

## **ROAD SAFETY COMMITTEE**

### **Inquiry into federal-state road funding arrangements**

Melbourne — 12 April 2010

#### Members

Mr J. Eren

Mr D. Koch

Mr C. Langdon

Mr S. Leane

Mr T. Mulder

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#### Witnesses

Mr R. Freemantle, executive director, network and asset planning, and

Ms A. Curnow, director, network improvements, VicRoads.

**The CHAIR** — Thanks very much for being here today to assist the Road Safety Committee's inquiry into federal-state road funding arrangements. As you can see, we are recording the evidence taken today, and we will give you a copy of it as soon as we can, so you can make corrections as appropriate. If you could just introduce yourself and proceed with your presentation. We will ask questions as you go, if that is okay with you.

**Mr FREEMANTLE** — My name is Rob Freemantle. I am the executive director of network and asset planning at VicRoads. With me is Anita Curnow, who is the director of network improvements at VicRoads. Just to explain who we are: I have responsibility for long-term road planning for the state and for developing programs for government's consideration for maintaining the existing asset, for operating and managing the existing road network and also for making improvements to it.

I should add, Chair and committee members, we do not develop the road safety programs. That is done through a separate division at VicRoads, but the submission does cover some of the road safety aspects as well.

You have got the submission that we made. Just by way of presentation and to step through some of the key points covering state and commonwealth funding through the road program, I thought it was important initially to establish the responsibilities for road funding across the state.

Historically, the Australian government, the state government and local government have provided various levels of road funding, but importantly back in 1990 at a special premiers conference there was an agreement, shown on the slide, for responsibility for road funding — that is, the Australian government is primarily responsible for the national road network as it is currently defined. The state governments are primarily responsible for the arterial road, and local governments are primarily responsible for local roads but with some financial assistance from the Australian government.

**Mr LANGDON** — The last point does not have state government at all — no financial assistance from state?

**Mr FREEMANTLE** — Craig, the state government does provide some assistance in terms of funding, for example, of local timber roads and local roads that are impacted by decisions that the state has made.

**Mr KOCH** — Tourism; bus routes?

**Mr FREEMANTLE** — Not particularly.

**Mr KOCH** — Bus routes still are.

**Mr FREEMANTLE** — It depends on what it is, though. There are really two programs: there is the local timber roads program, and then there is a program for state-impacted local roads. For example, let us take the desalination plant that is being built down in South Gippsland. If, as a result of that project, there is a substantial increase in transport demand which has an impact on the local road network, then the State Impacted Local Road program can provide some funding to mitigate this impact.

**Mr KOCH** — It is okay, Rob. I thought school bus routes were another one. Historically, they used to be, I thought.

**Mr FREEMANTLE** — School bus routes on roads — no, they can run on — —

**Mr KOCH** — Local roads?

**Mr FREEMANTLE** — They can run on local roads and arterial roads as well. The state government, I think, through the Department of Infrastructure may assist with funding of bus stop upgrades and things like that, but certainly through the road program, in Melbourne funding is generally on the arterial road network through the tram and bus improvement programs; generally not in country Victoria.

Just briefly covering VicRoads responsibilities within Victoria, I touched on the development, maintenance and management of our arterial road network. When we talk about the arterial road network, that also includes the freeway network that we have as well. VicRoads is responsible for delivering the Arrive Alive road safety

strategy in association with road safety partners — and certainly this committee is a very important part of that — and for delivering the roads component of the Australian government's Nation Building program.

The department of transport's responsibilities are listed on the slide as well. With regard to the policy aspect of the efficiency and the effectiveness of transport facilities in the networks and dealing with the rail component of the Australian government's Nation Building program, the important point to make here is that historically VicRoads has looked after roads, and others have looked after public transport. Today we have one transport network in this state. As such we are really working closely with the department and others to effectively manage one transport network. I think that is the really important message.

On the graph of historical funding of road-related expenditure in Australia — this is over the last eight-year period since 2000–01; these are in financial years — you can see the funding we have got across Australia at the moment. There are a couple of points to note out of this. We should not focus on funding on a year-on-year basis and give too much credence to that, because funding can sometimes be lumpy depending on the size of the projects that are funded. For example, the Geelong bypass there is a lump.

You may get a number of projects that are into full construction in one particular year, and they may be starting up or finishing off. We tend to look at funding over a span of years and not to read too much into any particular year. I guess the key point to note there is that the state governments across Australia have certainly accelerated the level of funding of recent years. The increase in the federal funding there that you can see in 2005–06, I think, lines up pretty much with some substantial levels of funding in New South Wales and partly in Queensland too with the upgrade of the Pacific Highway and some other very large projects on the national scene.

**Mr LEANE** — Does that funding include maintenance as well as infrastructure spending?

**Mr FREEMANTLE** — Yes. But maintenance historically is a relatively small component of the capital investment that is made. Typically federal funding is about 10 per cent of the funding in any one year.

