

## **ROAD SAFETY COMMITTEE**

### **Inquiry into Federal-State Road Funding Arrangements**

Perth—9<sup>th</sup> April 2010

#### Members

Mr D. Koch  
Mr P. Weller

Mr C. Langdon

Deputy Chair: Mr D. Koch

#### Staff

Executive Officer: Ms A. Douglas  
Research Officer: Mr N. Bunt

#### Witnesses

Western Australia, Main Roads:

Mr R. Peters, Manager, Road Asset Planning;

Mr M. Cosson, Manager, Project Planning;

Mr R. Phillips, Director, Budgets and Financial Planning; and

Mr M. Cammack, Acting Manager, Road Safety.

**Mr KOCH**—Gentlemen, on behalf of Victorian State Parliament Road Safety Committee, thank you very much for joining us this morning, we do very much appreciate that, and profusely apologise for our 10 minutes overdue on getting here to meet you today. We were somewhat misled by the concierge at the hotel who, my colleagues have indicated, will not be heavily tipped as we leave Perth today.

The proceedings today will be recorded. There is no parliamentary privilege extended on this occasion. At the completion of our hearings we will forward a transcript of what has taken place for your own consideration to see if it is a true and accurate record of what took place, as I have little doubt it will be, but we do afford that opportunity to you. Who is going to lead the charge?

**Mr PHILLIPS**—Probably myself.

**Mr KOCH**—Mr Phillips, that would be kind if you would. If, during the briefing, everyone could indicate their name for Hansard and positions held within various agencies. Thank you very much.

**Mr PHILLIPS**—My name is Bob Phillips, I am the director of budgets and financial planning with Main Roads, WA.

**Mr COSSON**—Mike Cosson, manager, project programming, Main Roads, WA.

**Mr CAMMACK**—Maurice Cammack, acting manager, road safety, Main Roads, WA.

**Mr PETERS**—Bob Peters, manager of road asset planning, Main Roads, WA.

**Mr KOCH**—Bob, you might like to give the committee some indication as to where you and your authorities live in relation to federal state funding of road undertakings within the state of Western Australia. As you may be aware we have had many submissions, not only from your own state but from national bodies. We have been recently to Sydney on briefings and to Canberra on briefings. With this reference we have to expedite it. As you are aware we have an election in Victoria in November and this will be the last reference for our Road Safety Committee. I think our outcomes—and I refer to our executive officer Alex Douglas who I must apologise for not introducing, and our researcher, Nathan Bunt, for the deposing of this reference sometime in July.

**MS DOUGLAS**—1 July.

**Mr KOCH**—1 July. We do look forward to your own comments in relation to that. Also an oversight in not introducing my colleagues: Paul Weller, representing the National Party in Victoria; Craig Langdon, representing the government, and this standing committee is bipartisan. It is an all party committee. Bob, if you would like to lead in relation to your submission.

**Mr PHILLIPS**—Firstly, we apologise for Main Roads not making a submission. We did put together some notes that were part of a submission to your committee that did not get to the committee for one reason or another which we will not elaborate on. But I gather that from our own perspective, with the introduction of Infrastructure Australia to address and look at funding in major projects, generally we would be happy with that concept. In terms of the general Nation Building Program and the movement to joint funding arrangements, basically an 80-20 rural split and a fifty-fifty urban split, we are fairly comfortable with those type of arrangements. We are always concerned about equity. We are always concerned about whether WA is getting its fair share of funding in terms of it competing with other states where the traffic volumes are much higher, and sometimes we think the use of the benefit cost ratio in terms of identifying priority of projects is not always in our interests. We would love to see the bucket of money for roads increased. We know on the old system we have 25 per cent of what was the former national road network and we never thought from a Western Australian point of view that we received our fair share to properly maintain that network and expand that network.

We have some concerns in terms of funding that the Commonwealth will not fund project development funding. We think they need to take a longer-term view on occasions. They tend to, from our experience, require states to put forward the project development funding, and if a project does not go ahead then the state is carrying the risk, we think the Commonwealth should play a role in that. We have some concerns

about funding for remote community access roads. We have many of those in Western Australia, very remote, and we have some concerns in that area. We think there appears to be some relationship that needs to be improved between Infrastructure Australia and in other areas—the Department of Transport. We think often they do not talk to each other enough and we are dealing with different areas in terms of projects which are funded under IA and projects which are funded under the Nation Building Program. We think there are some concerns there that need to be considered.

We also think that IA really has not recognised road safety in terms of their funding arrangements to the degree that we would like to see them recognise road safety. We understand there were some discussions with IA—and Maurice will probably talk a little bit about that later—about funding for road safety issues, but we do not believe in terms of this state at any rate that there has been any recognition in terms of the level of funding that we have that recognises road safety. We have always, I gather, had concerns about a maintenance funding shortfall that this state has for the national network. As I said earlier, we have 25 per cent of the network and we get about \$55 million in maintenance funding, and believe that allocation should be significantly higher. The state has to contribute to maintaining what was the National Land Transport Network.

I think we always consider that we would like to see the bucket greater. We would like to see what we consider greater equity in this state getting a greater share of the funding. As I said earlier, we think that maybe there is too much emphasis placed on a BCR rather than more equity type issues. I know we are talking to a Victorian committee that we are competing against from the eastern seaboard which has higher volumes of traffic and can justify things through the way BCRs are calculated, whereas we believe that there are other issues that should be taken into account in terms of funding arrangements.

