLER — Over what period of time would you spend that extra \$24 billion?

Mr HARRIS — That is a good question. It would be more than a one-year work program; there is no question about that. It is probably a five-year work program. Nobody is suggesting you could do it all in one go and nor should you. But a commitment to do it over a period of time would be a very strong improvement on what we have got at the moment.

The CHAIR — Having said that, we have had submissions from both the New South Wales Local Government Grants Commission and the Queensland Local Government Grants Commission which indicate that moneys allocated to local government in relation to their need to upgrade their roads is going into consolidated revenue, which may mean that they are not spent on roads and they are not followed up on whether they were actually spent on the roads. So \$24 billion, of that large proportion, would be given to councils, which may or may not use on roads. What would you say to that?

Mr HARRIS — I would not disagree with that point of view. It is always a danger that when moneys are put into general revenue, treasuries in particular are happy to reallocate them according their priorities rather than necessarily the priority for which it was given. What needs to happen is some sort of dedicated pool of money for road safety purposes. That is one of the things that we will be arguing with the new National Road Safety Council. There should be two things: there should be, firstly, a dedicated pool of money, and secondly, a dedicated agency to look after it, because at the moment there is not. It is not quite as bad with the state road authorities, because they do have a safety focus, and I am not critical of them at all, because when they build new roads these days they are taking into account these sorts of methodologies, so that is fine. The issue is with how the money is allocated, how much of it is allocated and to whom it is allocated. That, I think, is the nub of the issue.

The CHAIR — So that would be part of the basis of your submission: to recommend that with that spend?

Mr HARRIS — Yes. What we would say and what I have said to the federal government is, 'Change the method of charging motorists for the use of the road'. At the moment motorists pay 38 cents per litre in excise and when you take the amount of money that is spent on the road network nationally, that equates to about 11 or 12 cents per litre. So the difference — the other 26 cents — is going into consolidated revenue in precisely the same fashion as you just described in the submissions that have been given to you, and it is allocated for other purposes.

What we are saying is, 'Change that method of taxing the motorist. Charge them for what they actually use the road for, hypothecate all that money into road safety and into the road network and invest that money over whatever length of time to improve the road network according to these methodologies'. The excise generates somewhere around \$15 billion or \$16 billion a year — I would need to check the number — of which one-third comes back into the road network. We are saying that \$24 billion will fix the vast proportion of the national network; that is about a year and a half's worth of excise.

The CHAIR — Having said that, what role do you think the public-private partnership could play in terms of funding some of this future road infrastructure?

Mr HARRIS — If we look at it from a purely financing and investment perspective — and what we say is that this is an investment, it is not an expenditure decision, it is actually an investment decision, because there is a pay-off that comes back to you — what we are saying is: identify a revenue stream over a period of time and that will allow you to match a construction program with that revenue stream. If the private sector in a public-private partnership or simply in traditional budget funding mechanisms has certainty about the financing stream and understands what the construction plan is over the same period of time, then you have a partnership that will work.

They have certainty because they know what the work program is going to be. Everybody has certainty because they know what the revenue stream per year is. You can tailor your construction program to your revenue

stream, and then you can go through a rational tender process without distorting the market by dumping billions of dollars on to the market and saying, 'We want it all done the day after tomorrow'. I think you would get a much better response from the private sector construction companies than perhaps we get at the present time sometimes and, as I said, a more rational tendering market.

Mr KOCH — So you are of the belief that is the direction that should be looked to?

Mr HARRIS — Yes.

Mr KOCH — Introducing further private investment in the whole thing instead of drawing more out of government coffers? We have seen taxes increase heavily over the last 10 years, but the increases are not in comparison with what has been going into grant funds for highways and local roads. You do not see that there would be a greater dollar come out of government? You would look to the private sector to bridge the gap?

Mr HARRIS — I suppose I do not have a particular view on who delivers the product. I think that is essentially for parliaments to determine when they go through their budgetary processes. There are valid reasons sometimes why governments choose private sector providers rather than the traditional consolidated fund method of funding the operation.

Mr KOCH — It is principally about balancing budgets.

Mr HARRIS — Yes.

Mr KOCH — PPPs are not a cheap tool.

Mr HARRIS — That is right. The downside of a pure PPP is some form of tolling system that pays the provider for the infrastructure that they have provided. That toll is either paid by the motorist when they use the road, which is consistent with our user pays principle, or it is paid by the government through some form of shadow toll.

Mr KOCH — I accept that; I probably look at greater deficits on the government purse in relation to some of these capital works programs. I am not sure that loans funds are extended to the degree and they have the capacity to actually bring a lot of this stuff forward.

Mr HARRIS — It could be. Bear in mind that my proposition identifies a revenue stream which, contrary to most treasuries in the country, would be hypothecated to a particular road construction program. The word 'hypothecation' sends Treasury officials into nasty paroxysms, and as an ex-Treasury official, I understand that. But what I am saying is that if you want a way of dealing with the problem, you have to identify that revenue stream in the first place and you have to match it to a construction program, and governments have to commit to that. My further proposition to the federal government — and I would make the same proposition to you — is that that construction timetable and funding timetable should be at least 15 years — and the planning cycle should be at least 20 years. By doing that you achieve two things: you take it out of the election cycle and you take it out of the budget cycle. That gives everybody certainty over time about the funding stream and the construction program.