**Mr KOCH** — Rob, if we were go out to the year 2008–09 we would see that big component of the Nation Building program and Building Australia Fund. We would lift that up significantly to what it is there now.

**Mr FREEMANTLE** — It will. I have some later figures showing that. Again keep in mind that the slide shows expenditure. Some of those Nation Building projects are still in development stages.

This slide shows funding to VicRoads over the last five-year period. What this is trying to point out is the relative levels of state government funding that comes to VicRoads through state appropriations of various categories, the level of federal funding by year and the funding that VicRoads receives through other revenue. That includes things like part of the registration fees, for example, which go into other revenues, the TAC revenue, including things like the motorcycle safety levy as well. There are some other revenues from other funding sources. That slide paints the picture of what VicRoads funding is in the last five years.

**The CHAIR** — How does that compare to other states and territories?

**Mr FREEMANTLE** — I have got that coming up, too. That is just a pie graph split-out of it, which basically shows the percentage figures. There is the Better Roads Victoria trust fund — and that is for the year 2008–09; that is the most complete year — and that just gives you a breakdown of the percentage of funding that is available to VicRoads.

What do we spend it on? The largest share of the pie, nearly 60 per cent, is spent on improvements to the network and operating aspects of the network. There is some 20 per cent — I think it is around \$380 million this year — spent on maintaining what is a very large asset out there. Road safety expenditure is about 10 per cent, and the cost of delivering registration, licensing and other services are smaller figures. That basically provides a breakdown of what the expenditure is from the funding that comes to VicRoads on an annual basis.

**Mr KOCH** — Rob, what does the 4 per cent 'other services' consist of?

**Mr FREEMANTLE** — The other services effectively will be the cost associated with operating VicRoads. So it will be our salary costs, correspondence, the standard setting that we do — those types of things.

This slide shows the national network as defined. The green is the national road network and the dashed line shown in black is the national rail network. That is the network that is eligible for funding from the Australian government through its various programs. The important point here is that the national road network covers a length of some 22 500 kilometres of which Victoria has about 11 per cent, but our national road network carries about 26 per cent of the total vehicle kilometres travelled. Whilst we have a smaller part of the network in percentage terms, our network is very heavily utilised.

**Mr LANGDON** — How does that compare to New South Wales?

**Mr FREEMANTLE** — I have not got the breakdown of percentage figures for New South Wales and the other states. But if you have a look on the slide at the larger states geographically, there are long distances of green road, and we believe a very important part of any assessment of funding in the future needs to have regard to the road use component of it as well as the road length. That was certainly a large part of the submission we made to the Commonwealth Grants Commission in recent times as well.

It is hard to read that slide, but essentially the national network is the major road and rail connections between the capital cities and into regional Victoria to major economic centres as well, so the table lists the Victorian sections of it. Obviously all of the interstate connections to the capital cities are listed on the slide; and historically the national network is stopped at the outskirts of the capital cities.

So if we take the Western Ring Road, for example; part of the Western Ring Road forms part of the national network and more recently we have sought to extend that network. There are small sections once you get into the capital cities that are covered by the national network and maintaining that network is going to be an important area into the future.

**Mr LANGDON** — Could I suggest you either call it all Western Ring Road or all Metropolitan Ring Road, because I assume the first and second — Metropolitan Ring Road and Western Ring Road — are one and the same?

**Mr FREEMANTLE** — The Western Ring Road part of our ring-road is part of the national network. The Metropolitan Ring Road, which I think runs from around Dalton Road through to the Greensborough Highway, is not part of the national network.

**Mr LANGDON** — Is that the difference?

**Mr FREEMANTLE** — Yes, and only the Western Ring Road, which essentially goes from the Craigieburn bypass around to the Princes Highway west, is the national network. The section east of the Craigieburn bypass is a state responsibility. I agree it would probably be better to have a common name for that corridor, because I think it can be confusing.

**Mr LANGDON** — Now I know the difference.

**Mr FREEMANTLE** — The next slide shows federal funding by state and program for the last six years and gives you a breakdown of what the quantum of federal funding has been over that period of time. What we note here is that there are several components under the Nation Building program. This is the next six years of federal funding announced under that Nation Building program and there are a number of programs which are listed down the right-hand side on the slide.

Importantly, around 73 per cent of the program is invested in major projects on the national networks, so it is by far the largest part of it. About 10 per cent of it is allocated to maintenance of the national network. The untied local road grants shown there in yellow comprise about 9 per cent; these are untied grants which are provided directly to local governments across Australia.

There is some funding for road safety and some smaller-type projects as well. But the slide gives you a breakdown by state of the different types of programs that are available and are funded through the Nation Building program.

This slide shows total arterial road expenditure by state, and this is expressed in 2008–09 prices just to give you a comparison of the states. I guess the thing that jumps out at you is the particularly high level of expenditure in recent years in Queensland. In Victoria, if we go back to the first figure for 1999–00, we have seen the level of

expenditure increase from \$912 million in that year through to \$1.63 billion in 2008–09. That is a 79 per cent increase in real dollars over that time, which is a substantial increase in Victoria.