In terms of the notes that we did prepare which never got to you, I have some copies of those here which I am happy to leave with you. To give you a little bit of a background, we presented them for our minister. I have extracted any reference to the minister because he has not signed off on them. I am happy to leave copies of them with you; fairly brief type of notes that talk about some of the things that I have talked about, some of the things we recognise and some of the areas that we think funding should be directed to in terms of helping out this state. Naturally, I gather, when you come to looking at Commonwealth-state funding relationships you become I think very biased in terms of how you look at it sometimes as to what share of the cake the state gets. We think over time there has been some improvements in terms of Commonwealth funding, through Black Spot Programs, even through local government type funding with the Roads to Recovery programs, untied funds, FAGs grants and all that type of stuff.

We think there are some good things that have come out of the states relationships with the Commonwealth but again we think generally there should be more in the bucket and a fairer distribution of the funds. I do not think we should be trying to offset one state against the other about getting greater shares, but maybe a greater amount of funds being put aside to be shared amongst all of us. In terms of, the call for submissions we thought it was a fairly broad type of inquiry and one which—I am not sure how it fits in under, a Road Safety Committee looking at such a broad area. We had some interest in the Road Safety Committee, as we could not see in this state, all committees getting involved at this level but again, I gather, overall WA is reasonably happy with the way the funding arrangements are with the Commonwealth. We are happy with the type of general reporting that goes on and the way we recoup expenditures. We think that is fair and reasonable. We tend to believe in the current climate, I gather, whilst it is not direct funding, the amount of reporting we have to do these days to support our claims has become a lot greater than it has been in the past. But if you want to accept the funding then you need to meet with the conditions that the funding has given to you. We accept that.

Generally I think this is an overview of our position. Maurice has some comments, Mike has probably got some comments and so does Bob. We are happy to answer any questions or if you are happy to hear any of those three.

**Mr KOCH**—Thank you, gentlemen. Importantly, I think if you would like to individually make a contribution it is important. Can I also indicate, are you happy to take a question on the run or at the completion of your presentation?

**Mr PHILLIPS**—No, happy to take questions.

**Mr WELLER**—What is the definition of a remote community access road?

**Mr COSSON**—Generally roads servicing Aboriginal communities. Most of these are the Kimberley region. A lot of these roads, that is their sole purpose; to service Aboriginal communities.

**Mr WELLER**—So to get into that community, one road in?

**Mr COSSON**—Yes, one road in. We have other roads that have a joint purpose. Some roads in the Kimberley have a tourist nature to them. But their fundamental reason for existing is to service remote communities.

**Mr PETERS**—It is virtually an unfunded sector which has been a problem for us for some years: communities with 200 people or more, a road which is often only open during the dry season. It is really a bit of a lost one as to who should fund those. Often these are very long roads, they are not short roads. To exacerbate the problem, some of these communities are reasonably mobile as well at times. One good point I should make of course is that some of them do and do not want access. They need it for health reasons but they do not want it in case it starts to—

**Mr KOCH**—Encourage others into their community.

**Mr PETERS**—Yes.

**Mr PHILLIPS**—I think also, in terms of trying to justify a case of the Commonwealth getting involved in funding, Western Australia, the Northern Territory and Queensland got together in terms of a submission that went to IA trying to get funding for that. We have been unsuccessful to this point in time. We also had a report that came out in WA some years ago now which identified significant funding needed and we thought we had some arrangement where it would be a fifty-fifty sharing between the state and the Commonwealth but nothing has ever developed from that, and we have just had some inquiries about remote access roads and the funding for access roads and we have had an answer back from the federal minister to the effect that it is a state problem which surprised us quite a bit.

**Mr COSSON**—We were absolutely staggered.

**Mr WELLER**—In the remote areas—it is different for Victoria—you do not have a local government in that area?

**Mr PHILLIPS**—We do.

**Mr CAMMACK**—We do. It is covered by a local government area. The whole of WA is covered by local governments, unlike South Australia where they have some that are not. But because of, I think, as Bob was saying, the length of the roads and the population that might be serviced by that road there is sometimes a reluctance for the local governments to invest the money that is required to try and maintain roads.

**Mr PETERS**—They do not have the capacity.

**Mr KOCH**—Have they got the capacity? Okay.

**Mr COSSON**—They are often long roads and they are often subject to flooding and they are often in very difficult terrain and there is very often no naturally occurring road building materials, so they are very expensive.

**Mr PETERS**—Traditionally the state ends up funding the bulk of the ones that really get difficult.

**Mr PHILLIPS**—We have what we call a state road funding agreement with local government where we give local government 27 per cent of our vehicle licence fee collections, and under that program we do provide a small amount to remote access roads but it is minimal in terms of—you can look at the allocation that goes to local government now in the order of probably \$140 million and it is broken up into

a number of categories. Under one of the categories is a subcategory 'Remote access roads' which gets about \$1½ million out of that bucket, so it is very minimal. Some of these remote communities are far removed from the sealed road network, they can be a long way off the main network, and also they can be small in resident numbers. Therefore trying to justify a proper road network into there, whether it be a sealed or an unsealed road, it is very expensive.

