

ROAD SAFETY COMMITTEE

Inquiry into federal-state road funding arrangements

Sydney — 16 March 2010

Members

Mr J. Eren

Mr T. Mulder

Mr D. Koch

Mr W. Tilley

Mr C. Langdon

Mr I. Trezise

Mr S. Leane

Mr P. Weller

Chair: Mr J. Eren

Deputy Chair: Mr D. Koch

Staff

Executive Officer: Ms A. Douglas

Research Officer: Mr N. Bunt

Witness

Mr W. Setkiewicz, senior economic advisor, NRMA Motoring and Services.

The CHAIR — Good morning. Thank you for being here to assist the Victorian Road Safety Committee's inquiry into federal-state road funding arrangements. As you can see, the proceedings are being recorded by Hansard. You will receive a copy of the transcript within the shortest possible time and you can make corrections as appropriate.

Would you please give your full name and the name of the organisation you represent and then proceed with your presentation.

Mr SETKIEWICZ — My name is Wal Setkiewicz. I am the senior economic adviser for the NRMA. Just for the record, I apologise for being late; I was roped into this at the last minute. You mentioned something about a presentation.

The CHAIR — That is right — verbal; whatever contribution you would like to make.

Mr SETKIEWICZ — There are a couple of things I want to mention. As far as we are concerned here in New South Wales, from an NRMA perspective we have concerns about the way road funding is allocated. We have issues with the fuel excise arrangement. Thirty-eight cents is collected from the motorist and only about 11.5 cents to 12 cents is currently returned to the motorist in the form of road investment from a federal government perspective. We have always campaigned on the basis that there is an imbalance between what is collected from New South Wales motorists and what is given back to them from a federal perspective.

In regard to state charges, we do not have that issue. Over the last couple of years what has been collected from the motorist has been returned to the motorist in the form of investment in roads and ongoing maintenance work but in general, if you combine the two funding sources, motorists end up receiving a lot less in return when you consider what is actually collected from them. That is the first point I want to make in regard to the funding issue.

The second point is that we still feel there is an issue with the way planning processes work in NSW. There have been various issues raised in the media. For example, there is not enough proper planning to have a series of projects ready to go forward in New South Wales. There were issues raised through the IA, Infrastructure Australia, process a couple of years ago. One of the comments that was made when a list of established priority projects was developed was that there seemed to be a lack of planning for projects in the New South Wales context.

They are the two issues I want to raise and put on record. If you want to ask any questions in that regard I am happy to take them.

Mr WELLER — You spoke about the government only contributing 13 cents out of the 38 cents that it collects. Do you support the whole 38 cents being put back into roads?

Mr SETKIEWICZ — Ideally, we would like everything returned to the motorist. Obviously, that is not going to happen. Our federal organisation, the Australian Automobile Association, has asked that more money be allocated to road expenditure than is currently happening.

Mr WELLER — In your budget submission you said there were a lot of road projects in Australia with good cost-benefit ratios. Can you name a few of those that have not been funded?

Mr SETKIEWICZ — I would have to take that on notice.

Mr WELLER — All right. In your budget submission you also talk about PPPs and you say that there are other ways of funding. What are the other ways in which your organisation would like to see roads funded?

Mr SETKIEWICZ — Our view has always been that, where possible, we would like projects to be funded from the government coffers. We are aware that in the current climate the government cannot fund all possible road projects, so we encourage the private sector to get involved and we want transparency in the way the contracts are set up; we want them to be quite clear. On a few occasions we have said we would prefer that motorists be given the option, where there is a private road and a publicly funded road, to use one or other of the roads. In certain situations where there is only one road built the motorist does not have the opportunity to choose. If they want to avoid that road they have to go a long way.

Mr WELLER — That would be difficult to manage. You are duplicating if you have a free road and a toll road — no-one is going to use the toll road.

Mr SETKIEWICZ — We would like the motorist to be given the option. If it is not feasible at the end of the day from an economic perspective, of course you cannot do that, but where there are options they should be explored.

Mr KOCH — What bad experiences has New South Wales faced in relation to PPPs? Can you give us some examples? I know you have a few.

Mr SETKIEWICZ — I understand that the Lane Cove tunnel was an issue. I cannot comment too much on that because I was not involved in that process. I understand that commentators have made the point that there was a lack of transparency in the contract negotiations; there were certain things that were not spelt out. Another issue that was relevant on one of two of the projects was the estimation of traffic forecasts, which caused some angst after the project was up and running.

Mr KOCH — In saying that, what level of projects does the NRMA see that could be sensibly financed by government in the current situation — what percentage?

Mr SETKIEWICZ — If the projects have a solid business case and there is a net benefit to the New South Wales economy we would tick those projects off and agree with them.

Mr KOCH — Are there any standouts at the moment you could refer to?

Mr SETKIEWICZ — I am not aware at this point of time. Our organisation, as such, does not get involved with the economic evaluation of key projects.

Mr TILLEY — In relation to the regime we are now seeing, in the past we had the black spot program and the Roads to Recovery program, and now we have what is referred to as the Nation Building program. They have all been lumped under the one umbrella. Do you see any issues with that program and the rollout of the funding to respective states?