As I said, in Queensland we have seen a very high level of expenditure; major projects such as the Pacific Highway upgrading and a number of new freeways in Brisbane itself are the explanation for that level of expenditure.

**Mr KOCH** — Western Australia has also seen a fair old kick along.

**Mr FREEMANTLE** — It has. Again most of these states — New South Wales, Queensland and Victoria — were driven by substantial increases in population and growth in freight over time as well.

The next slide shows the breakdown by funding type. This slide compares the data; improvements to the network is the largest component of the public expenditure. You can see the amount spent on maintenance activities — road rehabilitation and bridge rehabilitation and maintenance works. One of the interesting things that comes from that graph is the expenditure on safety treatments and it is hard to pick it up from that, but about twice the percentage of funding is spent on safety and minor works in Victoria than in other states. There is a lot more funding spent on road safety activities in Victorian than in other states.

This slide shows similar sort of data over the period going back to 1999–2000. There has been a real increase of 79 per cent in funding over that period of time. The figures for 2003–04 and 2005–06 really coincide with the completion of a number of very large projects in the state. We had the widening of the Princes Highway down in Geelong reaching completion in that period of time; and duplications of the Calder Highway around Carlsruhe and Kyneton were completed in that year as well. So, as I indicated earlier, that is the actual expenditure, but it is a bit hard to compare year-on-year expenditure figures and they are best taken over a period of time. But, again, that gives us answers to where the money was spent.

**Mr LEANE** — Can I ask for examples of the operating costs there in the purple?

**Mr FREEMANTLE** — This is an interesting area. This will be the cost of operating the networks and things like that as well.

**Mr LEANE** — Lighting the roads?

**Mr FREEMANTLE** — That sort of stuff and managing traffic signals. Historically, what we have done is to go out, and this particularly occurs in metropolitan areas, say put in a set of traffic lights and switch them on or you build a road and open it and the traffic simply responds to these changes. Today, more and more what is important is to manage the operational performance of the roads.

Things like the recent upgrade of the Monash/West Gate Freeway, the M1 upgrade which has introduced a full freeway management system, are really about operating the network to get more capacity out of what you have got. This avoids the need for the capital improvement projects so you can put the technology on the road to manage and increase the throughput along the roads to save having to build an extra lane, for example, which is a very expensive piece of work. More and more that is becoming a larger part of it as well — the operating costs associated with the network.

**Mr KOCH** — Although the outgoings you would expect during the last five years would indicate otherwise in relation to servicing and operating. It is falling away in 2008–09 against certainly 2005–06, 2007, 2008?

**Mr FREEMANTLE** — It has been a steady increase through there and that has probably dropped away a little bit.

**Mr KOCH** — When you look at the costs of servicing and operating against low-cost safety traffic there is a huge difference in outgoings.

**Mr FREEMANTLE** — Yes, and I am just trying to remember, but I think there are issues associated with the funding of street lighting and things like that as well where we have different cost-sharing arrangements that may have kicked in during those periods as well. I have not got the detail there. If you were particularly interested in that, I could get you some further information.

**Mr KOCH** — It is just an observation. Bridge maintenance — what is that telling us? Expenditure on bridge maintenance over the last six years, with the exception of one, has been pretty static. Are we in front with bridge building programs? Are they nearly all concrete? What is that telling me?

**Mr FREEMANTLE** — In having a look at these perhaps you can recall — I think it was back in about 2000 — a new national mass limit increase was introduced into Victoria and nationally. We increased the legal weight limits at which heavy vehicles could operate at about that point in time.

**Mr KOCH** — It was a bit earlier, I think.

**Mr FREEMANTLE** — There are high levels of expenditure in those years while we did some work strengthening a number of the structures to support that. I guess what it is really saying is that bridges are the weak link in the network; you have to make certain that the bridges work. You can repair a pothole but if you lose a bridge, then you have a serious problem so there has been a larger investment in strengthening and rehabilitating bridges in support of that increase going back to about 2000. This is more in the maintenance area. We run a very extensive monitoring program so that if we have any problems with bridges, we can rehabilitate and include them in programs as well.

That is probably a good-news story but I am always careful about bridges, because, as I said, they really are the weak link in the network.

**Ms CURNOW** — It is probably also true to say that we run an ongoing risk assessment in monitoring so that any high-risk bridges come to the top of the list for attention in the following year. The strategy is to keep 99 per cent of the arterial road network open to the high-mass-limit vehicles.

**Mr FREEMANTLE** — That is a huge win for Victoria. I think it is 99 per cent of bridges on the arterial road network in this state are available to vehicles operating at the nationally agreed high-mass limits. That is miles in front of any other state, and that is really important because of the economic benefit heavier vehicles bring, particularly in regional Victoria. That is a major plus for us.