**Mr COSSON**—In fact I think Infrastructure Australia was looking for a benefit cost ratio analysis which really is nonsense for a remote community access road. It would never stack up on that basis. It is all about social equity.

**Mr WELLER**—While we are on local government, speaking to some of the other people that have come in, they talk about the money coming from the federal government to local government is not actually tied to road funding. They get a grant for it but they do not have to spend it on it. What is your view on that?

**Mr PHILLIPS**—The financial assistance grants are in effect untied funds and therefore local governments get a share of that based on what they call their asset preservation, the asset preservation model. Everyone gets basically an as of right type grant but there are no constraints that it should only be used for the road network. We would love to see that more directly tied to the network. I am not sure—and I do not know whether any other members are sure—as to what percentage of leakage there may be from those funds.

**Mr KOCH**—I was going to ask—

**Mr PETERS**—I do not know the leakages but I did some work two or three years ago looking at a fairly strategic need—my role in the organisation is fairly much at a high level—very long-term strategic needs across the organisation, longer term. I also looked at the local roads issue in terms of funding levels they were getting, and expenditure they were putting into place and so forth. I was surprised that the extent of funds that they received did not get publicised for roads purposes. As to whether it was actually being spent on roads is a bit hard to determine. They do put out annual reports, of course, because they are trying to identify where it is being spent. I am not going to comment on whether they are spending it all on roads, but the funding levels they were getting were, by my analysis, better and more reasonable than I thought they were. I think they are a great lobbyist, local government, by the way. That is my personal view.

**Mr KOCH**—I hope so.

**Mr PHILLIPS**—We are in the process of negotiating a new five-year funding arrangement which was due to come into effect on 1 July this year. For various purposes, reasons, it will probably be delayed for 12 months and they will continue to operate under the current agreement. The funding that the state gives them is only a contribution towards local government total road needs. They get the Roads to Recovery funding from the Commonwealth, they get the untied funds, the FAGs money. They have their own rates and taxes and so on. We continue to keep informing local government that you should not see the funding that you are getting out of the state as the saviour of your network. Also local government in this state tend to think that the funding the state gets is sufficient to maintain its network at the highest standard. We had an audit report out in June last year basically identifying that within the road network and the bridge network there is in excess of \$800 million worth of deferred maintenance on the network. That is the state network. Admittedly local government can produce something that is less than that but along the same lines as deferred. It is a matter of the risk attached to the status of your network as to what level of risk you can afford to carry. We are concerned in this state, particularly in the state network, of the situation that the deferred maintenance liability is getting greater and greater as the years go by.

**Mr KOCH**—On the other side of the coin, from Mains Roads point of view, you do have the opportunity for private-public partnerships which local government does not have the same access to, especially on some of your major corridors. What are your thoughts from a state's perspective in relation to PPPs, the necessity of them? I think we all look at many of the features and the benefits—you might let us know what they are—in Western Australia, but not on many occasions do we hear of the downside and the ongoing current situation, if tolls are not involved from the state purse.

**Mr PHILLIPS**—A couple of comments: in terms of the road network: this state really has not been involved in any PPPs. We really do not have a policy position. The state has been involved in a couple of PPPs, I think.

**Mr PETERS**—In other sectors.

**Mr PHILLIPS**—Other sectors. I think you are right in terms of tolls. The state basically has a policy of no tolls currently. That was followed from the previous government and the position is still held by the current government. There are reasons probably for tolling but in terms of looking to the future, there is no doubt that Main Roads has to identify for its own benefit a position in terms of tolling. There is no doubt it is going to come up at some point in time in the future. I am happy for Bob to say something about PPPs but there are fors and againsts. I gather we have had a lot involvement in alliance type contracts. We have had a couple of big projects. Our biggest project the state ever ran is what they called the New Perth Bunbury Highway.

**Mr KOCH**—Southern Gateway.

**Mr PHILLIPS**—Yes, Southern Gateway Alliance, with Leightons and ourselves and others. That was a very big alliance. Our CEO, our commissioner, is very much in favour of alliance type contracting. I am not sure what its position is—

**Mr PETERS**—Essentially PPPs but it is still all state funds.

**Mr PHILLIPS**—Yes, that is all state funds.

**Mr PETERS**—In the past—going back a good few years now—there were fairly significant examples in the regional remote areas of companies providing fairly substantial amounts of funds towards accelerating upgrades of roads and building new roads. This is in the mining areas and so forth. That was quite common up to about 15 years ago, quite large sums involved, but that really has not been a case of any consequence in recent years. There is a small amount of it going on. Essentially, the only private funding that is coming into roads—state roads at the moment—

**Mr LANGDON**—So what happened 15 years ago that stopped that occurring?

**Mr PETERS**—This would be my opinion: again the government at the time was very keen to invest substantially in the road network—this is the previous coalition government—and during that time they substantially increased road funding for us. We had very strong road funding programs. The need for the private sector to contribute waned and I do not think it was politically very palatable at the time and it really has not come back since, I do not think. It is not customer practice now for it to occur to any great extent.

