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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

**Reference: AusLink (National Land Transport) Bill 2004; AusLink (National Land
Transport—Consequential and Transitional Provisions) Bill 2004**

TUESDAY, 12 APRIL 2005

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE

Tuesday, 12 April 2005

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Ferris, McGauran and Stephens

Participating members: Senators Abetz, Allison, Mark Bishop, Boswell, Brown, George Campbell, Carr, Chapman, Coonan, Eggleston, Chris Evans, Faulkner, Ferguson, Greig, Haradine, Hogg, Hutchins, Knowles, Lightfoot, Ludwig, Lundy, Sandy Macdonald, Mackay, Mason, McLucas, Nettle, O'Brien, Payne, Robert Ray, Santoro, Tchen, Tierney, Watson and Webber

Senators in attendance: Senators Allison, Buckland, Heffernan, O'Brien and Stephens

Terms of reference for the inquiry:

AusLink (National Land Transport) Bill 2004 and AusLink (National Land Transport—Consequential and Transitional Provisions) Bill 2004

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Committee met at 9.03 a.m.

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee is hearing evidence on the committee's inquiry into the provisions of the AusLink (National Land Transport) Bill 2004 and the AusLink (National Land Transport—Consequential and Transitional Provisions) Bill 2004. This is a public hearing and a *Hansard* transcript of the proceedings is being made. The committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990 concerning the broadcasting of committee proceedings.

I place on the record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and evidence given. Any act by any person which may disadvantage a witness on account of evidence given by him or her before the Senate or a Senate committee is a breach of privilege. While the committee prefers to hear evidence in public, the committee may agree to take evidence confidentially. If the committee takes evidence confidentially, it may still publish or present all or part of that confidential evidence at a later date. The Senate also has the power to order production and/or publication of confidential evidence. The committee would consult the person whose evidence the committee is considering publishing before taking such action.

I also draw attention to the continuing resolution relating to claims of commercial confidentiality. Under the resolution, a claim to withhold information on the basis that it is commercial-in-confidence can only be made by a minister and must include a statement setting out the basis for the claim, including a statement of any commercial harm that may result from the disclosure of that information.

[9.05 a.m.]

DOBINSON, Mr Ken, Project Director, Sustainable Transport in Sustainable Cities

DUREAU, Professor Michael, Executive Director, Warren Centre for Advanced Engineering

Evidence was taken via teleconference—

CHAIR—I now welcome via teleconference representatives from the Warren Centre for Advanced Engineering. If you would like to make an opening statement, now is the time to do it.

Prof. Dureau—The Warren centre's position is that the federal government should provide national leadership in transport through a national transport plan embracing all transport in Australia. In this context we see the AusLink national land transport bills as a logical first step towards such a plan. However, we see that the bills maintain the narrow focus of the past by the Commonwealth on transport with emphasis on interstate and interregional road and rail links and port development and linkages. These are important to the economic development of Australia, but this focus fails to recognise that Australia has moved on, with knowledge being the economic driver of the nation and cities being the economic powerhouses. I will now pass to Ken Dobinson, who will make specific comments in support of our submission.

Mr Dobinson—I have some comments on particular issues raised in this inquiry. Firstly, on Commonwealth funding for construction and maintenance, we consider that federal funding should be confined to developing the nation and advancing it. It should exclude maintenance and operation funding because the latter functions are considered to be state responsibilities. It has been previously acknowledged in many test cases that the states have the legal power to raise money for maintenance, whereas it has been questioned on raising money for construction projects. More importantly here, though, we also see that the allocation of money for construction should be on a consistent basis right across the nation between the states and territories and, of course, across all transport modes.

On the second point that you raised, we support the creation of the national infrastructure advisory council and it should report, in our view, to the Transport Advisory Council. But we see it as essential that this has effective, non-aligned bodies on it such as the Warren centre. In this context, we see the Transport Advisory Council being advised by only two bodies: an external one such as this and an internal one comprising government representatives.

Thirdly, on the Roads to Recovery question that you raised, we think this should embrace aspects other than roads—things like public transport interchanges, cycling, walking and the like. Frequently in a local area, improvements to the transport interchange can have much greater benefits to that local area than simply upgrading a road. We have suggested that the title of this particular program be changed to 'Pathways to Recovery'.

Finally, to add some community interest to this project, we suggest a couple of exciting innovations be promoted from the bills as some of the initial works under the AusLink transport development and innovation projects. One is a very high speed rail network in the greater cities and in the expanded conurbations around our cities. The Warren centre has

shown this can probably be achieved with minimal government financial support. Also, we would like to see this embrace an Australian invention, the Austrans people mover. The federal government has already funded the development of the prototype, which is now running out at Chullora. We have suggested that a good place to start with this would be between Canberra Airport, Civic and the university.

CHAIR—On the question of the states financing the maintenance, isn't that dreaming? There is no way that that could be forced upon them if they had budgetary restraints—they would just tell you to go and whistle.

Mr Dobinson—It is extremely difficult to back off from the maintenance component, particularly in the national highways area, and they do have constraints. But it is only a divergence of funds. If the federal government provides more money, which it could do, for construction work, and less for maintenance, it means that the federal people are having greater control over the investment in the national asset. It is only an exchange of money. We are saying: 'If you don't fund the maintenance of national highways but fund more construction work and expand the concept of a national highway system—or whatever you like to call it—it's only a money exchange.' So we see it as practical. We also see it as extremely difficult. The states would scream like murder—we know that.

Prof. Dureau—If you provide a better infrastructure system for the greater city regions, you are actually diverting funds for that work from the state government to the federal and therefore the money that the state governments would have spent on increasing their road network can now be spent on maintenance. I think the argument can be mounted like that.

CHAIR—I think that is dreaming, because if you were of no political consequence out in the regions—you are talking about the cities—and I was in a government that had a priority to get itself continually re-elected, I do not think I would be too worried about the inconsequential part of the electorate. As a proposition you could assert that some of these roads might fall to pieces and there is nothing the Commonwealth could do about it.

Mr Dobinson—We have formed a group called 10000 Friends of Greater Sydney. The whole point of that group is to take it out of the election cycle, and to provide pressure by using studied research on the decision makers to ensure that things like this maintenance occur.

Senator O'BRIEN—You have no doubt noted the debate in the media at the moment about the Commonwealth government wanting the states to wind back their semi-independent means of raising funds. How does your proposal for them to accept more responsibility for maintenance fit with that?

Mr Dobinson—As I said earlier, we see this as merely an exchange of responsibility and an exchange of the funding responsibility in the sense that if the federal government provides less money for maintenance but more money for construction, it is really just the same amount of money, only in different pockets. If, as Michael has said, we look at the population of the nation we see that it is now in the cities, where the federal government appears to be taking little interest. If the Commonwealth government takes some responsibility, particularly for providing better public transport services into these areas by providing the construction money—which it is really just exchanging for the maintenance money it is presently

providing—the states should be able pick this up. I agree it is difficult, but sometimes to get benefits to a nation you have to make these difficult decisions.

Senator O'BRIEN—There would have to be a national consensus, wouldn't there?

Mr Dobinson—Possibly.

Prof. Dureau—I believe so.

Mr Dobinson—Yes. Maybe not after 30 June.

Senator O'BRIEN—Are you suggesting that after 30 June the federal government should unilaterally take responsibility for road construction nationally?

Mr Dobinson—Not totally—it should expand what it does in the national interest, based on economic investment, which is how it is supposed to be investing now in the national road system and rail system.

Senator O'BRIEN—I take it from your submission that you would support a national infrastructure advisory council?

Mr Dobinson—Yes, we do. But you need to be careful that you have some effective, non-aligned bodies on it.

