

**ROAD SAFETY COMMITTEE**

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

Perth—9<sup>th</sup> April 2010

Members

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**Mr KOCH**—Thank you, Professor Martin for joining us this morning. We do appreciate you taking the time out to brief us here at the Western Australian parliament. My name is David Koch, I am deputy chair of the Victorian Road Safety Committee, the parliamentary Road Safety Committee, which is bipartisan. My colleagues joining me today are Paul Weller, representing the National Party, and he is a regional Victorian; Craig Langdon, representing the government, and Craig is a metropolitan colleague. I represent the Liberal Party and I am also a regional Victorian. We come from a cross-section. We are very interested obviously in roads, in safety and funding of those. I would like to also introduce Alex Douglas, our executive officer, and Nathan Bunt, our research officer.

Our reference, as you are aware, is in relation to federal-state funding of roads. It is a reference that we have to return by 1 July this coming year. As you are aware we have an election in November in the state of Victoria and we will be working hard to try and get our recommendations up at that stage for presentation. This morning we will be recording what is taking place. We do not offer parliamentary privilege on this occasion but a transcript of proceedings will be made available for your perusal, and at the completion of that obviously you will speak to our executive officer with those outcomes. We are very happy to hear from you and your presentation. Are you comfortable if we pose a question on the way through or at the end?

**Prof. MARTIN**—I have prepared some notes. I have provided a copy. It is not really a submission but I am happy for them to be used as a basis for collecting your thoughts.

**Mr KOCH**—Thank you, Professor Martin.

**Prof. MARTIN**—But I think by you asking questions as we go, you are getting more of what you want rather than what I thought you might have wanted. I am happy to have that interaction.

**Mr KOCH**—That is fine. We do not have a time constraint. We have allowed 45 minutes to quarter to 12. If we run over that will be I suggest to our advantage. We can have that indulgence. If you are comfortable we will go down the track with your presentation and, as I say, if we run 10 minutes over we have the capacity to handle that too.

**Prof. MARTIN**—Thank you, Chairman. I have prepared some notes, my response to what I understand is your interest. What I suggest is that I run through those fairly quickly and then that might generate the questions you want to pursue in more depth. I need to say first of all that I am speaking as executive director of the Planning and Transport Research Centre here. It is a collaboration of the four public universities, my shareholders in the four public universities in Western Australia. I need to declare that I am chair of the National Transport Commission with my office in Melbourne but I will not be representing their view in what I say today. It is a personal view basically on behalf of the Planning and Transport Research Centre. The other thing I need to say is that prior to joining the university I was director-general of Planning and Infrastructure here, a state government department, and prior to that I was the commissioner of Main Roads here. I will be talking very much from a Western Australian perspective, although I think I have an appreciation of the issues that you are talking about in Victoria and nationally.

**Mr KOCH**—Well, as I earlier indicated we have had the opportunity of having briefings from other states in relation to this reference. We have been to Sydney, have been to Canberra, the Queenslanders were in Melbourne last week and met with our executive officer and chairman and other committee members. We have not had the opportunity, as I mentioned earlier, with South Australia and Tasmania with their elections taking place.

**Prof. MARTIN**—I am sure you are getting some of the same messages from different people but perhaps you are getting a unique one from WA which we are often accused of giving. My first comment is from an historical perspective I see three stages that I have been aware of in federal funding of roads in the state. The first one was the National Highway Program which occurred. It defined the interstate routes. It had a new investment focus, not a maintenance focus, so were keen to produce new roads rather than pay the cost of maintenance. Of course the expectation of states and territories was that the Commonwealth would fully fund those national highways. There was no certainty from a state and territory point of view that they would actually do it, but nevertheless that was the expectation.

The next stage was AusLink which you probably recall. At least it moved forward in terms of specific

national route corridors; some attention to function and task, which the National Highway regime did not seem to. It did include some economic roles, so it paid some attention to what the particular road routes were supposed to be doing and of course it did address going to ports and so on but did not go into ports. In fact we had an argument in Western Australia with the federal government because the National Highway system goes from Perth to Port Hedland, if you know your geography, but we have a number of export ports on the west coast between Perth and Port Hedland. Our argument was, 'Why isn't that a candidate for funding by the Commonwealth because of export ports?' Their argument was, 'No, we are not extending the network longer than we need to.' That was a bone of contention. Our view was if you are fair dinkum about national income, export, productivity, at least make it a candidate. We are not saying you are necessarily going to spend money on it but let us at least make an argument for money being spent on that basis.