Local road funding is the funding that is provided to local government. I think the total figure across Australia in 2009–10 was \$457 million. Each state receives a fixed share of the grant. Each council's share of the grant is determined by the local government grants commission in each state and the grants are untied. They do not have to be spent on roads in particular, they are untied grants. The pie chart on the slide shows 20 per cent of the Australian total. In 2009–10 a quantum of \$91 million went to local councils.

**Mr WELLER** — Do you think we would see a better outcome for roads if it was tied?

**Mr FREEMANTLE** — That is an interesting question. It is getting into the local road area; our planning does not extend to local roads. The local road issue that I think economically is important to the state would be: we have an arterial road network that supports heavy vehicles and therefore supports industry but it is the first and last mile stuff. If I can take a highway for example, we can strengthen bridges and bring roads up to an appropriate standard but if I cannot take a truck off that arterial road network to do the last-mile journey into the factory or something like that, then I am not getting the full benefit of the investment in the state infrastructure.

That is the importance of local roads; it is the economic benefit they deliver. It is important that people who live in country communities have access to services, particularly smaller communities. They have to go into larger regional centres so roads are very important from that perspective as well. The economic benefit is when you can move heavier vehicles across the network.

**Mr WELLER** — We are probably in full agreement on that. What I asked was: would we get a better outcome if it was tied to road funding rather than just giving it to the council?

**Mr FREEMANTLE** — Without knowing the pressures that local governments are under, that is a hard one for me to answer, I am sorry.

**Mr KOCH** — In saying that, has VicRoads got the capacity to identify how much of that Roads to Recovery funding actually found its way to roads versus other uses?

**Mr FREEMANTLE** — We would only take that out of the annual reports from councils. We do not have a role in this at all. Historically I think it goes back to about 1990. All federal funding was basically provided through VicRoads. VicRoads determined where that funding was spent but since that time there have been untied grants that have gone directly to local government. Without understanding what other pressures each council has for expenditure, it is a bit hard to answer that question, I am sorry.

**Mr TILLEY** — Do you have an opinion?

**Mr FREEMANTLE** — My opinion would be along the lines I have answered. What is important in country Victoria is jobs, fundamentally, and you need industry and businesses that rely on roads in country Victoria to create those jobs. If the road network is not supporting those, then I think that is in some way jeopardising those regional areas and their long-term sustainability. I reckon that is what is important. What I do not know is how much of this funding actually goes towards local roads, how much might be spent on other purposes.

We have regular meetings with every municipality across the state and the highest issue we always get presented with is the importance of roads to those communities. My expectation would be that a large part of the untied grant would go towards roads but I do not have that information.

**Mr TILLEY** — Going back to the previous graphs where we were talking about increasing expenditure [inaudible] VicRoads changed its business and went over to SprayLine. Have the costs increased in relation to having companies like SprayLine which by and large as I understand it is still run by VicRoads? What are getting back on the road network by doing our business that way?

**Mr FREEMANTLE** — SprayLine, for other members, is a commercial business run by VicRoads. It is a surfacing business so it does [inaudible] spraying and the sealing of roads in regional Victoria generally. To be honest the benefit that business probably has to the state is that it keeps prices competitive.

**Mr TILLEY** — Why would SprayLine be doing work in the Northern Territory then?

**Mr FREEMANTLE** — It does tender for works in the marketplace, in other states. I was not aware it was actually up in the Northern Territory. I know it does a lot of work in New South Wales as well. It has got resources. It has got equipment. It operates off budget in the marketplace. It bids for works competitively to keep the operation going. If it misses out on works in Victoria, then it will seek to close that gap in its costs in other states.

As I say, generally it has done more work in southern New South Wales. Again, part of that is because in many respects it is actually closer for SprayLine to do work up in southern New South Wales than it is for some of the big players in New South Wales to come down closer to Victoria as well. Far and away it keeps the prices low. With SprayLine bidding in the marketplace, we believe we are assured of getting the best prices we can.

I wanted to touch on the road safety figures, and where we are at from a road safety perspective. I guess none of this is news to this committee, but this slide shows the figures up until December 2009 against the Arrive Alive target — the rolling 12-month totals. The effort that has gone into this, that is, the level of funding that has gone into the program, all of the work done through the enforcement by the Department of Justice, the police and the advertising through TAC delivered, I think, the lowest number of fatalities on record in this state last year.

I think the figure was 290, which is the lowest since records started to be kept, back in 1952. There is an awful lot working to deliver a result like that. I think that is an important point: there is an awful lot that is working well in this state to deliver that outcome.

**The CHAIR** — In relation to that, would you have a breakdown of those fatalities and what type of roads they were on?

**Mr FREEMANTLE** — What type of roads they were on?

**The CHAIR** — Is it local government roads, state roads, national roads, dirt roads or sealed roads?

**Mr FREEMANTLE** — I have not got them here, but certainly that is available. We have got that information, which, if you would like, I could provide through Alex. I think from memory the percentage might

be 30 per cent of fatalities occur on the national network, which is interesting, because there is not a lot of funding that is available through the Australian government from a road safety perspective, yet some 30 per cent of the fatalities I think are occurring on the national network. But that is just from memory, and I will get those figures through Alex if that is okay.