These are some of the countermeasures that lead to improving the star ratings of the roads. Obviously duplication is the best way of ensuring a safe road, because the biggest causes of fatality crashes in particular are head-on collisions or running off the road and hitting an object. The two biggest components to improving the star rating of a road are to duplicate the road so you avoid the prospect of a head-on collision, and to widen the shoulders of the road and take away obstructions on the shoulders so that if you do run off the road you do not hit something and you have time for the car to slow down and stop safely.

The CHAIR — Is that on the basis of per kilometre?

Mr HARRIS — No, they are total costs.

Mr KOCH — That is billions?

Mr HARRIS — Yes, billions. If you go back, we are saying here that \$18 billion should be invested in duplicating highways; that is the 18 billion.

The CHAIR — In relation to that it very much depends on how much traffic volume is on that road in terms of risk, obviously, so if both federal and state governments were investing massive amounts of money into rail infrastructure, which would take away some of that heavy truck, a lot of the popular — —

Mr HARRIS — Yes.

The CHAIR — Is that considered part of your base of the star rating?

Mr HARRIS — Yes, that would have an impact. Certainly the volume of traffic, as the very first slide shows, increases the probability of there being a fatal crash or a serious crash. If you can take volume off the road, particularly heavy volume, by removing appropriate freight onto rail, that is a very smart and sensible thing to do and something we would strongly support and have strongly supported. The New South Wales government just took a decision to move fuel transport off rail and onto road, which is not a smart decision. Certainly a serious investment in our rail infrastructure to improve its capacity to handle freight would be of enormous benefit to the country as a whole.

Mr WELLER — Up there you have ‘lane widening’. Is that an extra lane, or is that widening the lanes we currently have?

Mr HARRIS — Slightly widening the lanes we currently have, and that is partly to do with this issue of trucks.

Mr WELLER — So what is the recommendation for the width of the lane?

Mr HARRIS — I knew you were going to ask me that, and I cannot remember.

Mr KOCH — We have just found another lane on the West Gate Bridge, so we are actually closing them down.

Mr HARRIS — The black spot program, which is a very successful program, should be increased, and your government in Victoria, over a number of years, has put specific budgetary provisions in to address a number of these issues on your roads and retrospectively refit them. That is one of the reasons why your road toll is as low as it is.

The CHAIR — Has any other state or territory done it?

Mr HARRIS — New South Wales has just started to do it; it is starting to get the same benefit as you are.

The CHAIR — We are leading the way?

Mr HARRIS — The national road safety strategy had a target of getting road fatalities down to just under 6 per 100 000, and Victoria is the only state that has actually got close to that. It is partly to do with the fact that it has done a lot of this work retrospectively on its roads. It is not the only reason; you also have stronger policing than most other jurisdictions.

The CHAIR — I think it is that view of trying to get the 5-star-rated car, the 5-star-rated road and the 5-star-rated behaviour of the driver.

Mr HARRIS — That is right.

The CHAIR — I think it is a combination of all of those things.

Mr HARRIS — Yes, which is what we call the Safe System approach. Whenever we are discussing road safety we concentrate on those three things, because it is a combination of all three; it is not just one thing. We can build the safest roads in the world, but some people will still find a way to kill themselves.

Mr WELLER — With some of our local roads in Victoria, though, the bitumen is actually being narrowed, because local government does not have the resources to fund and maintain the roads. That would be taking them from 2-star or 3-star roads back down to 1-star roads.

Mr HARRIS — Yes, it would. You need to be careful with local roads. We are not saying that every road in the country has to be a 4-star, or better, road; it very much depends on how much traffic is on the road, what sort of traffic is on the road, how often it is used and for what purpose it is used. In some cases, particularly in wheat areas, there are large trucks moving on the roads that you have just described, and because of funding issues councils are doing precisely what you are saying. Those large trucks mixing with the normal traffic that is going on those roads is a recipe for disaster. So in those cases you ought to be increasing the widths, not decreasing them. But if you have only got local traffic, and not much of it, then you do not need a 4-star road, necessarily. You still need a safe road, but you do not necessarily need a duplicated road with all the other bells and whistles that a 4-star road has. It is horses for courses in many respects.

Mr KOCH — In relation to the mapping that the association has undertaken at this stage, how far would your funds allow you to go in a national mapping program of star ratings of roads from 1 through to 4 or even 5? And when would you hope to have some comparative mapping that would be a significant indicator?

Mr HARRIS — To do an update of the entire network would probably be half a million dollars, I guess. What actually happens is that a vehicle with multiple cameras on it travels the road and photographs the road and the run-off areas of the road, the sides of the road, as well. That information is then put back into the database and collated to generate the star rating. So to redo the network we have to go back and retravel the network.

Mr KOCH — To square one?

Mr HARRIS — Yes. We would not redo the entire network; what we would do is look at where the infrastructure has been improved since we last assessed it, and we would do those bits. That is still a fair bit of work, particularly up on the eastern seaboard. But, yes, probably half a million dollars, maybe \$300,000 — somewhere between the two.

The CHAIR — Thanks very much for your time.

Mr HARRIS — Thanks.

Witness withdrew.