Senator O'BRIEN—You would want a body making decisions on the basis of need and cost-benefit analyses.

Mr Dobinson—Absolutely. We see the primary national responsibility of the national government—not disregarding social and environmental responsibilities—as ensuring the investment is soundly economically based.

Senator O'BRIEN—Essentially, your additional points are that there should be a substantial role for the Commonwealth in the provision of new means of public transport or in facilitating the private providers to set under way new public transport mechanisms for the major cities.

Mr Dobinson—That is right—new, exciting innovations which need greater support in this country. If the Bishop Austrans system and the very high-speed train are sound and effective—and we believe they are—they can pay their way because they are the right solutions. The present investment that goes into public transport tends to be a loss-making system. So with better systems and new inventions—which we have here—you are going to find that, in the long run, the nation does not have to invest so much in propping up public transport.

Senator O'BRIEN—What sort of financial commitment is required to get your proposals under way, say, for Sydney and Melbourne?

Mr Dobinson—If, for example, it were an Austrans system, the federal investment would probably be \$10 million or \$20 million. In the very high-speed rail system, for greater Sydney or greater Melbourne, our costings and analysis have shown that it is self-funding. We do not quite believe that, but you are possibly looking at something like \$1 billion in each city over 20 years.

Senator O'BRIEN—Is that in addition to private contribution?

Mr Dobinson—Yes. We are proposing that they would be private investment projects with government support over a period of time. They would be driven by the government, not driven by the private sector in what is to be done.

Prof. Dureau—I think we need to draw a distinction between the very high-speed train and the Austrans people mover in the sense that the people mover is taking people from the nodes to their locations. It operates a bit like the electric buses in Florence, which can go down pedestrian walkways almost. They can go to places where normal public transport cannot go. But that the VHST is obviously going to move between large urban centres.

Senator O'BRIEN—What is your view on providing the capacity under AusLink for the federal government should it wish to contribute to infrastructure solutions in areas such as public transport—which you have already dealt with—regional runways, cycling and walking infrastructure?

Mr Dobinson—That is the Roads to Recovery project, which is federal funding direct to local government. We believe this should be expanded. In the local area, quite often you will find that you will get greater benefits in that area by investing in, as I gave an example of, a transport interchange—possibly a bus interchange—rather than an upgrade on a road. Similarly, you can probably get greater advantages, in some instances, in local areas by investing in cycling and walking trails. Again, I think if there is a consistent basis for assessing these, I do not see why there should be a constraint in the local area for the local government body to invest that money in these projects as an alternative to a possible road upgrade. If the economic assessment base is sound, it will guide these people in the best ways of allocating this money to their local area.

Senator O'BRIEN—You talk in your submission about the Austrans proposal operating at Chullora in Sydney. It is only a prototype in your submission; it is not a working trial?

Mr Dobinson—No, it is not. In our submission we are saying the next step is a working trial. It needs to be put in somewhere as a working trial where it is immediately effective in what it is doing. The federal government helped fund the establishment of this prototype on a dollar-for-dollar basis, and it is sitting there. It is a wonderful invention and a wonderful development but it needs to go to the next stage. It seems to be an ideal thing from Canberra's point of view for connecting the airport to Civic.

Senator O'BRIEN—Do you mean the Austrans proposal or the high-speed—

Mr Dobinson—The Austrans proposal.

Senator ALLISON—My question is about the debate about maintenance or provision of roads and infrastructure: what are the relative costs that we are talking about here? Would there need to be a greater provision of Commonwealth funding for maintenance were it to step aside, and do you have any figures on what that might look like?

Mr Dobinson—No, I do not have the figures—not right in front of me anyway—on this. At the present time, the federal government in the road arena finances the maintenance of national highways, which is one of its allocations of money. So when it provides upgrades for the Hume Highway it also provides the ongoing money to maintain that road but it also provides money in other areas—for example, the RONI projects, the Roads of National

Importance. The federal government only provides the funds for those for construction and, in many cases, on a dollar-for-dollar basis with the states. If the federal government cut back on the maintenance money, as I said, the states would not like it, but it could take the money it took from the national highways for maintenance purposes and reallocate it into other grants for highways such as the RONIs and, instead of providing a dollar for a dollar, it might provide two dollars for one dollar.

The financial position of the states has not changed, but you would get a cleaner arrangement for the money that the federal government is providing under these new bills, which would then be directly as investment into the nation for enhancing transport. That is all it would be doing. It would be merely investing in the states. I also see this helping because, the further you go down the scale from federal to state to local, you find that in many cases these projects become more parochial rather than sound economic investment. This would tend to make everything in the roads area subject to sound investments under scrutiny by the federal government.

Senator ALLISON—We have had, particularly in the case of Victoria, instances of Roads of National Importance being determined as freeways around the city. I am thinking of the Scoresby Freeway, now renamed—I forget its new name. Do you see anything in this bill that would sort out what is a Road of National Importance and what is not?

Mr Dobinson—No, I do not see anything in the bill that is doing that. It certainly needs to be cleaner because you are ending up with a mix of roads, whether they are national highways, RONIs or whatever. From an external perception, we sometimes see the pressure from the various states or state bodies that determine their classification, whereas if there were a national criteria for selecting these roads—and of course rail projects—on the basis of their national interest in terms of the value of their economic investment, you would get a more rational approach to investment by the federal government into the nation.

Senator ALLISON—So is that something you would recommend to the committee?

Mr Dobinson—Yes. We would recommend that it be done on a more logical basis, but of course I am not saying you should not allow private funding of these projects, because that is a sound way of funding them anyway. We do not see any problem with the federal government assisting with funding to make a project work but the state financing its portion by private investment using a tollway. That is a perfectly sound way, from our point of view, of getting the economic investment into something which can pay its way.

Senator ALLISON—Let us turn to your argument that we should broaden the focus of roads and rail to include walkways, cycleways and improved public transport services. Could you perhaps hazard a guess as to how the proportional mix should look, or is there a lot of work that needs to be done on that? Secondly, would you advocate a selection criterion that might be based on a range of social, environmental or long-term energy use criteria?

Mr Dobinson—You are talking about the Roads to Recovery program for local government?

Senator ALLISON—Yes.

Mr Dobinson—It would be extremely difficult, and certainly we have not got the information readily available to suggest an allocation between roads, public transport, cycling and walking. Certainly we would support a criterion based on probably the three key parameters of social, environmental and economic issues for investment in these. But the problem you have got at the minute is that it is distorted in the local government area, in that money is provided by the federal government to upgrade a road and that money cannot be used for another purpose.

In terms of cycling, you often find, rather oddly, that there is extra money allocated to put a cycleway through a major intersection of a local road—and through intersections, in my view, is the very place you do not want cyclists operating. That money cannot be allocated to a cycleway somewhere else, off the road—provided at a far lower cost—because if the cycleway is going to be on the road it must also be able to carry B-doubles. Therefore, you are putting a huge investment into pavement, whereas you could probably build 10 times the length of cycleway off road because you only need a very low-cost, simple pavement.

Prof. Dureau—Surely the mix between cycleways and walkways and the like and their locations is going to be driven by the local requirements rather than by somebody outside the region.

Senator ALLISON—But you make the point, presumably, that in the design of roads—major roads and local Roads to Recovery roads—you cannot even do the design of cycleways as part of that because of the federal funding constraint.

Mr Dobinson—You can design them, but I am saying that the funding that comes from the federal arena—and also from the state arena—is for roads, and therefore it is easier to finance a cycleway on the road than one off the road.

Senator ALLISON—You describe this as a logical first step in meeting the long-term transport needs of Australia. What do you see as the necessary next step in the process, and what other actions will we need to take to make sure those long-term steps are delivered?