**Mr PHILLIPS**—We did look at tolling, for example. There were some proposals put to Main Roads about the New Perth Bunbury Highway by Macquarie Bank at the time. We looked at that and ended up with a very marginal—I mean, we do not have, from a tolling point of view, necessarily the traffic volumes on some of our networks to get the return for the effort. Also probably with PPPs it is a little bit the same, I suppose, in the sense of whoever invests, whoever puts up the money and gets the asset for a period of time wants a reasonable return. In a state like this where a lot of it revolves around traffic numbers, maybe it is not as attractive as some other areas.

**Mr PETERS**—That is a good point. It probably would not be as attractive, and certainly the politics on both sides in Western Australia have been very strong in this matter, that any hint of considering a pricing regime is very unpopular. It does not really go anywhere. At this stage it looks a fair way away.

**Mr KOCH**—It is not an attractive option.

**Mr PETERS**—Exactly.

**Mr WELLER**—The Henry review had a look at it and they were talking about not so much tolling, they talked about—

**Mr PETERS**—Congestion pricing essentially.

**Mr WELLER**—Yes.

**Mr PETERS**—Any economist would say that is a great idea.

**Mr WELLER**—But the congestion is not that bad in Perth you are saying?

**Mr PHILLIPS**—It is getting worse but I think there are things we can do to improve congestion without having to get into—

**Mr PETERS**—Well, off the top of my head, the annual figure we put in Perth on congestion costs about \$1 billion a year which is out of an Australian figure of eight. I think it is in that order. Our freeway system during the morning and afternoon peaks is pretty slow and it is very long. There is substantial congestion on our orbital road, our road highway network, and it is getting worse. We are not likely to be able to keep up with the demands for it. One point I was going to make is Western Australia is growing very rapidly, totally, and particularly in Perth. The population is growing very fast. The capital infrastructure requirements are very large, we have a lot of demand and, as a consequence, a lot of those roads are now heavily congested. The case for a congestion pricing matter would be very high but the politics of it are very difficult. The Ken Henry suggestion is very nice but I do not think it will see the light of day.

**Mr WELLER**—Well, here in Perth it will not see the light of day?

**Mr PETERS**—Correct. Well, I do not think so; not for some time.

**Mr PHILLIPS**—State Treasury, from my understanding, is doing a bit of work on PPPs at present. I think they are gradually coming up the ladder in terms of where they stand within the state. Yes, it will be interesting in the not too distant future as to see what they do with PPPs, and I am not sure with things like the new Fiona Stanley Hospital—

**Mr PETERS**—This is in other sectors again?

**Mr PHILLIPS**—Other sectors where there is a PPP—

**Mr PETERS**—Certainly in the sectors where the government can see genuine savings—and I think that is probably more the efficiency of operation rather than construction—they will be interested in PPPs; that is hospitals and prisons and so forth, if they think they can be operated at a lower unit cost.

**Mr COSSON**—I suppose the other thing, where they probably have the greatest potential is inner Perth. That is where most of the road development has largely occurred with potential for PPP.

**Mr KOCH**—Are there population projections in the foreseeable future for the city?

**Mr PETERS**—3½ million is the longer-term target, the 2050 figure.

**Mr KOCH**—That is 2050—just an indication, that is all, a yardstick.

**Mr COSSON**—It is 1.7 I think.

**Mr KOCH**—1.7 currently.

**Mr PETERS**—WA is 2.2, the total, so I think Perth is around about 1.6, 1.7.

**Mr KOCH**—Yes.

**Mr COSSON**—But the freeway out here, for example, was built in the late sixties, early seventies. Obviously the Narrows Bridge was built in 1959 so those opportunities might have been there if they had have been built today. The Graham Farmer Freeway tunnel project was built about 10 years ago. They were inner city major road projects that would have lent themselves towards a PPP.

**Mr LANGDON**—If your population is going to be getting to the size of what Melbourne was X number of years ago, the demands of your roads are going to be increasing dramatically, and not just roads, all other infrastructure spending will have to be done. At that rate do you think future tolls will never be included—

**Mr PETERS**—When I say 'future' I am thinking the longer-term horizon most likely. Perth's capital infrastructure requirements to meet transport needs over the next 20, 30 years are very substantial. There is a major public transport strategy being developed now which is being looked at, and the costs of implementing that run into tens of millions, for sure.

**Mr PHILLIPS**—The state addressed some of its issues back in the mid-nineties, and a little bit later than that, when it introduced two project based programs and funded it through—at the time, going back into the 95s. It was through increasing their state fuel franchise levy by 4c a litre, gave us extra revenue each year. We developed a 10-year program to bring forward benefits to the road user by doing specific projects; sold it to everyone because we did not only do state roads, we had local roads as part of it to get everyone on board. Then later on, about two or three years later, we did another project based program of works through increasing vehicle registration fees. Again there has been a little bit of work in recent times as to looking where WA fits in terms of its vehicle registration fee compared to other states, with possibly a view of moving back down that path again. One of the things that happened in this state as to why we dropped the ball a bit in those type of approaches was that Main Roads, up till about 2000, was outside of the true public sector umbrella and did not fit under the state appropriation arrangements. It really had hypothecated revenues.