**Mr LANGDON**—Professor, I do not disagree with what you are saying. Should the people using those ports be also charged to maintain those roads or creating the roads or whatever?

**Prof. MARTIN**—I guess the question is the long length between centres or the access into it off a common user road. It is an interesting question. Perhaps if we can come back to that because I think it has some implications with the questions you were asking John Taplin earlier. The concern was cost shifting. Even though the Commonwealth, through the AusLink program, said, 'We'll put money into the AusLink network,' the question was, 'How much will you put in and will it cover the cost, or does the state have to put money in,' so there is always that argument about cost shifting. The most recent one is the Nation Building Program, the national network. I think it is a further improvement. The improvements are that it deals with national and inter-regional, including ports, and even the urban areas. It has now expanded where the Commonwealth is prepared to spend its road money. There is a number of subsets in it, but the most important thing is it is talking about transport efficiency, national productivity and supply chain. It is starting to talk about a system, rather than particular links.

Another plus is there are bilateral agreements now, so both parties know what the commitment is for. Up until now the Commonwealth spent its money on what it chose to spend its money on and it has got that right, but the state never knew what it was going to get and where it was going to get it. In some cases the state would argue there is a higher priority somewhere else on the route than what it would have been paid for by the feds. With the bilateral agreements there is an issue about whether it is full or part payment, so everyone knows where they stand. Of course it does extend to state, territory and local government roads. We have gone on a progression historically that I think is improving the circumstances in terms of the Commonwealth's preparedness to consider the whole system.

The advantages of the current arrangements as I see it is the scale of work that can be undertaken. The feds are now prepared to look at what chunk of spending needs to be done to achieve an end. It is a bit more holistic in the way they look at it which I think is a plus, rather than a segment which then imposes an obligation on the state or a territory to spend the rest. It has wide coverage, as I said, it covers local government and there is better definition of cost sharing. You know up-front where you are going. The disadvantages are still that the investment decision is often project based. It is location based or project based rather than the best return of the investment or what is the productivity that is going to come out of that investment which I think is an objective we should be pushing for.

We need to think about our road investments in a 50-year planning context, not only a next election context. We need to think about, in supply chain terms, where are we heading, what is the job of this particular piece of road, what do we need to plan over 50 years which includes the funding over 50 years too to cope with the growth that is going to occur on that road and the wear and tear on the road. Then there is a question about the whole of life condition of the road, and the road system, the road network. That means initial construction, maintenance and then reconstruction at some point in its life that is needed. A bigger picture view is what is really quite important. It is understandable that government decision-makers and treasuries choose where they spend their money on a much shorter time frame, but if it is against a context of a longer-term time frame I think that is where we should be aiming as a country.

You have as part of your terms of reference, or the notes that you have supplied me, questions about economic efficiency. I think it is much improved, as I am suggesting, because the public policy is engaging across all governments and it is Commonwealth, state and local. That is really important. There are some things that perhaps could be done better in that regard. There is still a question of the best use of resources. We have scarce funding so we still have to work out how we best spend that funding on roads and other

things, but on roads where we get the best return for that use of resources. We need strategic planning at an urban and regional level, as well as a national level, and I think this road funding efficiency consideration needs to apply at state or territory level as well as Commonwealth. Once again you have to think about the whole system and how it is working.

You had another term which was talking about equity, and I heard you asking John Taplin questions about equity. My question about equity is, are you talking about from a perspective of road users or is it from the perspective of taxpayers? They have different perspectives, I believe. If you are looking at road users, you can talk about passenger vehicles, you can talk about freight vehicles, you can talk about public transport. There are three distinct classes of road users. The question is, who benefits and how should that reflect the charging of the use of that road, and the resistance to increases by those different parties. All those parties will resist road user charges, I suspect, and that comes to light whenever we do national heavy vehicle adjustments and you are probably well aware of that. We have just been through a process of looking at heavy vehicle adjustments for this coming financial year. There is always a concern about increasing costs of freight by increasing road user charges.

**Mr WELLER**—You talk about road user charges but the Tullamarine Freeway in Melbourne and the Eastern Freeway in Melbourne, they have tolls on. It does not seem to deter a great deal of people. If you go on them early in the morning or peak hour in the afternoon, they are full.