Mr Dobinson—In the broad economic planning of the nation, you need a broad strategic transport plan in many areas. We recognise that. There needs to be one in transport. Transport has become such a major issue across the nation that we believe it needs to have national leadership, not to be primarily driven by the states with support from the federal government. We see a need for a national plan which would embrace a national road system, a national rail system and a national public transport system right across the nation.

This is not saying that the federal government should fund all of these things, but at least the federal government and the states should be working off a single strategic plan for the nation as the basis for transport across Australia. So we see the next step in this is to have the federal government initiate the development of a national transport plan for Australia which would embrace all modes—and that even includes air—and set that plan, of which these bills form an initial part. Possibly there is going to be another bill to follow from this to work out the detail of it. But we do not see the national plan being influenced by the fact that the federal government pays for something and the states pay for something else. We do not see that that should come into the national plan for the nation. That should come in as a secondary consideration as to how we then pay for it.

Senator BUCKLAND—In relation to the high-speed rail network, you talk about including intrastate rail. This would have to be a completely separate rail corridor to any other that we have, wouldn't it?

Mr Dobinson—Absolutely. The present rail system, even with reasonable upgrades, could never achieve the standard that you need for very high-speed rail. We only did Sydney, but you can use similar or smaller figures for Brisbane and Melbourne. We estimated that a complete network of very high-speed rail in Sydney—and I not talking about just Sydney; I am talking about greater Sydney, which goes to Newcastle in the north and Wollongong and Goulburn in the south—would cost around \$11 billion. But our initial feasibility work showed that the patronage was so high in these internal areas, running through to the CBD and the airports and the like and linking up all our freeways, that it would pay for itself. That is a bit ambitious and we are not claiming that that would be so, but it shows that if you have the right thing in the right place you do not have to treat it as welfare on wheels, which is the way we treat public transport today.

Senator BUCKLAND—For the investment that would be required for that, would you be looking more at investors outside of government?

Mr Dobinson—That is correct.

CHAIR—How is all your planning going to be affected if fuel goes to \$2 a litre? Obviously any long-term plan has to look at what they are forecasting, and that is what they are forecasting. How will that affect transport behaviour?

Mr Dobinson—In terms of transport behaviour, it has been fairly well shown that transport is relatively insensitive to price. You are talking about the price going to \$2 a litre. Even at that level it would still be relatively insensitive to the impact on transport and the choice of modes. In terms of the price hike that occurred many years ago, back in the seventies in America, where they measured it, the major change that occurred was that people moved to smaller cars; they did not stop travelling.

I think the important thing to be aware of is that, if that does happen in Australia and if the federal government take is limited, you will get, as you are getting now, a progressively declining consumption of fuel as we are developing more efficient engines. That has happened to a large degree in America and it is heading here. In this particular case, as the price rises we will get less use of fuel and therefore less funds available for funding roads and rail and the others out of the fuel tax.

This is why I am sure other countries in Europe and America are looking at introducing road charging so that you pay for travel on the basis of what the vehicle is and the distance it travels. It is quite possible to do that. That is being thought about in various parts of Australia as well. Once you move to that you then have a far better control over the choices made because you can then vary the charge to encourage people to travel less or to use alternative modes, which you cannot do with a fuel price that just allocates the money directly to transport.

Prof. Dureau—The other point to make is that as the price of fuel increases there will definitely be a bigger pull towards electric and gas propelled public transport.

CHAIR—Thank you very much for that. Do not forget to add that we are going to put the price of bread up, too. Those poor old farmers! My final question is a very important one. How should non-economic investment criteria—that is, maintaining rural communities through the support of local roads, and being an old burnt-out shire president I know all about this—be included in the decision making? Can they be evaluated in a disciplined way even though they are non-economic?

Mr Dobinson—I will take the first part.

CHAIR—You can take it on notice, if you like, because it is a very important question.

Prof. Dureau—We would like to take that one on notice because we are doing work in that area but are not prepared to answer that question today.

Mr Dobinson—I think that is very wise. We are looking at developing a scorecard of investment in cities in transport which is looking at that very thing now. We are looking at how you score the investment from a social, environmental and economic point of view. We will take that on notice. It is a project under way in the Warren centre.

CHAIR—We will look forward to your answer. Thank you very much, gentlemen. I bid you good day and thank you for your time and patience.

[9.37 a.m.]

McINTOSH, Mr John Lauchlan, Executive Director, Australian Automobile Association
METCALFE, Mr John Stewart, Director, Research and Policy, Australian Automobile Association

CHAIR—I welcome the representatives of the Australian Automobile Association and entourage and I invite you to make an opening statement.

Mr McIntosh—Thank you very much. I appreciate the opportunity to be here today. The Australian Automobile Association represents the interests of over six million motorists through the state and territory motoring clubs. We therefore have a pretty vital interest in the funding, planning and use of Australia's land transport network. We welcomed the AusLink white paper back in June 2004. We are pleased to see some new funding in the AusLink plan. But we have said that we believe more funds are necessary to achieve the full vision.

We have made the point for some time that road expenditure is an investment, not a cost. Roads provide significant benefits throughout the nation. One of the most important things that we often overlook is that five people die and 60 people are seriously injured on our roads in Australia every day. We know from the detailed research that in order to meet the national strategy for a 40 per cent reduction in the road toll 40 per cent of that reduction—that is, 332 out of the 700 lives we are hoping to save—will come from improving the road network. That is a pretty important factor. We often overlook it. We all think it is always the other driver who causes the problem but people die because they hit things that perhaps should not be there or run off the road because the road is inadequate.

We undertook some polling recently—and we have drawn it to your attention in our submission—to ask whether the federal government should continue to have a substantial surplus and whether it should be spending more on infrastructure like roads. We were a bit surprised by the answer that 74 per cent of people thought that the government should spend more on infrastructure, that about 10 per cent thought more should be spent on services and that only seven per cent said there should be a continuous budget surplus. We think the white paper is important in that it does set out a new mechanism for managing the national network of Australia. It is important to improve the transparency in project decision making. We would like to see transport pricing considered earlier than is set out.

We are concerned that the real funding suggested by the Commonwealth is really not as much as it has suggested. It is very difficult to make a comparison of past and future funding but it is clear that the increase in Commonwealth road funding in real terms is likely to be only 16 per cent in five years, not 64 per cent as quoted. We think that it is important to retain quite large sums for commitments such as Scoresby Freeway. If money is not given towards Scoresby Freeway, at least it should be given to other projects in Victoria. Maintenance funding is important. We have to recognise that there is an enormous backlog of economically viable projects in Australia. That has been known for some time. If we are not to continue having five people die every day, it is incumbent on us to make a serious effort to get on with the job and spend money to fix the roads.

There is a section on AusLink transport development and innovation projects. I am sure plenty of people want to put up new alternatives and ideas, and I think the Commonwealth can play an important role in helping people demonstrate and research new opportunities. We spend a lot of money in this country on supporting manufacturing innovation and research. We have just committed over \$160 million for research into vehicle manufacturing in Australia. I do not see anything like the same sort of money going into transport research into new types of cars, new types of roads, new types of rail transport, new types of parking arrangements or whatever—even cycling, although I do not think that is an issue. We need to see really substantial funds go into that, and we would hope that they would come out of the AusLink process. We would like to see the AusLink bill passed as quickly as possible and we would like to see governments, both national and state, collectively getting on with the job. I know that is a tough task and that it requires some change in thinking, but we really need to see a massive national effort by the states, which are receiving large additional GST funds from petrol, and the Commonwealth, which receives substantial funds from fuel excise, to actually now get on with the job. That is really important, and we think there is a lot of merit in going forward. Those are my opening comments. I am happy to answer any questions.