It got 100 per cent of vehicle licence fee revenue and going back a little bit earlier than that, it got fuel franchise revenues basically hypothecated to it, and it could do whatever it basically wanted to do with those funds. From about 2000, when there was a change of government, we were brought right into the umbrella of the Treasury arrangement. Now our bottom line is determined through the state budget process and I think to some degree it probably meant that Main Roads saw no real benefit in promoting a concept of project based programs, bearing in mind that Treasury were controlling their bottom line. I think we let the ball drop a little bit for a number of years and we are looking at that again now.

**Mr KOCH**—At this stage before we open too broadly, certainly other members of the panel might like to make a statement in particular to their own areas. Maurice probably has a contribution that I think we should hear too. Before we open it up too far, can we hear from the other gentlemen and then we will come back to a question and answer session. I think that might give us more success. If we could start with yourself, Mr Peters.

**Mr PETERS**—One final comment I was going to make, I talked about some analysis I did two or three years ago in terms of pricing of various sectors—local government, state government—of vehicle pricing and so forth, but to cut a long story short, that analysis was rather instructive in saying that for all intents and purposes probably our heavy vehicle sector is basically cost recovery pretty much in Western Australia, yet we had drifted out of cost recovery quite substantially on the light vehicle sector, when you are using that sort of analysis. Over the last 10 or 15 years, in real terms, the charges for light vehicles have declined quite considerably in Western Australia, and I suspect Australia wide for that matter, for all intents and purposes for whatever reasons, and that was giving rise to probably a fairly large demand for the use of cars, of course, and also a problem in funding purposes, but that is a comment I was going to make in terms of the national effort has been very focused on keeping heavy vehicle pricing about right, but we have looked at light vehicle pricing in all of the marketing. That is a broad statement.



Other matters, I have already made a fair few comments. I had a few headings here under the urban issues. We have major growth issues; the congestion one we have already talked about. We are also struggling to provide for road freight to try and make sure our road freight remains very efficient in Perth; We have, a heavy reliance on road freight. We have to make sure we are doing our best to ensure we have higher connectivity between our major ports, our existing ports, our new ports, intermodal terminals. That is a major challenge we have. In the rural areas, I break WA into three areas: the urban area is Perth for all intents and purposes. We have our rural area which is our agricultural south-west, and then there is remote which is the rest. In the rural areas we have a fairly major need for asset renewal to try and keep the road standards appropriate to modern needs from a road safety perspective. Maurice will talk about that. Our road safety record is poor.

Also the rail system in much of the south-west is now struggling to compete with road freight transport. Road freight transport has progressively become a more efficient industry and the task on rail is declining. In my opinion it is relatively small and not terribly economic. We privatised our state rail network 10 or more years ago and that largely demonstrated that most of it is not commercial. It struggles to remain commercial. That in effect puts more demand on the road network, and fundamental economics would say that is probably where it should be, but for us to keep providing the roads appropriate to that need is a real challenge. We have to continue to keep freight productivity going forward. Road freight is extremely important in Australia. We have high productivity in the road freight sector in WA, but it could be considerably higher. In order to do that you must continue to invest in stronger roads and stronger bridges, and fundamental economic analysis keeps on saying the benefits would outweigh the costs.

The remote areas: again similar issues with the access issues, freight efficiency, freight productivity, and also meeting the demands—an insatiable demand—for our mineral products in much of Western Australia. It means there is higher growth demand on roads. A lot of commodities are carried by road. A lot of mineral ore is carried by road; much more than most people would realise. There is quite considerable iron-ore haulage by road which really puts a lot of stress on the existing roads and bridges up there. Trying to meet the capacity is very difficult as well.

**Mr KOCH**—What sort of percentages might be involved in road freight versus rail freight? The mining sector?

**Mr PETERS**—I could not quote—it is small but the tonnage is so large. When you're looking at 300 million or 400 million tonnes a year of iron-ore by rail you might be looking at 10 or 20 by road.

**Mr KOCH**—But it is significant—

**Mr PETERS**—It is in that order. These are big loads. If we talk about grain in WA, in a good season it is 10 million or 15 million tonnes. You are getting some orders of magnitude; some big tonnages very rapidly in the mineral ores.

**Mr KOCH**—Is the mining sector making a contribution to road funding at all, more so in the remote areas where your road network obviously is not as strong?

**Mr PETERS**—Negligible. They do pay, of course, all of their road charges which is what they have to do, and we do get some minor contributions through a couple of charging regimes; for all intents and purposes are very small. I could say up to about 15 years ago that was not the case. We got some fairly large contributions but that has not happened in recent years. That is fair to say, Bob?

**Mr PHILLIPS**—Yes.

**Mr LANGDON**—On that aspect is that because the mines have been in the same place for the last 15 years or have new mines been developed and the states have been expected to build the roads to them?

**Mr PETERS**—I think it is a bit of both, to be honest. Up to, say, 15 years ago a lot of the mines that did need to be opened up were really one company specific and fairly remote, and only viable with a reasonable quality road. The state said, 'We can't provide the \$100 million you require to build a quality road but we'll go you halves,' sort of thing. That is the model that went forth when it was one company specific. When you are getting more than one or two companies wanting to use the same road, funding

relationships like that become very hard to negotiate.

**Mr LANGDON**—Bob, in my view you might have made a contradiction here. You are saying that there is not the contribution, but before you said the heavy vehicles were—

**Mr PETERS**—No, the mining companies used to make a contribution, and companies used to make a contribution about 15 years ago for some roads.