**Prof. MARTIN**—If you are talking about tolls, I am talking about road user charges in a very broad sense across the whole network which is something that is in prospect or something being promoted by COAG. I will talk more about that in a moment. In terms of toll roads, I think the principle with toll roads is if you are providing a benefit to people and they think it is worth paying for, they will do it. My impression of Melbourne is you would not think about any other way of getting to the airport than Tullamarine Freeway, so people will do it. I suppose the question is how far can you jack up the price on the freeway until people start to either react through the politicians or declare they are not going to pay. But fundamentally you have a fairly captive audience in using that road. The other major freeways you have through Melbourne are still a benefit for people to use, as against Sydney where people refuse to use the Cross City Tunnel because they regarded that as a take, and they had an alternative—

**Mr KOCH**—The alternatives are there, that is right, yes.

**Prof. MARTIN**—Yes. In planning tollways you need to think about are you going to give people alternatives, and if those alternatives exist then in a political sense my view is you give people a chance of going that way but the disadvantage is it is going to be a lot more secure, just slower et cetera, so is it worth paying the toll to go on the fast track. From a taxpayer's point of view as against road users, I think many taxpayers would expect people to pay according to their use. It seems to me, for example, most users would prefer to pay by the kilometre than by the year. If you think about registration charges and so on, I suppose, in a sense they pay by the kilometre in buying fuel, but a lot of the insurance and registration charges are uniform, they are flat, particularly for residents or personal car users.

One of the elements that ought to be considered—and it is being discussed more and more in the US, and some of the insurance companies are proposing it now—is you pay by the number of kilometres you do in a year. That seems to me to be pretty good. I suspect that more than half the average population would pay less if they paid by kilometre or amount of use rather than by flat rates, and I am talking registration and insurance.

**Mr LANGDON**—I have to say I think you are right on the money, if we get regional Australia in the statement.

**Prof. MARTIN**—Yes.

**Mr KOCH**—If we look at the underwriting that is taking place in our metropolitan areas nationally to underwrite those transport systems about the lack of that opportunity in regional Australia, all of a sudden, in my opinion, the argument falls over.

**Prof. MARTIN**—Yes, I admit I am talking from an urban perspective; from a regional perspective is quite different, of course.

**Mr KOCH**—Yes.

**Prof. MARTIN**—But if you had charging like that and you charged by the use and then ultimately by time or congestion, the use of space—and I will come to that in a moment—then maybe people would make choices that varied their behaviour from what they do now. At the moment, flat rate, ‘I will get in for my chop’, as it were, and use the road when it suits them, subject only to deciding they will adjust their behaviour because it is more convenient to shift time or travel at a different time. Equity from the road user or the taxpayer is an interesting alternative way of looking at it. You raise another one: urban versus regional.

**Mr LANGDON**—Could you base it on your proximity of where your car is located from the central city, that is, as you go further out it gets less?

**Prof. MARTIN**—Yes, that would pay. In Western Australia we have a Perth metropolitan area that is defined in a Planning Commission sense. Maybe that might be the boundary that you would use by postcode or municipal boundary or whatever. That might be a way of differentiating.

**Mr KOCH**—The insurance industry does it already on a postcode basis.

**Prof. MARTIN**—They do it in terms of claims and damage and all those issues too.

**Mr KOCH**—Plus where the vehicle resides and what its usage is.

**Prof. MARTIN**—I think that is very reasonable. People need to know what the costs are. If I go on quickly then to road user charges—and I am talking about the broad proposal that a road user charges fee is introduced—the question is, the talk is heavy vehicle charging and the National Transport Commission is being tasked with developing some proposals for that, largely heavy vehicles, largely wear and tear on the road network. That is justified on the basis of trying to increase the productivity of vehicles, or the higher productivity of freight vehicles using the road which are expected perhaps to do some more and wear and perhaps they should be paying for that wear and tear on the road. When you come to an urban situation, of course, the majority of vehicles on the road are private cars and then it becomes a question of charging for road space which brings in the congestion question and do you want to influence the use of road space by imposing some fees and charges on users as to the time and day of the using. This is long-term stuff, I suspect, but if you are serious about trying to first of all control use of roads and find the funding to pay for the maintenance of roads then maybe user pays is the way you should head to, although I readily admit that it has its challenges in a political sense to introduce such a system. It may have challenges in terms of the administration and the averaging that would be required to make the process administratively sensible but potentially it is a way of making the users pay for the roads, as well as rationing the use of the roads.