CHAIR—Thank you very much, Mr McIntosh. You have been tying the infrastructure argument to the number of deaths. I suppose that is valid. Given that criterion, say you were in charge and you had those sorts of configurations put to you in respect of hospitals. What would be your priority?

Mr McIntosh—I think we have to see that road investment is actually also an investment in the total health care system and that we have casualty wards that are full of people who do not need to—

CHAIR—I hear what you are saying, but 500,000 people a year die of starvation in one bit of central Africa.

Mr McIntosh—I do not think it is acceptable to have a view that it is acceptable for people to die on the roads. We do not allow deaths in industry any longer and we have a clear view—

CHAIR—That is not the proposition. It is this: how do you prioritise the government's money given there is a limited amount?

Mr McIntosh—We would say there are plenty of small things that have to be done—fixing the edges of roads and fixing barriers—to make sure that the road environment is safe. We do plenty of things in the workplace to make sure that people do not cut off their hand because the guillotine is unguarded or the grinding wheel does not have a shield. We make sure that is the case. We can do that with the right sorts of cars, we can do that with the right sorts of drivers and we can do that with the right sorts of roads. But until we make a conscious effort to change the way we think about the roads, I think it is going to be very difficult to do that. I know that it is difficult and that we are all guilty of growing up with views about why we have to tolerate those things, but we do not tolerate them in other areas and I think it is time we made that change.

CHAIR—But the road from Booligal to Oxley down at Koorlong will never, ever be tarred. There are S-bends on ramps et cetera—I drive it all the time. Should I expect ramps to be straightened out?

Mr McIntosh—I think it is reasonable that there should be a plan or a program that says that the worst parts or the dangerous parts will be clearly identified and that you will be provided with that information. The Australian Automobile Association is putting together a plan, not necessarily for those smaller roads but for the major roads, for a relative rating of the safety of the road. This has been done in Europe, and both the coalition and the opposition have supported this concept, called AusRAP, which will give an indication to the driver of the relative safety of particular road links. If people know that information, you are more likely to have people take the right sort of attitude and recognise the skills needed and the cars that are more effective for driving on those roads.

CHAIR—The people who crash on that road are people who are pissed, to be quite candid. They are the only ones who crash. Everyone knows the road, and there are signs.

Senator O'BRIEN—You have made some specific comments about the need for further expenditure on the maintenance of the road infrastructure in the AusLink network. What level of increase do you think is needed to meet the maintenance needs?

Mr McIntosh—One of the problems is that we are not sure what the network will be. We have seen it as an extension, if you like, of the existing national highway, and it is really difficult to say there are X million dollars required. We know from the government's own figures that maintenance is falling behind and, again, we need to know what the commitment from the states will be in joining with this activity. The states really are major players now in the new game, and I think we will need to see how that works. Perhaps Mr Metcalfe will have a comment.

Mr Metcalfe—I can really only reiterate what we have put in our submission, which notes the maintenance requirement rising to about \$360 million through to 2014-15. These are the government's own numbers from the department's submission to the Vaile industry inquiry some eight years ago. So, clearly, if the AusLink network is going to be greater in length than the national highway system, we would see, based on these numbers alone, that there is an additional maintenance requirement over and above the \$300 million that is committed under AusLink for the next five years.

Senator O'BRIEN—Do you stand by your calculation on the actual level of increased expenditure under the AusLink proposal?

Mr Metcalfe—I am not sure what you mean.

Senator O'BRIEN—You have got calculations starting at page 3 about the AusLink national project's funding. You cast serious doubt over the government's claims.

Mr Metcalfe—We questioned the magnitude of those claims. It is difficult to make comparisons from year to year. What we have done in our submission is compare total expenditure in the five years prior to AusLink with the five years of the AusLink plan. Comparing numbers from different periods is always going to be difficult but we think we have taken a fairly robust approach in our analysis by comparing the five years before with the five years of the AusLink plan. We have taken account of the Bureau of Transport Economics road construction price maintenance for the years in which that information is available. We have factored in the CPI from the budget forward projections and we believe the increase in funding is about 16 per cent in real terms in the five years of AusLink

compared with the five years prior to AusLink. But, as I say, it is difficult to compare one year to another but we think we have taken a fair basis for the comparison.

Senator O'BRIEN—You also make a comment on page 7, item 8 of your submission—AusLink strategic regional projects—that you would have liked to have seen increased transparency in the application of a benefit-cost analysis, which was promoted in the white paper, to the project selection prior to the commitment of funding. I take it that is a criticism of the fact that, of the \$150 million in strategic funding, all but about \$24 million has been committed without those sorts of transparent assessments.

Mr McIntosh—We are concerned that the transparency does not yet appear to be obvious. We understand, I think from evidence given here before, that there will be project analyses undertaken before the work is done. I think you are right.

Senator O'BRIEN—Yes, money has been committed to projects that have not been assessed.

Mr McIntosh—Money may have been committed; it may not have been spent. You are right: there has been a commitment given.

Senator O'BRIEN—I do not think there is any doubt that there has been a commitment given. The department gave us the evidence that they were aware of commitments and they had not done any work on those matters. That is a matter of concern, isn't it?

Mr McIntosh—It certainly is. Given that the whole aim of the new AusLink process is about transparency and cost-benefit analysis, we are looking forward to seeing at least the major projects on there. Many of these are relatively straightforward, simple projects but, again, we have to be careful that there is that transparency where possible.

Senator O'BRIEN—This indeed would be the sort of role you would foresee for the national infrastructure advisory council of the future if one were to be established under this legislation—to make these sorts of recommendations to government?

Mr McIntosh—I think there is value in having a council of some nature. I am not sure that it would be in the business of going through every project line by line. I do not think a council is likely to be any better than any other process to do that. But a council would be of great value in setting some priorities or in providing information to allow the government to set priorities and the likely cost benefits to make sure that all the factors were being included. In aggregate, a council has value but I do not think it necessarily would be in the business of making recommendations on every project.

Senator O'BRIEN—Do you think the federal government should have a role in addressing congestion and infrastructure bottlenecks in urban environments?

Mr McIntosh—There is a role in the whole business of the national transport plan that would say, with respect to access to market for goods, for transport or for logistics changes, that congestion is an important issue. Everyone in Australia, regional Australia as well, is impacted by city congestion in that their goods do not get to market or they are unable to travel as well as they would like. But I think the issue also lies very heavily with the states. There is a lot of shared responsibility that is yet to be worked through. Hopefully, the AusLink process will do something like that. I do not think that the AusLink process at this stage can

actually look at every congestion item in every city, but it certainly should be looking at the major links within the cities and making sure that they operate correctly. There is a risk that the states will use the Commonwealth funds, if you like, to encourage state local traffic onto national roads and that then adds to the congestion. There has to be a better understanding between the Commonwealth and the states of the total network, how the whole system works and accountability. There is a role, but it is not the only role.

Mr Metcalfe—One of the points we make in our submission is that as part of transport planning you have really got to consider transport pricing. That is something that we would like to see the national infrastructure advisory council address very early on. There is a lot that can be done in terms of demand management from proper pricing. The AAA made a submission to the fuel tax inquiry a couple of years ago where we talked about reforming fuel taxation and introducing a proper pricing framework so that you get the right signals, you allocate investment to the right areas and you manage traffic with a pricing system.

The transport area is really one of the only infrastructure areas where there is no proper pricing. With electricity, telecommunications, gas and water, there are access charges and peak time charges. There is a complete absence of that in the transport sector. If we were to reform pricing, I think it would have a major influence on some of the congestion bottlenecks that you talk about in cities.