**Mr LANGDON**—Yes, but earlier you said for the heavy haulage, the charges were about right, and light vehicles were undercharged.

**Mr PETERS**—This is on a whole of state analysis. I am using a very broad brush figures. What I am saying if you look at the whole of the state, the revenues we receive from heavy vehicle charges—and the Commonwealth receives under the heavy vehicle charging model—are relative to expenditure about right for the whole of the state. It means we cross-subsidise like everybody, in effect. We overcharge some, we undercharge others. Light vehicles on a whole of state analysis was not the case.

**Mr LANGDON**—But then you are also saying here in the mining industry though that charges are not enough, and that would be a haulage heavy industry—

**Mr PETERS**—Well, at the moment the charges are certainly not enough to grow the network to meet their needs or to provide the higher capacity. We are struggling along. I am trying to see where we are going here.

**Mr LANGDON**—You made the comment earlier on that the trucks were paying their way for what was being expended.

**Mr PETERS**—Yes.

**Mr LANGDON**—Now you are saying that you need more out of the mining industry.

**Mr PETERS**—They are paying their way to maintain the status quo as such, but I am saying there is a very strong case to improve their productivity by further, greater investment which probably should come whatever way it should come from. I do not think I am being very clear here.

**Mr LANGDON**—Is that to do with the size of vehicles that they want to use on the network, always wanting to get more efficiencies through the use of bigger vehicles. You may therefore need to improve the network, expand the network, in terms of maybe seal width and things like this.

**Mr WELLER**—I might clarify this. The current span equals the current collection from the heavy industry—

**Mr PETERS**—In the big picture.

**Mr WELLER**—But to improve the network we need to collect more.

**Mr PETERS**—Yes, absolutely, and the benefits of that would significantly outweigh the costs. One thing I should point out to you, of course, one of the biggest is the COAG Road Reform Plan being worked on at the moment, which is a fairly high profile area, looking at the whole issue of how heavy vehicles in particular are charged for road access. That is a very major project that is under way now at the national level through the COAG process, to look at changing the way the heavy vehicles are paying their way in Western Australia, with a view to trying to get some of those charging circumstances better sorted out, so the prices do provide for the future as well. It is just maintaining the status quo. I think I have said plenty.

**Mr KOCH**—Mr Cosson, would you like to pick up and we will keep moving?

**Mr COSSON**—Yes. A couple of points on a different line. One issue I think for WA—and I guess for all other states but in particular for us—is the definition of the national network. We put up a submission for a road which is called Brand Highway, North West Coastal Highway which connects Perth to the Pilbara via the coast, the coastal route, and in particular services the Burrup Peninsula which is a major resource development in the nation. It is not on the national network, it is not accepted as being on the national network. We have some massive developments proposed over the next 20 years and we need to develop that road to a sufficient standard. That is an issue of great concern for us.

The Nation Building Program is a fixed five-year program. We have the AusLink Program, five years; Nation Building, five years. The notion of having a rolling five-year program is something we need to look at. The reason I say that is we are already into the first year of the Nation Building Program and we really now see a need to start thinking about, let's call it Nation Building Program 2 which will start in 2014/15. It picks five-year programs without any vision of what is happening beyond that. If you have a rolling program at least it gives you the longer-term vision. We are starting to get strong pressures now for projects for consideration of funding and they can only be funded in the next block of funding. This notion of fixed five-year programs has some limitations.

We talked a bit about project development. It is something we talk to our people in Canberra a lot about. There is an enormous amount of reporting going on at the moment, almost to the extent of—with some of our projects we were having to report weekly on progress which I think is ridiculous. I do not know what people do with all that information they receive. We are told this is for the economic stimulus package which means that every school in Australia, plus every road project in Australia that is funded from that source, is presumably getting weekly reports. I presume someone is reading it, and I do not know what they do with it, but what we should be doing is spending all that time planning the future, or a lot more of that time, free up some time to start—what projects should we be funding in four or five years time. If we do not start talking about this now I can see what will happen again is what has happened in the past, projects get announced out of thin air, 'Off you go,' and yet no planning has been done. All of a sudden we are getting estimates, you are on the run with estimates that have not been properly worked out.

**Mr KOCH**—Tight time lines.

**Mr COSSON**—You can see it over and over again. Planning—I cannot emphasise how important that is. That has probably covered most of the points I wanted to make.

**Mr KOCH**—From a state perspective, how far are your planning projections going that you can bring up straightaway from the point of view of, say, the Nation Building Program into the distance, not the first five-year window of opportunity?

**Mr COSSON**—Yes. We have a 10-year in-house program, it is not something published. It is an in-house document we work with to try and guide the future. We are spending an increasing amount of state money now on project development. We are looking at those projects notionally out in year 5, 6 and 7, working on those now to develop the scope of those projects, the estimates. As they come onto the funding horizon we will be satisfied that the scopes are well defined, the estimates are well worked out.

**Mr KOCH**—How would those estimates stand up against the current situation? I assume you have built some CPI indicators into the further five-year period. Is that going to make big inroads or just hold it together?