Mr SETKIEWICZ — I think those two programs you mentioned have been quite successful over the last five or six years. Obviously they have rolled forward into the Nation Building program. Previously they came under AusLink. Local governments get a chance to put forward their projects. They put their analysis forward, and that is a healthy situation. It allows decisions to be made at one level — projects come in from all the states — and that works well. There are probably always ways it could be improved, but I think those two programs have worked quite well.

Mr TILLEY — As stand-alone programs or under the National Building program?

Mr SETKIEWICZ — They are treated differently to, say, the other bits in the National Building Program. They have obviously been put in there for the purposes of road safety funding. As the name implies, the black spot program is there to serve a purpose. The criteria were established at the beginning. They are known to everybody, and that has been a good thing.

Mr WELLER — On that subject, in your view how equitable are the current road funding arrangements between the federal, state and local governments?

Mr SETKIEWICZ — I think I made the point earlier: I do not think that is entirely equitable. From a state-based perspective the motorist gets handed more than the amount that is collected from roads revenue at the moment, so I think that is more than equitable. With respect to local government, there are always going to be issues because local government does not have the ability to raise a lot of revenue; it is reliant on funds from various government sources. The other thing is that local councils have a lot of infrastructure on their books and it becomes a prioritisation issue as to where they spend their money. Roads are only one of the infrastructures they have to maintain.

Mr WELLER — Do you think the federal government or the state government should give extra support to local government for roads?

Mr SETKIEWICZ — If there are economic benefits to be had from providing a greater level of expenditure on roads. Assessments need to be made as to what the value is. Obviously, a very small rural community is not going to have the same sort of economic ability to get funds compared to more centralised regional areas. Again, that becomes a government policy decision as to whether it wishes to help remote regional centres.

From an NRMA perspective we would like to see good-quality roads, irrespective of who owns them, whether that be the state, federal or local government. The local councils have a lot more difficulty in getting money to spend on their roads. Under the current arrangement that is fairly obvious. There are no easy solutions to getting a bit more revenue spent on them. If there was a mandate from government to increase that expenditure slightly over time we would see that as a good thing.

Mr WELLER — As you said, some of the smaller local governments in the rural areas do not have the ability to raise funds, so perhaps we could get the feds or the states to assist local governments in those cases to improve the roads.

Mr SETKIEWICZ — That would be a good initiative by those governments. We would welcome more help from the state and federal governments for local roads.

The CHAIR — What are your views on a user-pays system where the more kilometres you do on the road as a driver, the more you should be charged as an extra levy for using that road?

Mr SETKIEWICZ — An extra levy? The NRMA's platform in relation to the current proposals before the major tax review is that we do not want the cost to the motorist to be any more than it is currently. That is our view in terms of the wider scope. If a road-user charge was introduced we would not want the motorist to be any worse off than they currently are in terms of having to contribute the revenue from that charge to the government.

The CHAIR — Do you liaise or communicate with other motoring organisations around the country in terms of possibly doing a collective submission to Infrastructure Australia? Do you collaborate and share information amongst each other?

Mr SETKIEWICZ — We do. We talk quite regularly with our fellow motoring club organisations. We also have a federal organisation based in Canberra. On issues dealing with national perspectives, on most occasions we attempt to collaborate to produce a document. Obviously with the Henry Tax Review there is one submission into that organisation from all the motoring clubs.

The CHAIR — Any further questions?

Mr KOCH — Just one. In relation to your joint lobbying with your neighbouring motoring organisations, has that been found to be successful? Are you left wanting? Are there any better opportunities that you could arrive at than the current method you are using?

Mr SETKIEWICZ — Obviously the NRMA is a bigger organisation than some of the other motoring clubs. At times we do not — —

Mr KOCH — But collectively on the eastern seaboard, between the three of you, there is a huge membership that gives you a lot of lobbying power?

Mr SETKIEWICZ — If you put it in that context, I think on most occasions our Queensland colleagues and our Victorian colleagues tend to see eye to eye on most of the issues. Obviously we are not always in agreement. There are issues of national significance which are in most cases common to all of the motorists up and down the eastern seaboard. We tend to lobby together where there are issues which are relevant across the board.

Mr KOCH — Are there any advantages in Victoria and New South Wales lobbying in their own rights to try to increase their percentages, especially in relation to fuel taxes returns?

Mr SETKIEWICZ — I could not give you a yes or no answer.

Mr KOCH — So the NRMA does not go down that track at all at this stage?

Mr SETKIEWCZ — What track?

Mr KOCH — Of yourself and Victoria putting submissions in?

Mr SETKIEWICZ — We have a policy forum committee that meets every three months under the Australian Automobile Association. Obviously we flesh out the issues there. If we feel strongly that certain issues need to be pushed a bit more than others, generally in Queensland and Victoria there tends to be broader agreement. Obviously, as you can well appreciate, sometimes you do not get a consensus from the entire organisation base. You look at it in terms of what advantages it can bring you.

The CHAIR — Any further questions? Thank you very much for your time.

Witness withdrew.