

SOUTH EAST AUSTRALIAN TRANSPORT STRATEGY INC.



Chief Executive Officer
Chris Vardon OAM
PO Box 2106
MALUA BAY NSW 2536
Phone: 02 4471 1398
Fax: 02 4471 3741
Mobile: 0413 088 797
Email: seats@acr.net.au

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Mr John Eren MP
Chair
Road Safety Committee
Parliament House
MELBOURNE Victoria 3002

Dear Mr Eren,

Parliament of Victoria Road Safety Committee Inquiry into Federal – State Road Funding Arrangements

The South East Australian Transport Strategy Inc (SEATS) aims to stimulate and facilitate investment in transport infrastructure in south eastern New South Wales, eastern Victoria and the ACT Region. Members of SEATS include 21 local government authorities, 3 regional development organisations, 3 government agencies and 16 industry and academic organisations.

The twenty one local government councils come from Wollongong in the north of our region to City of Casey in the South and to Crookwell in the west. The three government agencies are VicRoads, the New South Wales RTA and Roads ACT. There are 17 other organizations including NatRoads Ltd and the ATA as well as some consulting firms such as GHD. There are two private individuals who act as consultants on transport infrastructure issues.

South Eastern Australia is rich in primary resources, has a skilled labour force and a wealth of natural assets. Inadequate transport infrastructure is impeding orderly development with hundreds of millions of dollars of identified investment being withheld from the region. Limited access is reducing the returns for existing businesses. Independent consultants report that key transport improvements could generate many millions of dollars worth of new investment. SEATS members have developed the South East Australian Transport Strategy. The Strategy is a comprehensive review of the measures necessary to improve transport and access to

Gippsland, Western Port, the Snowy Mountains, the Illawarra region, the south coast of New South Wales and the Australian Capital Territory region.

In all there are some one and a half million people living and working in the region covered by SEATS. The operations of SEATS are guided by a Business and Marketing Plan to generate broad awareness of the issues relating to the development of transport infrastructure, to promote the benefits of such development and communicate the work of SEATS members by improving access to decision makers and by providing information. Further details are available on our website: www.seats.org.au

SEATS is in regular contact with the government at the Federal and State level and has regular contact with all the elected representatives representing the region we cover.

1. What do you see as the main advantages and disadvantages of the current Federal – State road funding arrangements?

There are insufficient funds flowing back to the transport infrastructure upgrade and maintenance bucket from revenues raised from motorists and road users.

Funding packages are not ongoing on a sufficient scale to fix the problem. SEATS is primarily concerned about the economic performance and prosperity of its region across south eastern Australia in 3 state jurisdictions and 21 local government areas.

Industries that feed the nation, derive significant export income for the nation, and provide thousands of employment opportunities not only within the SEATS region but in Melbourne and Sydney as well as many other areas of this nation are within the SEATS region.

The transport infrastructure assets of Australia have been under-funded for decades.

The asset is deteriorating. Essential improvements necessary to keep industries in regional areas efficient are not being improved and are being compromised by urban commuter issues. Funding packages are not ongoing on a sufficient scale to fix the problem.

Transport initiatives introduced by the federal government over the last decade or so have benefited many areas in Australia including the SEATS region. For example, the provision of funding for the Pambula Bridge between Bega and the Victorian border has greatly benefited industries such as Bega Cheese and Patties who use this section of the highway to transport goods across state borders. Prior to this, in times of flooding, an alternate route would have taken heavy vehicles on a 200 kilometre detour.

Cox's Bridge on South Gippsland Highway between Sale and Longford is similarly suffers from flooding requiring a detour via Rosedale. This is now being funded by State Government.

Current arrangements fund asset upgrades and provision of new assets, however providing for asset renewal is also a significant component of road safety. Local and regional road renewals are not being funded to the required level

Road authorities need to plan on long term time horizons (10 to 20 years) for the provision of infrastructure, funding arrangements should reflect this. R2R funding is an excellent example of federal funding but needs to have more certainty over the long term. Currently R2R funding is a terminating fund.