**Mr KOCH**—I think your argument again stands up from a roads point of view but the subsidisation of public transport, if everyone elected to park their car tomorrow and not use the road, public transport could not carry them. It is heavily underwritten at the minute. To me there has to be some reasonable balance in the middle and I have no idea where that is. I do not think anyone does. It is a little bit the same with long haul freight versus road versus rail. The more we are getting onto road, the maintenance schedule and reconstruction of roads continues to grow, but as the rail is not getting the use we are still maintaining that infrastructure as if it were getting the use.

**Prof. MARTIN**—What is more, I regard rail as a fixed cost business and a lot of capital, and if you have a lower task to convey on the rail it becomes more expensive to operate. You have to keep your loads up on rail in order to keep the rates competitive. Of course the trucking industry has the benefit of shifting its vehicle to a place where the load is if things dry up in a particular location or with a particular industry. In terms of public transport, I think there are some real dilemmas in public transport. Everybody says they want more public transport but one of the issues with public transport is the taxpayer has to pay for public transport fundamentally. I am not sure what the stats in Victoria are but nominally 75c in every dollar spent on public transport is taxpayer money in Western Australia, in Perth. About 25c you might get out of the fare box if you are lucky. Of course, private cars, with the exception of the argument about who

pays for the road, basically operating your car is your cost. It is a private cost of using the car.

The desire to increase public transport and reduce car usage on the road in urban areas is desirable, but you do have to make sure that public transport is convenient and people want to use it. John Taplin was explaining the relatively new Mandurah rail line with people using it because there is a time advantage in travel, and one would assume a cost advantage if you are starting to pay for the operation of your car, plus parking, in the city. He mentioned central city employment being about 20 per cent. I think it is lower than that. Between 10 and 20 per cent of people in the metropolitan area actually work in the central city. By and large all the public transport radiates from the central city. There is a heck of a lot of other travel required from home to work around the general metropolitan area, and that is our land use. Our land use is prescribed. The challenge for public transport here in Perth is to find a way of being able to afford more public transport and using it, so it picks up as much load as it can.

I am conscious of your experience in Melbourne where you have capacity problems on your trains. We have some of those problems here where if you are trying to catch a bus close to the city, sometimes by the time the bus comes past your stop you cannot get on the bus, so the bus drives past. They are all deterrents for people wanting to use public transport. It is a challenge. The question about how do you fund public transport, I think it needs to come from a tax base. In Perth you are asking about parking fees. There is a parking levy here. The original parking levy within the City of Perth was levied on parking bays, not tenant, but any public parking bays. That was set, and the agreement that was made with the City of Perth was that previously parking revenue in the city of Perth had to be spent on parking. That was the requirements of the Perth Parking Act. What we did through the Department of Transport, where I was working at the time, was negotiate that in return for allowing a levy to go on parking spaces, on street and in building parking spaces, the City of Perth was allowed to spend its parking revenue on anything it wanted to. In effect they had a release of that funding for other purposes. That meant they did not just keep proliferating parking because that is how they could spend their money and also allow the introduction of a levy which then in policy terms could be ratcheted up to be a deterrent from people wanting to park in the central city. That has gone up in a number of steps since that time. But, of course, the question of convenience and cost still make it that people want to park in Perth as a priority.

**Mr KOCH**—All of that is local tax generation, nothing to do with federal?

**Prof. MARTIN**—No, that is local, but it is only within the city of Perth.

**Mr KOCH**—Yes.

**Prof. MARTIN**—What I have not mentioned is how is that revenue used? That revenue is used for the benefit of public transport. That revenue that is generated in the City of Perth from the levy now is used for public transport. You would be aware of our CAT system in central Perth maybe. We also have a free transit zone which is not so well known, but if got any of the regular buses within a particular boundary of the city of Perth you could travel for free. You do not actually have to buy a ticket.

**Mr KOCH**—Is it the blue one or the red one?

**Prof. MARTIN**—There is a blue, red and yellow CAT system but they are the regular buses that come from outer suburbs coming through the city. You can get on in the city within a boundary within a free transit zone and you do not pay for using that bus. It is not well known. One of the concerns, of course, is if you jump on a bus is that bus can dive off to somewhere you do not know. If you inform yourself then it is an additional capacity for travelling within the city of Perth. It is useful. A number of other municipalities say, 'We'd like CAT buses too, please.' The question is, 'Are you happy to have a parking levy in your area which would help fund it?' My understanding is that by and large we have some of the CAT buses that are funded by local government but not necessarily through a parking levy, levied by the state, but perhaps out of council rate revenue, as well as state revenue paying for that CAT system.