Senator O'BRIEN—Senator Heffernan suggested to the previous witness—and you were here and heard it—a view as to the impact of a \$2 a litre regime for fuel for motor vehicles. I suspect that that would raise two issues. Firstly, there would be a significant amount of increased GST revenue. If you are raising 18c a litre in GST on fuel, where should that money go? How should it be spent, in your view? Secondly, if the business is not paying that GST—that is, the freight component is not paying that GST; business is claiming back their GST—what ramifications does that have for the major infrastructure needs and the ability of GST to pay for it?

Mr McIntosh—Just to follow on from John's comment previously, a proper pricing regime would accommodate the last issue fairly well. I think there is, if you like, an escape clause for freight in the GST. We know that, for every 10c a litre over the year, the extra GST is in the order of \$300 million. So at 18c it is probably \$550 million. It is clearly a windfall over what the state governments anticipated. We know from the polling that we do with motorists that they would be much happier to see any of those windfalls returned to the road network. They would probably be more happy not to see it imposed in the first place, because it is a straight tax on a tax or some half of it is a tax on the excise, or perhaps at \$2 a litre a quarter of it is a tax on the excise. We know that, if the money is going to be collected, motorists would rather see it returned to the networks. Unfortunately, there is no mechanism at the moment for that to be undertaken. The states take the money and pocket it and say, 'We did not get enough.'

Senator O'BRIEN—We do not know that at the moment because of the public discussions about the future of the GST agreement.

Mr McIntosh—If we had a sensible road pricing structure, we would be able to address that. It is not easy to do a sensible road pricing structure. It is going to require a quantum shift

away from this very inequitable current fuel taxing arrangement that we had become used to in a way. But it is very inequitable and not a very productive tax in ensuring that the infrastructure is adequately used, as John mentioned.

Senator ALLISON—To pick up on that point, are you talking about road tolls or road user charges? How is the current system not equitable, when what you use is what you pay for?

Mr McIntosh—It is not quite, ‘What you use is what you pay for.’ Of the 38c that the government collects, about 6c goes back to roads and the rest disappears somewhere else.

Senator ALLISON—That is the hypothecation argument, but I thought you were putting another one, suggesting that some people pay more than they should.

Mr McIntosh—No, at different times of the day, for different usages. In the rougher sense it is a toll, but there are much smarter ways to collect revenue and to charge for actual usage electronically. Those devices and those mechanisms are developing. One of the issues in the demonstration projects, if you like, would be to look seriously at how you might do that. There are different ways operating around the world. Some trucks are charged on a straight usage rate. Some insurance companies are now charging motorists depending on where they drive and how long they drive for, simply by tracking mechanisms. It is going to take some time to do that, but there are other ways, such as electronic tolling.

We do not want to see a duplication of systems. The current system is not very good, and to add another one on top of it would not be too smart. What we really need is serious reform and a look at how we might go forward. We may not do that next year; we may have the view that we are going to do it over five or ten years.

Senator ALLISON—I want to try to tease this out a bit. The objective would be to reduce congestion. There would be a higher charge for commuters, who are the nine to five workers sitting stationary on freeways at the pre working day time and then in the evening. Is that one of the objectives?

Mr McIntosh—It may be that by doing that you would be able to change some of the working hours so that people would not have to face those charges. There are a whole range of mechanisms. They can be done through parking charges. To a certain extent, parking charges are a surrogate for road pricing. Those of us who are older would see parking charges in inner cities these days as terribly exorbitant, but they are a surrogate for encouraging people not to be in the city in their car. In Sydney you pay \$25 an hour and it is a straight road user charge—but it is not seen as that. So we have to look at all those charges and see where best to make them most effective. In the end, people really like to move around and like to do so easily without a great lot of impediments and costs. We should not have them being charged inequitably for doing what people like to do.

Senator ALLISON—I am just trying to get at what you mean by ‘equitable’. Do you see such a system building in a discouragement of the use of bigger, less fuel efficient cars?

Mr McIntosh—It may do, although there are already plenty of mechanisms in place for that. I think, as your previous witnesses said, people do change their habits when prices are higher. The largest purchasers at the moment of the larger common fleet cars in Australia are

governments and fleet owners, not the ordinary private buyers. The private buyers are buying the smaller four-cylinder cars, and that is a result of the higher prices and the higher costs.

Senator ALLISON—Coming back to this pricing, you run the risk of taking away the price signal, which is attached to the fact that the amount of fuel you use is directly related to the amount of tax you pay. If you move from that to a different system which might not differentiate between fuel efficient and fuel inefficient cars, don't you run the risk of seeing an increase in consumption of cars and in the size of those cars?

Mr McIntosh—No, I do not think so. In the end, there are a raft of other measures. There are registration charges which in some states reflect much higher charges for larger engines than they do for smaller engines. You do not have to do it on a straight usage basis. To a certain extent, some freight arrangements are such that the bigger engines are better than the smaller engines—as they are for people towing caravans or whatever.

Senator ALLISON—I am really trying to focus on your group, which is auto owners, is it not?

Mr McIntosh—Yes, cars. At the moment, the 38c a litre is not necessarily a significant penalty to stop people buying larger, less efficient cars.

Senator ALLISON—At the end of the day, fuel purchases by households are still minor in the scheme of bread and milk and rent, aren't they?

Mr McIntosh—And in terms of the cost of running the car. Depreciation is by far the largest component and outweighs almost anything in terms of fuel prices, if you really look at it. But people purchase their fuel out of a different pocket to the one that they purchase their depreciation out of, so it is a very peculiar purchase. The actual fuel price is not necessarily the best surrogate for usage. As John suggested, we may well have to introduce some other charges for time of day, as is happening on some of the toll roads at the moment, or could happen on some of the toll roads at the moment.

Mr Metcalfe—Actually, transport does represent a very high percentage of household consumption. It is about 16 per cent.

Senator ALLISON—I was talking about fuel consumption, though.

Mr Metcalfe—Motoring costs are a very significant component of that 16 per cent. I guess if you want to drill it down, it starts to whittle away a bit, but transport is a very high component.

Senator ALLISON—It is still comparatively less than public transport, though. You talk about the need to strike a balance between road and rail as part of this pricing approach. Can you expand on that concept? In overall terms, does your organisation advocate a shift from road to rail for freight?

Mr McIntosh—On the major corridors, there is no doubt that rail can be efficient, though I think some of the rail in Australia is pretty out of date. There are other road technologies which are 21st century. A lot of rail technology is 18th century. We have to be really careful about going back to the idea that somehow rail will solve all our problems. We know that heavy haul rail, such as that which operates in the iron ore industry in Western Australia, is extremely efficient. There is no way that a road would compete in that area—the same as coal.

Senator ALLISON—So you are in favour of seeing a shift to rail?

Mr McIntosh—No, a shift to efficient methods of transport. If that happens to be smart rail, that is fine, but we do not think that just putting things on rail for the sake of it will necessarily work—and the same for people.

Senator ALLISON—We are talking about spending on infrastructure; not putting the freight on for the sake of it.

Mr McIntosh—In terms of spending, we need to be assured that we are spending the money on 21st century technology. In terms of people movement, most motorists who commute and live in the city often use rail. In Melbourne and Sydney there is heavy usage of rail by motorists, and they expect it to be high-tech, smart and available. There is no reason that that should not be part of the national transport plan and for the right sort of money to be spent. But, again, motorists are paying a large proportion of the funds for the roads, so we must make sure that we do not neglect the roads. They still have to drive from their house to the railway station in many cases. Not too many people can afford to live right on the station. So there is a dual usage. People do use their car and they do use the train—and they do walk when they get to the other end. Motorists are pedestrians and railway travellers as well.