2. How effective are the current Federal – State Funding Arrangements in terms of economic efficiency?

Planning for asset improvements should be on a network approach basis. SEATS has spent considerable resources on identifying transport networks, in south eastern Australia, which could be used as a basis for allocating funds to achieve the best economic outcomes. This approach is non-parochial, looks at the problems from a network perspective providing real opportunities to progress the economic and social well being of our local government areas.

Whilst funding based on addressing site specific safety issues is a legitimate approach the solution that is implemented should work towards achieving a planned network outcome. I would direct you to look at the SEATS website www.seats.org.au to read our Strategic Network document which can be found on the home page.

SEATS understands that, at the moment, there is simply not enough data to support any detailed analysis of efficiency of the funding arrangements.

What is needed is better data so that a more informed debate can occur. If x dollars is spent on transport infrastructure who benefits and by how much?

The construction company benefits, transport companies benefit, travel time may be reduced for people as well as reduced road accidents.

It is difficult for organisations such as SEATS which does not have the resources to ascertain these benefits. The Australian Bureau of Statistics may have some data on this but I suspect that there is insufficient detail to provide a useful analysis.

It is difficult to make judgements about economic efficiency.

I note that the Municipal Association of Victoria has stated that councils have “increasingly trimmed their road budget spending so other community services won’t be cut”. They go on to say “the biggest impact is felt by small rural councils with extensive road networks”
This affects asset management responsibilities in that it means that councils must defer to future generations.

The MAV has stated that the infrastructure renewal gap is “at least \$1.4 billion over the five years to 2002, equivalent to an annual average gap of \$280 million.

They conclude that “the lack of certainty in the local roads current funding regime is a significant cause of stress for a number of councils”.

SEATS concurs with those comments.

3. How equitable are the current road funding arrangements for road users?

Motorists (especially freight operators) contribute substantially to the revenue stream of the federal government. The % of this revenue returning to roads & transport issues at a state and local level is inequitable. The ratio of transport related revenue streams to the Federal Government should be raised to go back to State and local government. Programs like Networking Australia, Black spots and R2R need to be increased to improve & maintain the depreciating asset base. The existing fuel levies already provide a source of revenue for road funding and already reflect road usage. There may be an imbalance between rail and road freight costs in terms of the extent of user pay. Any funding arrangements should put all forms of transport on a similar user pay basis to avoid market distortions.

4. How equitable are the current road funding arrangements between Federal, State and local governments?

Programs like R2R have given local government the opportunity to forward program major upgrade or rehabilitation projects. A longevity guarantee for the program would allow greater long term planning by local government.

State Government should maintain their level of road/transport funding to regional & local projects (unlike WA that reduced contribution after R2R) Road & transport infrastructure is an asset!! Funding revenue streams equivalent to the depreciation would be utopia.

Funding arrangements must recognise the difference in revenue raising ability of the different levels of government. Also in the case of Local Government there is a significant difference in the ability to raise revenue between Metropolitan Councils and Regional Councils. Currently Regional councils need to raise more revenue per head of population than metropolitan councils; regional councils spend a greater percentage of their budgets on roads and in addition often need to raise funds from a lower socio-economic ratepayer base. This must be addressed in any future funding arrangements. Some data on this issue can be found in the Local Government in Victoria Report 2008

Any funding arrangement should recognise that road works cost structures do not necessarily follow CPI and in fact in most instances exceed the increases in the CPI indicator. Consequently local government is unable to provide funds needed to fund the widening gap between depreciation and asset renewal.

SEATS believes, as does IPWEA, that resources must be made available for the development of comprehensive local/regional transport plans.

5. What changes could be made to improve the economic efficiency and equity of the current funding arrangements?

Developers should be made pay for asset upgrades beyond their specific developments. Major residential developments around Cardinia, Casey place pressure on transport networks trying to satisfy an essential freight task and provide economic prosperity and jobs to regional areas.

Contributions towards railway carparking, intersection upgrades (not to mention other utility upgrades) should be sheeted home to land subdivision developers who derive the profits from these activities.