**Mr LANGDON** — Also with those figures can you find whether they are single fatalities or multiple fatalities?

**Mr FREEMANTLE** — I think the statistics will give us that too.

**Mr KOCH** — Rob, in terms of the ratio, if it is in your mind, on a per capita basis, how many did we lose in rural Victoria per 100 000 versus the urban area?

**Mr FREEMANTLE** — I have not got that information.

**Mr KOCH** — We were staggered to hear the numbers in Western Australia which quite obviously, nationally, will probably be our worst in the high 20s per 100 000.

**Mr WELLER** — That was on the rural.

**Mr KOCH** — That was on the rurals. And it was seven in the urban environment.

**Mr LANGDON** — Did they define it differently? There was rural and there was another definition — that is, outback?

**Mr FREEMANTLE** — I can get you the broader figures, the state road toll to midnight last night. Fatalities for Melbourne metropolitan is 36 fatalities and it is 53 in the rest of Victoria, for a total of 89 compared to the same time last year where there was 40 in Melbourne metro and 42 in the rest of Victoria for a total of 82. So there were seven more fatalities in the same time this year and 11 more fatalities in regional Victoria. I reckon that is where the challenge is probably sitting more and more now.

**Mr KOCH** — That is what we heard in the west.

**Mr FREEMANTLE** — Yes, that and motorcycle pressures too, because just in looking at that 20 to this time this year, versus 11 — that is probably the other one.

**Ms CURNOW** — I can probably make a comment as well. In terms of crashes on local roads and the responsibilities around them, even though VicRoads does not have responsibility for local roads, the fact that there are fatalities and serious injuries happening on local roads is of concern to the state. Therefore when we get black spot funding it is allowing it to be spent on local roads. I think in particular the federal black spot funding is being dedicated pretty much to local roads in order to make sure we address what is happening on local roads in terms of road safety. It is an important factor for the state even though we do not have the day-to-day responsibilities for those roads.

**Mr FREEMANTLE** — This slide shows a breakdown by road user type. Again, you have probably seen these figures before.

**Mr KOCH** — Has there been an escalation in bicycle deaths on our roads in Victoria in the last five years? It is something we seem to read about a lot more now than we did. Whether or not that is being emphasised for safety reasons, I am not aware.

**Mr FREEMANTLE** — Again, I am sorry I have not got this information. It is the same. It might have been 2 or 3 per cent. Certainly we are seeing a lot more people riding bikes, which is terrific, particularly in the Melbourne area, because I would love to see more people walking, riding bikes and catching public transport just to free up the roads. But there has been a fair investment that has been undertaken by the state over a period of time in improved facilities for cyclists. I do not have the precise figures on bikes.

The interesting one is probably motorcyclists. Motorcyclists represent less than 1 per cent of travel on our roads, but they make up 13 per cent of all Victorian fatalities, and then you see the trend this year to date. Although having said that, they are certainly overrepresented. That is really important.



One of the things that has been important in this area has been the motorcycle safety levy that was introduced. It is a charge that all motorcyclists pay — that is, annual registration. It is some \$60, I think, this year. That has led to a dedicated fund source for treating motorcycle accidents and doing better research in that area. I have some figures which say that an evaluation of the motorcycle black spot program, which is funded through this levy, found a 24 per cent reduction in motorcycle casualties crashes at the first 85 sites treated since the program commenced. Since 2002 there has been a reduction in motorcycle fatalities of 31 per cent in Victoria compared to an increase of 19 per cent for the rest of Australia. I think that is important, although that disturbs me still as does the year-to-date trend in Victoria from a motorcycle perspective. But I think what it is saying is that it is a high at-risk group and this safety levy that has been put in place has actually given a dedicated source of funding to enable treatments targeted specifically at motorcyclists.

We are very different from the rest of Australia in terms of motorcycle crashes. Their statistics are going through the roof. In Victoria they are coming back in the opposite direction. I think the capacity that the state has, through this motorcycle levy, to fund those safety works has been an important initiative.

**The CHAIR** — It would also be interesting to find out whether there are more older motorcyclists now than there used to be. I know a former member of this committee, Terry Mulder, was very passionate about the *Wild Hogs* issue. A 40-something year-old decides to buy a Harley to ride down the Great Ocean Road. Obviously there are some coordination issues there. I was just interested to find out the breakdown of the age. Does that include the off-road riders?

**Mr FREEMANTLE** — No, it does not include off road, because they are not reported through the state's accident reporting system. But I am sure you are right that it is those who have returned to motorcycle riding after a long period of time. They have bought the big bike, and they are not experienced riding a big bike, but that suits their purpose. We should have some statistics in that space, but I understand that has been one of the issues that has been identified.