Senator ALLISON—You are a consumer organisation. Would you want to have representation on a national transport advisory council should one be set up? If so, what other groups would you like to see represented on that council?

Mr McIntosh—I think there should be some discussion on that. We have put a lot of time and effort into and have a lot of quality research on motoring, transport and the economic and safety issues. So we see that we do have a role, on behalf of the six million motorists, in any major strategic national body. Who else should be involved? A lot would depend on how the strategy would work out, but I think that is probably a matter that we would have to leave for others. We have quality information and good quality research and are prepared to be constructive in the process.

Senator ALLISON—Have you had a chance to think about any terms of reference for that council?

Mr McIntosh—I was on the previous transport advisory councils back in Mark Vaile's time and John Sharp's time. Those councils operated reasonably well, though in the end they tended to fade off. As I said earlier, we would see the council being more strategic in its outlook, rather than looking at individual projects. We would like to see the mechanisms for transparency discussed and we would like to be assured that all the relevant information that is available is taken into account by the various authorities before decisions are made.

CHAIR—Could you explain to the committee the political pressure your organisation comes under internally? You represent all these state organisations. Obviously to stay in the job or to stay as a viable body you have to somehow comfort the various organisations you represent. How do you prioritise your decision making or recommendations, given your own internal political pressures?

Mr McIntosh—We operate through a very strong collegiate arrangement. The clubs operate in quite a collegiate way. We have a very strong public policy group within the clubs.

Each club has specialists who operate in that area. They undertake individual pieces of research. We do collective pieces of research with them and we have a board that includes the elected representatives of those clubs as well as the chief executive officers of those clubs. That board meets regularly and we put to it a considered business plan which includes the major issues and we discuss at some length the priorities that we see are important. We have very strong support from our board, which, as I said, includes the elected representatives of those clubs as well as the chief executives. We also undertake quite independent national research through economic consultants and through national polling bodies to make sure we understand what motorists are thinking. It is incumbent on us to make sure that it is not our views or, if you like, my views that are being put but the views of the clubs and the views of the motorists.

CHAIR—Would a small state with a smaller club base get equal opportunity?

Mr McIntosh—Yes. We have very strong commitments from both the Northern Territory and Tasmania, and we assist them where necessary. We have just assisted the Northern Territory club to make a submission on petrol pricing in that state. We have collective activities with the larger clubs on the road rating system. We are doing a major project with the Victorian club on that area. The clubs are quite collegiate and we are part of that process. We also have very strong links with motoring clubs worldwide and I am quite active in working through some of the major policy issues such as road pricing and road safety that are involved in the worldwide activities. There are about 120 million members of motoring clubs worldwide and 110 clubs.

CHAIR—Do they have a peak body?

Mr McIntosh—They do and we are quite active in that.

CHAIR—Are we going to see an Australian as the head of the peak body?

Mr McIntosh—We did have one previously. My predecessor was head of that peak body at one stage. We do have key roles to play there, but we do have a lot of work with bodies such as the Global Road Safety Partnership with the World Health Organisation and the FIA foundation for road safety and mobility. We are involved also with the New Car Assessment Program with the state governments where we work very closely in a major project to test the relative safety of new cars and promote that information. I am the chair of that group. We have good relationships with many other organisations such as the Trucking Association and the Local Government Association. We have a major project running at the moment called SaferRoads where we are working with the Trucking Association, the Local Government Association, the Australasian College of Road Safety and the Occupational Health and Safety Commission to bring to people's attention the importance of a systems approach to road safety: that roads, cars, vehicles and drivers are important.

CHAIR—Do you have a strong position on the issue of pollution in some of the tunnels?

Mr McIntosh—We have information on that.

CHAIR—The issues seem to be ignored, even against the medical advice.

Mr McIntosh—We would see those generally as state issues and the state clubs would manage those issues.

CHAIR—Finally, I have a question—we will put it to all witnesses—that I would like you to take on notice. How should non-economic investment criteria—that is, maintaining rural communities through the support of local roads—be included in the decision making? Can they be evaluated in a disciplined way, even though they are non-economic?

Mr McIntosh—Yes, I think they can be. I think it is important; just as we make decisions on defence, if you like, on a non-economic basis. It is interesting when you look at the security issues where we make all those decisions to make sure that everybody is screened at an airport at great cost. I have not seen the cost-benefit ratio of that. There are mechanisms for integrating the social cost. I think the roads in outback Australia would probably not be built, but they are important links for the nation and they are important tourist links.

CHAIR—If you could give us a response to that.

Mr McIntosh—I do not see any difficulty with doing that.

CHAIR—Thank you very much for that.

Mr McIntosh—Thanks for you time.

[10.15 p.m.]

BRYANT, Mr Nick, Board Member, New South Wales Farmers Association

MACNEIL, Mr Angus, Board Member, New South Wales Farmers Association

Evidence was taken via teleconference—

CHAIR—Welcome. I invite you to make an opening statement.

Mr Macneil—I am also Chairman of the New South Wales Grains Committee, which has a vital interest in rural transport infrastructure. Thank you very much for the opportunity to make a presentation to you on this important issue. Would it be appropriate to give you a bit of background as to why we are in the predicament we are in?

CHAIR—You can do whatever you like.

Mr Macneil—The New South Wales Farmers Association have been battling for over two years to try to get some commitment from the state government to upgrade the deplorable state of some of our branch lines. You will notice in the briefing document we have given you that a lot of grain travels on these lines. About one-third of export grain originates on what are now called restricted branch lines. It is fair to say that they are in a deplorable condition. They really have not been given a chance in recent years to justify their existence because they are in such a deplorable condition, with trains having speed restrictions of 10 kilometres per an hour, weight restrictions so they cannot fill their wagons right up and not being able to run in hot weather because the track buckles so much.

We have had a strategic plan done on the grains industry, which has identified the fact that if we are to survive as farmers over the next 20 to 25 years we need to increase our share of the consumer dollar. Currently we only get 19 per cent of the consumer dollar spent on grain related products. We really have to ratchet that up. One of the ways of doing that is to get a more cost-effective transport infrastructure. Forty-two per cent of the cost of transporting our grain from our farms onto a ship is the rail component from the country silo to port. Eighteen per cent is port charges, 20 per cent is farm to silo and 20 per cent is for storage and handling. That 42 per cent is the rail component alone. You can see that if we could get that figure down it would be most beneficial to us.

We started this exercise when the New South Wales government sold FreightCorp to Pacific National and got \$1.2 billion for it. We thought that it was reasonable that some of that money should flow back into these branch lines which had been neglected for so long. The New South Wales Farmers Association set up a task force and produced a green paper which has been regarded as quite an influential document. The state government set up the Grains Infrastructure Advisory Committee to look at the problems highlighted in the green paper and came down with a report which we were not particularly happy with.

The next step was that former Minister Costa set up what he called a commercial group of main players—Pacific National, GrainCorp and AWB—to work up a proposal for the future of these branch lines. That group has met and a number of deadlines have passed without it presenting anything. There is a lot of criticism that the government is not giving it enough information to make a decision on the future of these branch lines. We really have reached a

complete hiatus. I guess the change of minister in New South Wales has not helped us, but, by the same token, we think that it has been delayed and delayed.