It is essential to provide for longer term planning and funding arrangements. These should be in, at least, 10 to 20 year time horizons.

It is also essential that the agencies responsible for the planning, funding and supervision of projects endeavour to program works concurrently so that work does not have to be “dug up” within a short timeframe to provide for other work which could have been scheduled to proceed concurrently.

Funding should be provided on the basis of programs that work towards a ‘network approach’ which ultimately contributes to efficient freight movement.

It is important for all funding bodies to remember that in most cases the first and last mile planning, construction and maintenance of road

infrastructure is done by local government and comes from the general rate pool.

6. What are the alternatives to the current funding arrangements (including overseas practices) and are any of these preferable to the current system?

I understand that the Australian Trucking Association has put forward a model it calls FBC (Fuel based Charging) as an improvement that will assist freight movement and supplies some positive returns. Local Government is not sufficiently apprised of this model to make any comment either way, favourable or not.

7. As you may be aware from recent media reports, the Henry Review of Australia's taxation system (to be released by the Commonwealth Government later this year), has considered the option of road user charging as an alternative source of road funding. For example, road user charging involving electronic pricing of all urban vehicle travel is often suggested as a way of reducing congestion and delivering environmental and efficiency benefits.

a. What is your view on the possible benefits of road user charging?

Road improvements should be tied to a charge on the road user. However, the source of the money should be a % of the existing excise raised from fuel levies and not a new impost.

A congestion "tax" is a metropolitan issue and if this is required then this is a different situation. The implications of the impost of a congestion tax on freight passenger transport (buses & taxis) would need to be considered carefully or it could be counterproductive. Road user charging is likely to be administratively expensive. If introduced it should be as simple as possible, ie; not two or three tiered.

b. Do you consider that the introduction of road user charging would be likely to improve the economic efficiency and equity of the current road funding system?

The concept of a congestion tax is really to address congestion and should not be used as a means for funding basic infrastructure which gets freight to market.

Any congestion tax should be applied to addressing congestion issues or supplementing facilities that address reducing congestion. such as carparks at railway stations, lowering peak hour train/tram fares etc.

Any funds raised should be leveraged with Federal and local government to address local solutions to metropolitan congestion. Road user charging already exists in a number of forms including, registration fees, petrol taxes, and tolls on some freeways. At this stage most of the freight from regional areas in south eastern Australia need to access transport hubs and port facilities in Melbourne and Sydney. Introduction of further road user charges are likely to have an effect on the competitiveness of exports.

General Comments

1. There is a vast disparity in the ability of regional Local Government to fund road improvements compared to metropolitan councils. Some councils inform me that they have something like 8 times less to raise funds per kilometre of road than metropolitan councils.
2. Asset renewal funding to Regional Local Government is an essential component of the funding mix and the current administratively simple R2R funding or similar approach should be continued.
3. Funding arrangements such as the Financial Assistance Grants (FAGS) which are based on road length and consideration of local disability factors provide for an equitable means of distributing funds to Local Government.
4. Funding of freight routes should consider a network approach with an emphasis on underpinning local economic development rather than being based on population criteria.
5. Recent development of the Infrastructure Australia Nation Building program is a step in the right direction. The need to justify funding provision on the basis of a regional perspective is exactly what SEATS has advocated for some years.
6. If SEATS was to determine the three most important issues, we would recommend that funding be provided on the basis of long term planning, a network approach and underpinning regional economic development.

SEATS has developed a regional transport network strategy which can be found on the home page of our website. This should be read in conjunction with our priority projects which have been adopted to ensure that the transport infrastructure dollar in our region is spent on projects that have a clear intention to provide employment opportunities, to increase the liveability of our region and to ensure sustainable economic development which is , socially beneficial and environmentally responsible.

Finally, I would acknowledge the work undertaken by the Municipal Association of Victoria, the IPWEA in New South Wales and NatRoads Ltd and the Australian Trucking Association in assisting me with parts of this presentation to the Committee of Inquiry.



Chris Vardon OAM

Chief Executive Officer

South East Australian Transport Strategy Inc