**Mr COSSON**—The more that we can spend now on planning project development is going to make one of the greatest impacts in terms of having properly scoped projects and properly estimated projects so we do not cause everyone, the politicians and ourselves, embarrassment that goes on at the moment with projects running over budget. What we do with our future projects, we do include a cost escalation factor. We engage consultants now, economists, to predict cost escalation into the future and we try and update that every 12 months because WA is extremely volatile. We have had the economic downturn but we see things now starting to pick up so we need to keep on top of that. Over the period 2006 to about 2008, costs were escalating at about 15 per cent per annum which had a huge impact on project costs. They have currently dropped off to around four or five per cent but we expect it to ramp up again. We are building all this into our cost estimating. The most important thing for us is the project

development, the planning for these future projects so we come up with estimates that are properly worked through and the scopes are properly worked through.

**Mr KOCH**—Thank you.

**Mr PHILLIPS**—The other thing that happens with our cost estimating, across the state, because it is so large, escalation varies dramatically from the south of the state to the north of the state. In the more remote areas you get horrendous cost escalation during the time when there were skill shortages and so on, to get people to go and work on the Great Northern Highway which is 500 K's from any major town, you are really paying a premium and you will always pay a premium to let contracts up in that area.

**Mr KOCH**—That is not new.

**Mr PHILLIPS**—It is not new but it was really worse during the time when there was that much work around, it really escalated. We were finding, even in our maintenance contracts, the cost of doing work up in the Kimberley, for example, was absolutely horrendous compared to other parts of the State.

**Mr KOCH**—You had to buy people out of other projects—

**Mr PHILLIPS**—You really had to, yes. These companies were competing with the mining industry who were paying employees far in excess of the public sector, and in order for these contractors to keep their employees they had to try and match them. They were building significant cost increases into the projects in terms of their tender prices which were totally unrealistic. If you are looking at maybe, say, a five per cent cost escalation factor in the south of the state, you may be looking at 15 per cent in the north of the state. There is that type of variation, it is so remote.

**Mr COSSON**—I guess during the boom too in WA we actually went to tender on some projects and received no tenders which is a scary situation to be in; not lots of projects but one or two—bridge projects, typically, no tenders. One other point I should mention in concluding, in the discussions we had with the Commonwealth there seems to be a greater propensity, I guess, for the Commonwealth officers to get involved and to become project managers. We hear these words, 'We are project managers.' Well, we see them not as being project managers, they are program managers. There is a very big difference. To be a project manager from Canberra on a project up in the Kimberley—but anyway that is an increasing trend. With that comes all the onerous reporting and unfortunately the lack of mutual planning.

**Mr KOCH**—Gentlemen, if we can move now over to road safety. Let's hear how your efforts are picked up from Safer Roads and if we can have that contribution it would be appreciated.

**Mr CAMMACK**—Yes. I wanted to raise two issues for the committee's consideration: one of them was in relation to Infrastructure Australia, and the disappointment that road safety was not recognised when they were putting together their planning. I understand that there was some internal consideration of road safety funding. AAA, as I understand it, made submissions to Infrastructure Australia but it was disappointing not to see some dedicated funding coming out of there, particularly in the light of how Australia is going with the National Road Safety Strategy. We are unlikely to meet the target. There was a real opportunity there to give a boost to road safety while there would be a delay in seeing the implementation of that; that opportunity was lost. You would be well aware of the role that road infrastructure can play in improving road safety outcomes. It is a longer-term investment. It takes a little bit longer to put in place, rather than, say, speed enforcement, but it has some 20, 25-year returns for the community.

There is still another opportunity for the federal government to play its part in funding road safety with the development of the new Road Safety Strategy. The current one finishes in 2010. ATC has agreed to look at a long-term ambitious target for the next Road Safety Strategy running out to 2020. There could be an increase in funding coming from the federal government to supplement the funding that the state governments are putting in. To give you a bit of background for Western Australia—and I will talk about our regional areas—we have a death rate of 21 deaths per 100,000 population out in our rural area. That puts us between Thailand and Uganda which is not a place where Australians would be comfortable, and

certainly not rural Western Australians. Our state death rate is floating at around about eight deaths per 100,000. In Victoria I think you are looking at about five or six at the moment. There is a role there.

Getting back to this issue of equity—of recognising in those remote areas of Australia—there is a greater need for infrastructure development. Within WA—and I am painting the picture of the size of the problem for WA at the moment, referring it back to Infrastructure Australia—the state government has released a Towards Zero Road Safety Strategy which you may be aware of, or maybe not. We will provide copies of that. This is a strategy for the state which goes out to 2020 to set an ambitious target. It would be 11,000 fewer deaths from serious injuries. It has identified a need of \$122.5 million of extra funding for road infrastructure to make the changes that we need.

**Mr KOCH**—What specific areas would those capital funds be used for?

**Mr CAMMACK**—Those funds would be used to target three main crash types—single vehicle run off road crashes in the rural areas; head-on crashes in the rural areas, and intersection crashes in the metropolitan area. They are the three priority crash types for WA, most probably not dissimilar to Victoria. You have your TAC funding for run off road crashes. We do not have that arrangement in WA but a similar sort of crash problem. That is replicated in all of the states pretty well around Australia.