One of our concerns is that part of the contractual arrangement of Pacific National buying FreightCorp was that they were committed to operating on these 15 restricted branch lines until 2007. Our concern is that when that date arrives, they will walk away from them and we will have nothing. We will have no commitment from anybody to put money into roads and we will have no commitment from anybody to put money into rail. We will have large trucks running up and down very inadequate roads and causing huge social and economic problems. That is what we are fighting for. We are looking at that deadline and trying to get some commitment from someone to put some money into some sort of infrastructure. Our current policy is that these 15 lines should be upgraded and maintained to a serviceable standard, which is not a very high standard. There is talk about 30 kilometres per hour speed limits and 19-tonne actual loads. It is certainly not mainline standard but it is a standard whereby we believe rail operators can operate on them cost-effectively.

If Pacific National do walk away from these lines in two years time, there will be a huge cost shift to local government and, to a lesser extent, federal government for road funding. We believe it is a state government responsibility, and certainly a government responsibility, to provide rural parts of New South Wales with a usable infrastructure.

Here are just a few frightening figures. If they did close—and I am not saying they all will close, but there are certainly hints that a significant proportion of them will—there would be 79,000 extra B-double truck movements and an extra eight million tyres would be used. One tyre requires eight litres of crude oil to manufacture. Those sorts of figures slip past the radar screen, and they are really frightening. Another statistic indicates that for every one per cent of freight moved from rail to road there are two extra deaths on the road and five serious injuries. These things need to be taken into consideration. I know you will ask me the question you just asked the last guy: how do you measure the social impact? There is the social impact, which I think is quite pronounced. The New South Wales state cabinet are meeting in Deniliquin as we speak, and there is a rumour that they may well announce some sort of decision without consultation with the industry. We are concerned that that decision will be to close certainly some of these lines. So it is something that could happen now.

We want to make our point very clear. If there is money flowing from AusLink, some of it should filter through to the out-of-the-way rail lines that can easily be ignored by city constituents. We do not want the same thing to happen to AusLink money that happened to the \$1.2 billion from the sale of FreightCorp. We have seen none of that money.

There is talk about some AusLink money, or certainly Roads to Recovery money, being used for things like walking paths and bicycle tracks. I think that is a shame. If they are necessary, surely they should not come out of such important infrastructure funding as roads and rail. Recently we have seen a lot of leading industry figures commenting that the transport infrastructure is causing a bottleneck to our export industries and imposing unnecessary cost burdens. We think that transport infrastructure is a much higher priority than walking tracks and bicycle tracks.

At the end of the day there may well need to be some sort of joint venture between state, federal and private funding. Certainly AusLink money could well ratchet up or leverage the money out of the private sector. The New South Wales government may be making an announcement today that they may give exclusive rights to an operator that would reduce competition on these lines in return for funding, and that would also concern us. We still want competition on these lines and, obviously, competition breeds efficiencies and cost savings.

We would also like to see the ARTC lease these branch lines like they have many others. If the figures created by the leasing of the east-west line, Kalgoorlie to Broken Hill, are correct—and I read in some document that, because they are run better and more effectively, the freight has gone up on those lines by 20 per cent—that must indicate that the ARTC must be able to do something that will make them run better and more efficiently. We certainly see that. We know they are going to take over the maintenance of those lines on a contractual basis, but we think it needs to be the management and the full lease of them.

We appreciate that the AusLink proposal could well be an opportunity for us, and we certainly would like you to consider it. As I said before, there needs to be some new and innovative ways to fund infrastructure. We believe that all infrastructure in the bush is going backwards, and roads and rail in particular. I was on a shire council for 25 years quite a few years ago, and we certainly got more road building and maintenance done then that we do now.

CHAIR—Don't forget the bridges.

Mr Macneil—Bridges too. We have got one over the river at Corowa now, Bill. I think there are some innovative ways. One of the things I have seen—and you probably will have seen it as well—is that a huge amount of money is pouring into superannuation, and maybe they should set up an infrastructure fund as part of that. There needs to be money somewhere, because, as I say, we are going backwards. I do not think the ratepayers can bear any more—other costs have been imposed on them in recent years—and I do not think they can provide the road infrastructure should the railway lines close. The state government continually says that there is no money, so I am not quite sure where it was coming from. We are hoping that the AusLink proposal might be the catalyst to get something to happen. That is all I can say by way of background. Certainly Nick and I are more than happy to answer any questions or add anything further.

CHAIR—Thank you very much for that excellent presentation. My first question is: do you think anyone is listening to you?

Mr Macneil—You guys are and, as I say, we are very appreciative of that. I hate to be political but, at the end of the day, we do not have many votes and votes are where the money goes. That is one of our things: we are trying to make people realise that it is a national issue, it is national export income that we are generating, and although it might on the surface appear to be affecting rural people, it actually affects the whole country. That is the sort of point we are trying to make all the time. I was pleased to see that someone like Ian Macfarlane, Chairman of the Reserve Bank, said that very thing: that the transport infrastructure is throttling the export industry and that then—and we all know about our balance of payments—affects us all.

CHAIR—You would appreciate the state of some of these branch lines and generally the bush rail. A local doctor in Junee—and Junee is a strong railway town—told me some time ago that he had drivers coming to him for medical reasons, explaining to him how worried they were about the state of the line, how unsafe they were and the fact that if they complained to management they were sent for counselling. That says something about the state of disrepair.

Senator O'BRIEN—What is the estimated cost of lifting the standard of those 15 restricted rail branch lines in regional New South Wales to the 30 kilometre per hour standard?

Mr Macneil—We think it is in the order of \$120 million to \$150 million. Those were the figures that were generated by the green paper that the New South Wales farmers did and were more or less confirmed by the government infrastructure advisory committee. A lot of the problems arise from the fact that many of these railway lines have old wooden box culverts that need replacing. That is one of the biggest costs. Twenty to 30 years ago quite a bit of re-ballasting was done with aggregate. So box culverts and sleepers are the big issues.

Senator O'BRIEN—You talk about the amount of grain that is carried on them. I am just wondering how, if that investment were made, that cost would be recovered over time.

Mr Macneil—It is very difficult to recover costs, I guess. The rail access charges do not cover the costs; there is no doubt about that. I think that if you fully equate the \$150 million to access charges you would find that that would make them unviable and more grain would flow to road. The argument then becomes: does the road transport industry fully cost recover for the damage it does to roads? So it is quite a difficult argument and an argument we have grappled with. As I understand it, a consulting engineering firm did a cost-benefit analysis, which I have not seen, in Tasmania of road versus rail as to where it is better to spend your dollar. At the end of the day, we would say that it requires some sort of community service obligation in order to provide a service to the community and to facilitate an export industry.

Senator O'BRIEN—In terms of some of the other points you have made, do I take it from your submission that you would not support the provision of capacity in AusLink for the federal government to contribute to infrastructure solutions such as regional airport runways?

Mr Macneil—I think the federal government has, once again, an obligation there. Roads to Recovery is identified as a land transport issue and we would like to think that that is the priority. Certainly, we do question things like walking and bicycle tracks.

Mr Bryant—I am a policy analyst with the New South Wales Farmers Association in our head office in Sydney and I would like to add to Angus's comment. We did note in our submission that the Roads to Recovery projects include walking infrastructure. Walking infrastructure is eligible for funding under the Roads to Recovery program, and we do support that. But one of the purposes of this committee was to examine the extension of criteria for existing walking infrastructure. We would rather see the committee examine our very critical issues of rail and road transport before those criteria were extended. We were not specifically making the point in our submission that we did not support the building of any walking infrastructure, particularly when you are talking about things like footpaths and lighting, et cetera. Those things have very important safety aspects. We would rather see the criteria for

the Roads to Recovery projects examine our rail and road issues before they are extended to those types of infrastructure.

Senator O'BRIEN—Does the New South Wales Farmers Association support the establishment of a national infrastructure advisory council? I think you do, subject to being involved. Perhaps you can clarify that.