There is data about motorcycle crashes, but there is not a lot of very good data about motorcycle crashes. For example, the way they get coded does not differentiate between, for example, a motor scooter and a motorbike. What we have seen from tracking motorcycle sales is that the huge increase has been in the sale of motor scooters, which you see all around Melbourne now — the little step-through motor scooters, the Vespas and things like that; that is where the growth has been in the motorcycle industry.

As for motorcycling for other purposes, motorbikes have historically been used for recreational cycling purposes. There is a very small percentage of people who actually ride bikes on a daily basis to and from work. It is basically for recreational pursuits, so when you mention roads like the Great Ocean Road, it is one of those touring routes where motorcyclists can get into trouble, and that has been a focus of the motorcycling accident black spot program.

In closing, the key point we make on this slide from a funding perspective is that the direction in which the Australian government has gone in terms of its planning and investment through Infrastructure Australia, the Building Australia Fund and the Nation Building program, and particularly the work in setting up the Major Cities Unit, is the right direction. Historically federal funding has been pretty much directed at improving regional and rural arterial roads. We have duplicated the Goulburn Valley Highway, the Princes Highway east and Princes Highway west, and the Western Highway out to major provincial cities, and we are pushing out a little bit further. But that has been historically the major source of funding for those projects. That is not to say continuing to improve those roads is not important going forward, but once you get beyond — —

**Mr KOCH** — It is a long time since these reconstructions, and it is a long time since dual highways have gone beyond a provincial city. We know there is an opportunity now on Princes Highway west, the Western Highway and I am sure on others out of my patch.

**Mr FREEMANTLE** — Yes.

**Mr KOCH** — But that has a long way to go. You say, 'Yes', Rob, but it stalled a long, long time ago. As I mentioned earlier, we see that revenues in Victoria have doubled in 10 years, but that actually has not got onto our road network or those major corridors.

**Mr FREEMANTLE** — Certainly the Nation Building program that the federal government has committed to and the matching funding through the state government do provide for future upgrading of these roads. Princes Highway west is being duplicated to Winchelsea at the moment, and the expectation is that that would continue through to Colac. That would be the important stage in the next 5-year, 10-year period. The Western Highway is being duplicated from Ballarat through to Stawell, and that project is under way at the moment. The Princes Highway east from Traralgon to Sale is being duplicated down in the east.

**Ms CURNOW** — The Anthonys Cutting diversion on the Western Highway.

**Mr FREEMANTLE** — The Western Highway is being realigned as well. There is funding from the current Nation Building program that is extending duplication works on the national network. There is a need to continue to do that too, but I think more and more we need the federal government to start seriously looking at the transport requirements in the city, and that is not just from a road perspective, that is from a public transport perspective as well.

My understanding is that the major increases in the economy of recent years have been driven through the cities of Australia and they are becoming more and more congested. It is important that the federal government, as it has foreshadowed with its major cities unit, gets far more actively involved in funding transport investments in the cities so that they do not become clogged and they do not become an impediment to our industries.

**Mr KOCH** — I do not think there would be anyone around this table who would disagree with you. The mode of gaining that opportunity is what this reference is all about: the federal-state funding regime. My understanding is that the state makes a contribution of 20 per cent and the federal government contributes 80 per cent on the likes of the Western Highway and Princes Highway west.

**Mr FREEMANTLE** — Curiously some of them have different funding arrangements in place. A number of them are 80-20, some are 70-30 and a number of them are funded on a 50-50 basis. There are different funding proportions that actually apply to those.

**Mr KOCH** — Are there differing percentages across all these new programs that are being initiated? Are there differing percentages within programs?

**Ms CURNOW** — They are by project. The memorandum of understanding that we have with the federal government specifies the funding split. It is 65-35 on Princes Highway east, 25-75 on the M80 — —

**Mr FREEMANTLE** — The Western Ring Road.

**Ms CURNOW** — Yes; 80-20, as Rob said, on quite a few projects; 50-50 on the Kings-Calder interchange. It varies. Generally speaking, the metro ones get less and the rural ones get more, but it is not universal. It appears a bit arbitrary when you look at the numbers.

**Mr WELLER** — The local roads, though, are in a very poor state. It has been stated in here that actually the funding at the current rate is not maintaining those local roads and that a lot of the rural municipalities do not have the resources to do anything to make up the shortfall. How would you suggest, as well as what you propose in the city, that we make up the shortfall on the local rural roads?

**Mr FREEMANTLE** — It would be beneficial to have more money spent on local roads. It is a question of where it comes from and how you get it. We have relied in this state on the agreement at the special Premiers Conference which identified responsibility for funding, and it made it very clear that the state was not going to be directly involved in funding local roads. That was a responsibility of local government with funding assistance from the commonwealth.

Local councils were successful a number of years ago in getting the Australian government to agree to the Roads to Recovery program, which has continued on and which I think has been a very good program to help support regional communities and local roads. But I think it would require a change in the agreement that has been struck across all states if the state were to be more directly involved in it.