**Mr KOCH**—Professor, do you see a need for federal funding support in relation to growing the opportunity state-wise on public transport to pull back maintenance and further reconstruction of a road network?

**Prof. MARTIN**—If you think about the construction and maintenance as well as the space

management in urban areas. It is both things. In the urban area, by and large, I do not think wear and tear on the road is so critical, although I would be an advocate of designated freight routes so that you know which route is a higher durability for that freight to go on, but federal funding, if you are going to get to use public transport you have to provide a good quality, one that they are happy to use and one that serves their purpose. You have to give them that option which is appealing, then you have the chance of dissuading them from using their car.

**Mr KOCH**—But the states may not have the capacity to do that on their own.

**Prof. MARTIN**—That is right.

**Mr KOCH**—Should that be brought in to be part of the bigger equation?

**Prof. MARTIN**—Yes.

**Mr KOCH**—Is it discussed at the levels that you are involved in?

**Prof. MARTIN**—This federal government has an appetite for getting into that space, like the Better Cities Program. In fact the CAT system we have in Perth occurred with the previous Labour government, the Better Cities Program. They sponsored getting that going. The federal government largely paid for the buses, but the maintenance and operation and replacement of those buses have to be dealt with out of the levy that has been applied. Yes, I think the Commonwealth government does need to use it and there is an argument by the public transport advocates, as against the road advocates, that more of the road funding should be going to public transport and less into roads. That is an interesting argument that by and large I would say the Commonwealth government does need to assist with major investments in public transport. In Perth there is a commitment to lower the railway lines through the centre of Perth. You might argue, is that really helping public transport or is it helping the development of the city or the rejuvenation of areas of the city? I think it is helping public transport in a sense.

I guess their inclination would be to help pay for capital investment for public transport rather than operational expenditure. That would be my guess of what their interest would be because that way they can choose what they spend it on and it contains their expenditure to lumps that they know right up-front. It is the operating of public transport which is very expensive. There is always that dilemma about what you charge for public transport use as against deterring people from using it.

**Mr KOCH**—Yes, I accept that.

**Mr WELLER**—Greg, do you think the funding between the states and the federal government is at the right balance at the moment to do all these infrastructure charges or challenges that are confronting us?

**Prof. MARTIN**—I am not conversant with what the exact arrangements are at the present time, so I cannot give you a very straight up and down answer. I think it is better now because there is a level of dialogue going on which has declared what they are prepared to spend it on and for what, but in saying to the state where they are prepared to spend their money. In the past the situation was the state would make an argument to the Commonwealth for funding; never knew quite what the Commonwealth was going to give; never knew whether the Commonwealth was actually going to fund what the state asked for or something else. That was a recipe I think for bad blood between both parties of government. Now, with the Commonwealth saying, 'You put up your bids and we will select from your bids where we spend the money,' that is more likely to be better, where people understand where they are.

Of course the question then becomes equity between the states. There are all those arguments that go on about who got money and who did not. That is for governments to make their arguments and put their best foot forward. The advice going to governments for the decision is in a better place now because they are saying, 'Tell us the justification, what are you doing it for?' It seems to me the federal government at this time is by and large respecting the purpose that is being put forward, that they ask to be declared, they are respecting that in what allocations they are making. That seems to me to be the case, subject to which states they prefer to give money to versus which ones they do not, for whatever reason they choose.

**Mr WELLER**—Earlier this morning we heard—I think it was Infrastructure Australia—the reporting that they require was weekly and there was some frustration that there was time being wasted on this weekly reporting and that time could have been better spent on future planning. What are your views?

**Prof. MARTIN**—One of the difficulties is that Infrastructure Australia is an adviser to the federal government and they have asked for submissions. All manner of people have put in submissions—state governments, local government, private operators, I think even community groups are putting in submissions. My concern about that is there has not been enough feedback to those people to say, 'Look, you've put in a ridiculous submission,' or, 'You've put in an under-developed submission,' or, 'It's just a shopping list.' The feedback from Infrastructure Australia I think could be better to help not waste people's time and energy in putting in submissions or helping them learn how they can put in a submission that has a better chance of succeeding. I do not know about the reporting back to Infrastructure Australia, I am not conversant with that. I am concerned about the efficiency with which they are seeking bids and whether people are wasting a lot of time in the expectation they will get money through the advice of Infrastructure Australia to the Commonwealth government which has no chance of getting any support. I am worried about that waste of resource and the heightened expectations that are going to be disappointed.