**Mr KOCH**—Your ratio of 21 to 100,000 I assume that is specifically non-metropolitan?

**Mr CAMMACK**—That is correct.

**Mr KOCH**—What is the metropolitan?

**Mr CAMMACK**—I think it is around between five and six deaths per 100,000.

**Mr LANGDON**—Has your road toll plateaued or is it still increasing or is it coming down?

**Mr CAMMACK**—We hit a low in 2005 with around—and I will just talk about deaths, and park serious injuries for the moment. We had the lowest road death toll for WA in about 2005. There were 163 or 168 deaths for that year. From 2005 through till 2007, we had an increase in deaths, and we got back to around 230 deaths which was just horrific for what we were trying to do. It was around the time that the new strategy was being developed. We have seen that come down. Last year we were under 200 but we are still significantly higher than that lowest that we achieved in 2005. The reasons behind that, there is a lot of speculation. There is always a link between economic development and road safety. We were going through a boom period with a lot of money, a lot of activity. There was speculation that that might have been driving it. Motorcycle deaths increased during that time as a proportion. We are still trying to delve into the reasons behind that. We have started to come down now which is good. We are getting back but we are still under 200 for last year. This year the number of deaths is significantly better than our pro rata rate. I cannot remember the numbers now exactly but we are looking at—for where we were this same time last year we are about half of what the deaths were. That is promising but a lot of people have died on the network from where we were in 2005.

Continuing with the funding aspects, at the moment there has been an increase in the federal Black Spot Program for WA from around \$5 million to around \$6 million or \$7 million per year but that is the only dedicated road safety program that the federal government provides for. I will put to one side the Rail Crossing Program that was announced as part of the stimulus package, but an ongoing program, given again that National Road Safety Strategy, the amount of use on the national network, I think there is an opportunity for a higher contribution from the federal government. In WA the state government has been allocating around \$75 million of dedicated funding to road safety programs in Victoria, you have the TAC program, I think it is a fair bit higher than that. But the state government is putting in a fair share of money, but the federal government has only been looking, as I say, at around six. If you look at cost escalation, that has been degraded over the time as well. That is my comments about Infrastructure Australia and road safety funding.

The other thing I would like to raise, and I am happy to leave it—this is my personal copy. I will provide copies off the website. I would like to raise the issue of a risk assessment project that is being run as part of

Australian Transport Council, National Transport Policy. Western Australia is taking the lead on the development of this project. Back at the Werribee meeting in 2008, ATC identified the need to establish levels of crash risk on sections of roads around Australia. They also identified there was a need to develop programs to fund those identified high crash areas and to implement targeted safety upgrades. Out of that decision by ATC there was a project initiated by Austroads to develop a national risk assessment model to build on the AUSRAP Automobile Association model. That was stage 1 of the project. Stage 2 was to develop some program guidelines to put back to ATC the possibility of developing a funding program to treat the high crash areas. Obviously WA's position would be, I think, that we would be looking for federal government assistance. It might be on some fifty-fifty arrangement, but the idea was to try and present back to ATC a proposal for a funding program to supplement and complement the Black Spot Program. That is something that would be worthy of some investigation by yourself.

That project is a three-year project where the risk model will be completed this time next year, and then we start the program development process of the project for next financial year to go back to ATC for their consideration. The timing in terms of the National Road Safety Strategy, the new one, is about right. It is hoping to have some linkage there. Again I can provide copies of that for the committee's information. There is one third point I will mention. Australia uses the human capital approach to value the cost of a life. In WA it is around \$2½ million. The Road Safety Council in WA has recently agreed in principle to adopting the willingness to pay approach. We are building on the back of some work that New South Wales has started where the cost of a fatality under a willingness to pay increases \$6 million as opposed to around \$2½ million. The fundamental issue there was two things: one is that it is primarily a better way to value the cost of life in terms of what we are trying to achieve under a Safe System approach. Philosophically it is better, more aligned. The second thing is when we are trying to seek increased funding and obviously having a higher cost of crash, it enables us to obtain a higher BCR, benefit cost ratio, or a risk cost reduction score, when we are looking at infrastructure cost, versus the cost of the crashes that we are trying to resolve. Willingness to pay could have a big impact on the economic viability of road safety programs, and WA, through the development of the National Road Safety Strategy, is pushing very hard to have willingness to pay accepted and adopted as a national approach. That is all I would like to present to the committee.

**Mr KOCH**—Thank you so much. Gentlemen, we are running a little bit over time on what we have scheduled this morning, albeit we arrived 10 or 15 minutes late and held you up. I am happy to take another five minutes of questions. Are we comfortable there?

**Mr WELLER**—One last one: how is Royalties for Regions working?

**Mr PHILLIPS**—From our point of view we have little to do with that. That is a direct allocation to local government. I think there is basically nothing that has been spent on roads out of Royalties for Regions. It is all a social type strategy.

**Mr WELLER**—The roads have not benefited then?

**Mr PHILLIPS**—No, the roads have not benefited out of the Royalties for Regions program.

**Mr KOCH**—Craig, anything further?

**Mr LANGDON**—No.

**Mr KOCH**—Gentlemen, on behalf of the committee we thank you so much this morning for attending and presenting, and we very much appreciate the discussion.

**Mr PHILLIPS**—Thank you very much.

**Witnesses withdrew.**

**Hearing suspended.**