**Mr WELLER** — I am not saying money has to come from the state, but where you are supportive here of more money being provided in the major cities, we do not want that to come at the expense of the — —

**Mr FREEMANTLE** — No, and that is always the difficulty. There are a couple of programs where the state does actually help. There is the local timber road program, there is the state impacted local roads program, and there is a program run out of Regional Development Victoria which is helping local councils strengthen roads and bridges to support the heavier vehicles that need to operate, on a 50-50 basis as well, and things like that. Effort has gone into it. Similarly the state does spend money in terms of improving the safety of local roads. Almost all of the funding that has been able to be secured from a federal perspective through the federal black spot program is spent on local roads as well. But again that is targeting it from a road safety perspective.

**Ms CURNOW** — In terms of the untied grants from the federal government to local councils, that formula was changed a little bit in 2006 because South Australia argued that there were some sections that did not have any local council looking after it so the state should receive some of that funding in order to maintain those roads that were essentially local roads but did not have a local council area. That meant that Victoria's percentage reduced marginally at the time. But otherwise I think it is generally a fairly static percentage allocation by state. So I suppose the arrangements around the distribution of that fuel excise could be looked at, but that is not something that the state has an involvement in.

**Mr FREEMANTLE** — I think the federal government collects something like 38 cents a litre on petrol and diesel, although there are some discounts that apply to diesel, and I think from memory something like 10 cents of that 38 actually comes back. If you wanted to look somewhere, that is probably a good point to start, I would have thought.

**Mr KOCH** — It has been inferred that the Henry review — and I am sure we all look forward to the opportunity of perusing the report — is looking at user charges. Would VicRoads see that as a greater opportunity for federal funding across all states, not just Victoria, and as a preferred funding stream?

**Mr FREEMANTLE** — As an organisation we do not have a view on it at this stage. It is a piece of work that is being looked at through the COAG road reform process at the moment, so it is being looked at from a national point of view. It has been introduced around the world with road user pricings in different sorts of formats as well. It is important that we have and develop an informed view of this, because I think when the Henry tax report is released it may talk to that particular issue as well. VicRoads has not got a position on this at this point in time, but I think it is something that is important that we come to an informed view on. It certainly provides an alternative to the current system of taxation and funding arrangements.

There is an established funding model and a taxation regime in place at the moment, and if you introduce road user charging, then you have to change a fair bit of the way things currently operate. I think the first step — and this is where COAG is looking at it — is looking at road user charging for the heavy vehicle industry. That is where I think this will start off, possibly nationally.

**Mr KOCH** — Recently in Western Australia it was indicated to us by Main Roads Western Australia that they felt that heavy transport was currently making more than a reasonable contribution. That was probably at the middle area of the light commercials, not the heavy haul or motor vehicles. It was that in-between ground that is probably an area that needs to be further recognised.

**Mr FREEMANTLE** — The National Transport Commission has done an awful lot of work over a number of years in terms of trying to calculate an appropriate registration charge for different classes of heavy vehicles. I think it has had one or two and is probably up to a third pricing determination. It is always a challenge to get that introduced nationally, just to get national consistency in that registration rate across Australia.

Importantly the logic that the NTC is currently applying to that funding regime — how it prices registration fees now — was the same principle that we argued before the Commonwealth Grants Commission: that the grants coming back to distribute the GST revenue should have used the same principle, and that is on the basis of not just road length but also road use. That is an important principle. If you have long lengths of road but very little traffic that actually uses it, then that is not placing a huge demand on the infrastructure. The road use part is very important. That is using the current funding model it has at the moment. Moving towards a new way of funding through road user charging is what is starting to be looked at through the COAG process nationally now.

**Mr KOCH** — Does VicRoads see PPPs and private investment as an alternative source of funding that may allow it to move its road programs and projects and road safety further forward in Victoria? Have you spent any time looking at that as an opportunity?

**Mr FREEMANTLE** — I would have to say yes. We have looked at PPPs for projects, but not every project lends itself to a PPP format. It needs to be the very large ones, projects that may not be able to be invested in because of limited funding in the short term. One would certainly have to do the sums on these things, but if it presented an opportunity to bring forward needed infrastructure at an earlier time to give the benefit of that to our industries and to our communities, that is something for which we are quite happy to look at that use of PPPs. I think we have done them pretty well in this state.

**Mr KOCH** — I do not disagree. Does VicRoads see that there are some downsides to PPPs? I think we all very easily read the upsides, but from a state perspective and a funding point of view, ongoing funding and current funding is making those things survive. Does VicRoads recognise any obvious downsides that you could bring to our attention?

**Mr FREEMANTLE** — I am not an expert in PPPs but I think it is a ‘horses for courses’ approach. I think PPPs lend themselves to certain types of projects; they tend to be the larger types of projects. One of the downsides that we have to be careful about is that we have an industry which we work with to deliver infrastructure, be it road or public transport or whatever it happens to be, and if all the work we do is bundled up into big, complicated projects and delivered as PPPs, then we may jeopardise the viability of the construction industry at different levels in the sector. There may be no work for the middle-tier contractors. We cannot afford for that to occur as well so it is very much horses for courses. There are benefits of them in certain applications but I think traditional funding and delivery models equally have their place.