**Mr LANGDON**—Was that going through local government or across Australia in their submissions, like the community groups and everyone else?

**Prof. MARTIN**—That was an open invitation. When Infrastructure Australia was launched my recollection was state governments, local government and private sector were all invited to make submissions for projects out of that fund. I am presuming some community groups or some groups with support of local government would have put in submissions for different things, but by and large the big lumps of economic infrastructure are the things that have been supported. Most recently some of the urban transport infrastructure has been supported. So anybody putting in something that does not meet that 'significance in the national scene' criterion would not have got a guernsey. For example, they were looking for economic infrastructure, not social infrastructure by and large. A lot of people would have gone in there thinking, 'Here's a chance to get some money,' invested some effort in trying to put in submissions and then probably not being in the race at the beginning because of what they have submitted.

On the other hand, the volume of money being asked for was enormous relative to what was available. That is another difficulty.

**Mr WELLER**—Another area for funding for roads is the Grants Commission to local government, and if that money goes to local government it is not tied. Do you have a view on whether or not the tied funding would be appropriate or not to local government?

**Prof. MARTIN**—I am going to skirt around your question to some extent.

**Mr WELLER**—Most people do.

**Mr LANGDON**—He is too used to parliament.

**Prof. MARTIN**—Let me try and help you. We have had here for quite some years a State Road Funds to Local Government arrangement. Are you familiar with that? Are you aware of that?

**Mr WELLER**—No, I am not.

**Prof. MARTIN**—A number of zones have been set up right around the state—remote, regional and urban—where groups of councils have been brought together as regional road groups. There is an agreement between the state and the Local Government Association for a proportion of state road funding to go to local government. The allocation is made to the group, not to individual councils, the notion being that the group of councils have a committee comprising elected members, and the elected members make a decision about the allocation of that money within the group of councils. Because it is an agreement that runs over a series of years, if you do not get a road in your council this year, that is not too much of a problem, as long as you can see it being programmed the next year or the year after; one advantage. The other advantage is you can plan to complete a link, upgrading a link, rather than have one council do its bit, the next council say, 'No, I'm going to do something else. I'm not going to do the other end of that link.' It has been a very effective mechanism to get better network thinking. The local governments are in charge of it but they are collaborating in making those decisions.

**Mr LANGDON**—How many local governments were in each group, or depending on where you are?

**Prof. MARTIN**—Normally, depending on where you are in the Kimberley, four local governments cover a big area; in the south-west, five, six, seven councils.



**Mr KOCH**—How many local government bodies or LGAs do we have in Western Australia?

**Prof. MARTIN**—Around about 140.

**Mr KOCH**—Yes, that is still a large number—

**Prof. MARTIN**—Around about 140. You may well have heard that there have been efforts to try and amalgamate but that is not an easy thing to win.

**Mr KOCH**—We know.

**Prof. MARTIN**—Yes, I am aware of that. I am aware of your history. Coming back to your question, when the AusLink program came out, and AusLink and the federal government said they were going to pay money, bypass states and give them to local government, in Western Australia we made the argument, 'Why not put it through the regional road groups,' to get the two advantages that I described, but for reasons you can speculate on, the federal government said, 'No, we're going to do the same everywhere and we're going to give money straight to councils.' My personal view was I saw some money being spent out of the Roads to Recovery in some councils where I thought, 'Mm, I wonder whether that's really good money.'

**Mr KOCH**—Again it was untied.

**Prof. MARTIN**—It was untied, but it was being spent on some fairly well to do local urban councils in metropolitan Perth; when I suspect some of the regional councils were battling to get some money to gravel re-sheet some of their rural roads. That is a personal reflection on how that money is spent. I personally think it would have been better to put it through these groups. Main Roads provides technical advice to these regional road groups but the decisions are made by elected members. It is not as if you have bureaucrats defining how that local government money is spent. It is being decided by elected members. Coming back to your question about Commonwealth money going, I would still prefer to see it going through a more organised arrangement like I have described to you, rather than going to individual councils. That does not mean to say there might not be friction and dispute within the individual council groups, but it has the prospect of producing a better, overall road network solution than if you give it to individual councils and hope they are going to do sensible things between council areas.

