

Mr J Eren, MLA  
Chair  
Road Safety Committee  
Parliament of Victoria  
Parliament House  
Spring Street  
EAST MELBOURNE VIC 3002

Dear Mr Eren

Thank you for your letter of 8 December 2009 seeking comment on the Committee's *Inquiry into Federal – State Road Funding*. It is noted you have also written to a number of agencies within my portfolio responsibilities and I have taken the liberty of incorporating a response from them in this reply.

With the development of Infrastructure Australia and the introduction of the Nation Building and Jobs Program, the approach to providing funds for infrastructure and roads in particular has changed.

Previously, distribution of road funds from national funding programs such as National Highways Program, AusLink, Black Spot Program, Roads of National Interest, Roads to Recovery and Specific Grants generally equated reasonably to a pro-rata population basis, especially over the longer term.

In response to your request for comments the following is provided:

Terms of Reference Items:

*a) Review current arrangements in Australia*

These are well documented in other places.

*b) Assess the current arrangements in Australia in respect of economic efficiency and equity*

The formation of Infrastructure Australia, together with a move towards shared funding of key road and transport projects, has been the most significant change to road funding arrangements in recent times.

Infrastructure Australia's role is to advise Governments, investors and owners of infrastructure concerning:

- nationally significant infrastructure priorities;
- policy and regulatory reforms desirable to improve the efficient utilisation of national infrastructure networks;
- options to address impediments to the development and provision of efficient national infrastructure;
- the needs of users; and
- possible financing mechanisms.

The change that this role signalled was to place an increased emphasis on projects of national significance and reforms around improved efficiency. Those projects, which supported and were derived from a well organised strategic vision and objective, seem to have done best in receiving funds. These States generally had sound infrastructure planning processes in place.

Candidate projects from across the nation and across different sectors are examined and compared nationally by the independent Infrastructure Australia Board and recommendations made to Government.

*c) Make recommendations for improving Federal–State road funding arrangements in Australia.*

- Equity  
Any arrangement must contemplate equity of funds distribution across the Nation. The use of a benefit cost ratio will inevitably favour high population and high traffic areas of Australia.

More sparsely populated States and remote communities need to achieve acceptable levels of access and service. Evaluation of candidate Commonwealth funded projects should take account of this need through some other test which considers any special disadvantage by virtue of its location, population served or special need.

Evaluation of individual projects should take strong account of individual jurisdictions policies, strategies, objectives and needs. In this regard the Strategic Merit Test outlined and discussed in the 2006 National Guidelines for Transport System Management in Australia addresses some of these concerns.

- Nation Building and Economic Development  
Projects that support the national interest, nation-building development, the export industry or are beyond the capacity of State Governments to fund, ought to be the primary focus for Commonwealth Funding.

In the past, we have seen only minimal contributions from the Commonwealth Government for projects from which they derived significant benefits. Examples of recent projects in Western Australia where there has been little or no Commonwealth contribution include:

- Transport infrastructure to support nickel mining at Ravensthorpe;
- Bulk Liquid jetty at Dampier Port;
- Fremantle Inner Harbour deepening; and
- Geraldton Southern Transport Corridor.

To some extent the Nation Building and Jobs Program has addressed this issue and the Commonwealth now clearly recognises the need to fund projects which bring economic benefit to the nation.

Projects where the national benefit has been recognised and a contribution has been made include:

- Perth Urban Freight Corridors; and
- Oakajee Port development.

- GST Funding

The introduction of GST funding was accompanied by a reduction or removal in State based revenue-raising measures. The GST funding is returned to the State on a formulaic basis that is revised from time to time.

GST funding represents a significant proportion of funding for key projects and services in Western Australia and needs to be distributed on a fair and equitable basis with a strong leaning towards returning the amounts collected in each State or Territory back to those States and Territories.

Thank you for giving me the opportunity to make a comment to your Inquiry.

Yours sincerely