The next slide is really just saying that I think some of the directions of the Australian government, particularly the focus in the cities, is what we would support. By way of conclusion, there are probably some fairly obvious points on the slide but the challenge that we are really facing is the growth in population and the increasing demand for travel and freight. How we appropriately respond to that is a real issue we have to deal with. The best way I can describe that to you would be to say that on average every person makes about 3.3 trips a day. Melbourne is forecast to have an increase in population of 1.8 million by about 2036. If you multiply 3.3 by 1.8, that is another 6 million trips in Melbourne on top of the 14 out there today. You cannot change that relationship. You may be able to change the mode by which people travel and the time at which they travel and those sorts of things, but essentially that number of trips will occur with an increase in population. If we have congested roads and public transport systems today, another 6 million trips every day on that network is going to put it at greater risk. Population growth will drive travel demand.

The forecast doubling in the freight task over the next 15 or 20-year period is real as well, so they are the big challenges we are facing going forward. It is particularly evident in the cities, so having the Australian government active in city planning and being able to provide investments in the city is important to us. Continuing to invest in existing programs and making certain we continue to work constructively with the Australian government is also going to be very important to the state going forward.

**Mr LANGDON** — On the issue of freight, you mentioned earlier the desalination plant, and you were actively improving that road, the work and what have you. Particularly in regional Victoria you have private industry starting up in a particular part and the roads are not adequate. It falls on VicRoads’ shoulders to fix up those roads as well. What is your opinion about that?

**Mr FREEMANTLE** — If it was a private investment, we would not necessarily believe that it was a state responsibility to deal with that. The funding we have access to is through the state impacted local roads program. It is really on the basis of the state making a decision to do something, and as a consequence of that decision there could be an impact on, say, a road or a road network locally and it would not be reasonable for the ratepayers of that municipality or those municipalities to fund the cost of the impact of a decision made by the state.

**Mr LANGDON** — The reason I asked that question is that it has come back to us previously. For example, the timber industry plant the trees, and when they have to harvest them they expect their trucks to go down roads that are not designed for that. Who has been covering that?

**Mr FREEMANTLE** — One of the other programs we have is a local timber road program. Between \$5 million and \$6 million has been spent annually for a number of years on supporting in total both of those two programs. We develop projects in conjunction with the group Timber Towns Victoria. They identify priorities

for improving local timber roads on a statewide priority basis and the funding we have through this program actually goes towards those funding priorities. I agree absolutely that in the timber areas that is an important issue, so the state does make a contribution towards improving those roads.

**Mr LANGDON** — Should they increase their registration fees, for example, to help fund it?

**Mr FREEMANTLE** — To fund those things?

**Mr LANGDON** — Like we did with motorcycles. Should there be something equivalent for those trucks and other vehicles that are a cost to the state?

**Mr FREEMANTLE** — I think those are the sort of options the state probably has available to it. There has been an important piece of work in the green triangle region of Victoria; David would be well aware of that. This is not just the south-west part of Victoria, this is south-east South Australia as well. We have basically taken a region of Australia and said that economically it is important that we find a way of strengthening and improving bridges and roads, providing access into the port of Portland, but it requires a level of investment. We have developed programs. We have sought funding through Infrastructure Australia to support that as well. The need is there to support some of these communities. In my view they need to be done on a regional basis because just providing funding for ad hoc things is probably not the best way of dealing with it. I really like the way in which that strategy was put together from a region of Australia's perspective; economically it was important. There is a prioritised list of improvement works which will deliver some really important outcomes to that particular region and future jobs in that part of the state but will also help improve the economic position of Victoria and Australia as well. That is an example of a program which we will continue. We have sought funding for it, and we will continue to seek funding to support that as well. That is in addition to the local timber road program, albeit that some of those roads might be funded out of that one as well.

**Mr TILLEY** — That is also taking into consideration the millions of dollars in royalties taken out of the timber industry that the state government benefits from as well, which was not demonstrated by your answer to the question.

**Mr FREEMANTLE** — Having industries that are sustainable, that actually generate jobs and therefore services in regional communities becomes really important. One of the passions I have is regional Victoria, and if the road programs VicRoads runs out can help build the economic growth in regional Victoria, that is something we look very hard at trying to do. I lived in the bush; I know.

**Mr KOCH** — It is a free kick, isn't it?

**Mr FREEMANTLE** — Yes. You have got to have jobs for people because that maintains communities and helps pay for services in those communities. That is ultimately what it comes down to, so I am pretty passionate about this.

**Mr TILLEY** — Finish off the Omeo Highway and the Benambra road.

**The CHAIR** — Thank you for your time.

**Witnesses withdrew.**