**Mr KOCH**—Would you be supportive or give consideration to a portion of GSTs going towards the states should actually be tied to road funding? We are talking a very small percentage, but, as a funding mechanism, in actual fact tying some of those funds to road programs.

**Prof. MARTIN**—I think it is a difficult question. I am well aware of what treasuries think about hypothecation. I do not think there is any treasury in the country who supports hypothecation on the basis that they want to have the flexibility and want to give the government the flexibility of spending the resources however they like. I think if you did it, there might be a question about it would have to be done against the long-term plan; in other words, know why you are doing it, how much you are doing it and for how long you are doing it. I would not want to make it an open-ended issue because once again once you have done it, the argument would be, let's say you hypothecate five per cent, the next year people would argue for six, for seven, for eight. The question then becomes, are you doing—and to use an accounting term—zero based budgeting; in other words, working on what you really need, or are you just getting on the gravy train and pushing for more and more?

The appeal of the road user charging regime—complicated and challenging as it would be—has the benefit of saying, 'What's the argument for funding? Are we spending at the right place? Can we rationalise? What's more, are the road authorities operating efficiently?' The funding that would come from that purpose needs to pay for operation of road authorities too, so are they running as an efficient organisation? That, to me, has a conceptual appeal despite the practical difficulty of putting that in place.

**Mr KOCH**—Yes.

**Prof. MARTIN**—There might be some stepping stones. There might be some stages we can go through. It might not get to that ultimately, but there may be some steps through that that are still worth doing because the benefits are greater than the costs of making that change. I do not know whether I answered your question about the local government.

**Mr WELLER**—You did. I take your answer as you would prefer a model where the region of local governments come together rather than—

**Prof. MARTIN**—Another thought—

**Mr WELLER**—That is one way of—less risk of it not going to roads by putting it through that process.

**Prof. MARTIN**—Yes, that would be true, although the Roads to Recovery is basically for roads, but I am saying bigger groupings of councils, assuming they are working amicably, and you stabilise that arrangement and they are all happy. You have elected representatives who do have the authority of their council and work well. That has been the practice here. I can say in my time in Main Roads there were one or two groups where I was involved in discussions to try and sort out some difficulties which often were an urban council versus the rural councils around the rim, where the rural councils felt the urban council was taking too much—

**Mr WELLER**—There is a bit of that that goes on.

**Mr KOCH**—The interface situation will always arise.

**Prof. MARTIN**—I still think that was a better way than just being higgledy-piggledy, in a sense. One thought that comes to my mind in the regime of the Commonwealth network, the state network and then the local government network, in moving to these higher productivity vehicles, there is a question in my mind about whether some of the important local roads perhaps should not be in the state network in terms of ownership and funding on the basis of capacity to pay by local government to look after some of those roads. I think local government thinks that by road user charging they are going to get enough money to look after the network that they have. If I can use an example which is a simple example but let's say a B-double runs down a wet local road to a farmer's gate and collects the load and comes back, having put trenches in the road, that is one B-double a year, does local government think that road user charges from that truck are going to pay for looking after that bit of road? I am using a silly example but I am trying to illustrate an extreme.

If we are going to have a network of high productivity vehicles which we are promoting on the basis of lower costs and better use of the road network and less vehicles on the road from a road safety point of view but safe vehicles, then the question is, do we have the right hierarchy of roads at the present time or should that be revisited? I am talking from a Western Australian perspective. I am not sure how that might relate in Victoria. I know there are issues about B-doubles and all that sort of stuff. I am thinking in the Western Australian context, local government might not like this idea but their expectation they are going to get funding to look after their network with higher productivity vehicles by road user charges, I suspect might not be ideal. It might be better to have those roads looked after in a bigger pool by the state road authority. It might prove to be wrong but I think it is something worth asking the question about.

**Mr KOCH**—Professor, thank you very much for joining us today.

**Prof. MARTIN**—Thank you.

**Mr KOCH**—We much appreciate the discussion we have had, and for you making the time available to join us here this morning.

**Prof. MARTIN**—All the best for your deliberations.

**Mr KOCH**—Thank you so much.

**Witness withdrew.**

**Committee adjourned.**