Mr Macneil—I cannot say definitively, but I would be very surprised if we do not. It is one of the things we have talked about as far as rail is concerned. It is some sort of a grouping of the users. I gather that they have it in the coal industry and that they did have it in Western Australia for the grains industry. It would be good to get a better balance of funding and better applied funding. I will use an example of where we think it has gone wrong in the past. The Gwabegar line from Baradine to Gwabegar is the worst line. Raising that to a usable standard is going to cost millions of dollars—like \$15 million. We think that if any railway line should be closed that is the most likely one to be closed. The state government have in recent months spent \$1.4 million on that line. If they are planning to close some lines then it would seem that the left hand is not talking to the right hand. It is crazy to spend \$1.4 million on a line that is a basket case. There needs to be better liaison between the players to make sure that those sorts of things do not happen and that if scarce resources are to be spent they are spent where we will get the best bang for the buck. Some sort of national infrastructure and advisory committee would do that sort of thing on a bigger scale.

Mr Bryant—The chair asked previously whether we felt we were being listened to. We really feel that in order to be listened to we need to have representation on councils such as the one your committee is investigating setting up. It would be essential for stakeholders such as us to have input to the planning process. Without that we do not have a voice in planning for future scenarios in terms of the way grain is being moved to port, and addressing the various issues that are going to crop up in relation to marketing arrangements, production increases et cetera. We do feel that it would be a very useful way for us to get our opinions to the federal government.

Senator ALLISON—Do you have a view about the inclusion of intermodal facilities. We have another submission here that suggests that the case has not been made for their inclusion in the AusLink national projects and that criteria have not been established and ought to be.

Mr Macneil—Intermodal grain facilities between road and rail is not a huge issue because there are usually adequate facilities. One of the debates in this New South Wales restricted line scenario is that part of the sales contract of Civic National was for two grain consolidation facilities to be built—one at Werris Creek and one at Stockton Dingle—where you would be able to use old and lightweight trains to bring the grain off these restricted lines and transfer it to more modern, heavier, faster trains at Stockton Dingle and Werris Creek where it then goes to port. That is an issue that has been shelved, once again because there has been no clear business case to justify the \$50 million to \$60 million that supposedly was to be spent on that.

Senator ALLISON—I note your submission and your comments that Roads to Recovery program funding should not be extended to footpaths, bicycle paths, lighting and so on, but you also note that it is possible to use the money for that under the program and present

arrangements. As I understand it, the suggestion that has been made is that public transport should be part of Roads to Recovery. Do you similarly oppose the idea of this money being used for public transport?

Mr Macneil—Certainly public transport is extremely important and needs funding, but we are saying that the main game from our point of view is freight transport. If there is a need for the lighting of footpaths, walkways and so on then, sure, that should be funded, but it should not be taken out of something that we would like to think is earmarked specifically for the main game.

Senator ALLISON—So would you accept funding spent on projects, perhaps public transport, that would relieve congestion, with the possibility of your freight getting to the port more readily?

Mr Macneil—The congestion we have in getting our freight to port is because of the metropolitan rail network. As you are probably aware, during peak hours they cannot put the trains on the suburban network, which they have to do to get them to port. Those sorts of things certainly do create a bottleneck. But removing the congestion on the roads is not a huge issue as far as trucks are concerned; it is more of an issue for the general public.

Senator ALLISON—Do you think the government has struck the right balance between road and rail in terms of freight requirements now and into the future?

Mr Macneil—I am not really in a position to answer that or to know how good the balance is. All I would say is that there are not enough per se. As I have already said, as far as we are concerned both modes of transport are deteriorating because there has not been enough money to keep them at the standard that they were even 20 to 30 years ago.

Senator ALLISON—You say that you support the proposal to form a national council. Would you like to see your organisation being a member of that council?

Mr Macneil—I certainly would because, as Nick said, we do have a battle in getting our voice heard. Whether it is appropriate that you have a state organisation or you have the National Farmers Federation representing all states is, I think, for you to decide. It is an issue in most states. We would say that perhaps it is worse in New South Wales than elsewhere, but that does not mean it is not happening in other states. We believe that we have done a lot of work on it and we have quite a lot of corporate knowledge that we think we can add to the debate, and we are probably ahead of the other states in that regard. So even if it went to the NFF, they might then delegate us to represent all of Australia.

Senator ALLISON—Thank you.

Senator BUCKLAND—Our previous witnesses expressed disappointment that AusLink does not address the congestion problems of the major cities. How do you view that as far as AusLink funding is concerned? I ask that because of an answer you gave in relation to the congestion you have on the rail network and getting through suburban lines at peak hours. Do you support AusLink extending itself to the capital cities?

Mr Macneil—As a resident and an infrequent user of metropolitan roads I understand and well recognise that congestion is a problem for both rail and road in the cities. But our remit on this is to try to get a reasonable and fair share of that money spent on the regional and

restricted branch lines. I know the money has to go a long way and I do not doubt that they have a justifiable cause and problem in the metropolitan areas, but we do not want our issues overlooked. Because of our isolation and lack of votes, it is too easy to put off. I think rural infrastructure has been one of those types of issues.

The chair would recognise the following analogy. You have a fence in a paddock and it has half fallen down, but the sheep are not getting over it. It is just doing the job. It is a spend you keep putting off for something that is more important. At the end of the day, the fence falls over and the sheep get out and escape. We have got to that stage with our railway lines. It has been put off and put off, and expenditure has gone on more important issues. But the day has come where they really are to the point of being unusable. That is the point we are trying to make. We do not try to take anything away from other needs, but we are trying to make sure that the authorities recognise that we have an equal need at least, if not a greater need.

Senator BUCKLAND—Would I be right to assume from what you are saying that, if the capital cities were put into AusLink funding, regional rail and road networks may lose out further than they are already?

Mr Macneil—That is our main concern. That appears to be what has happened with the \$1.2 billion the state government got from the sale of FreightCorp. We have not seen a dollar of that. I do not know where it has gone, but it certainly has not come out onto our branch lines. That is the whole tenet of our case. It is not to deny other worthy causes and needs, but we have a need as well. We want to be taken into serious consideration when funds are being allocated.

Senator BUCKLAND—Given that you are talking about 15 secondary lines that need to be kept open, do you think that, to make this more viable, there need to be other commodities carted on those lines?

Mr Macneil—That has always been on the wish list. But really, in this modern day and age, it does not work. There is a bit of cotton carted on one of the north lines. Some rice comes on the Willbriggie line, which is one of the threatened ones, but there is not a great deal. In the old days, fertiliser used to come by rail, but that does not happen these days. It is better and more cost effective to cart it by truck from the fertiliser factory direct to the farm rather than having to try and trans-ship it out of a rail wagon and into a truck just to get it to your farm. It is a nice thought but, unfortunately, it is not a goer at this stage.

Senator BUCKLAND—Livestock movements now are completely finished on the rail network?

Mr Macneil—I do not think there are any. There might be some going from Wodonga in Victoria.

Senator BUCKLAND—What was the attitude of the Farmers Federation, specifically the New South Wales Farmers Federation, to the lack of support for livestock movement on rail?

Mr Macneil—I think that was a practical reality. The stock were transported faster and arrived at their abattoir destination in a better condition when going by road. That was just the sheer practicality of it. I know there was some complaining, but I do not think it was anything like the issue we have here now.

Senator BUCKLAND—I heard your comments in relation to lighting, walkways and bike ways. I think I understand where you are coming from with that. But do you think these issues should be overlooked in areas where there is a high incidence of road accidents and deaths?

Mr Macneil—We are not saying they should be overlooked. But if there is an allocation of money for transport, we do not think it should come out of that. We are talking about social community service obligations. There is no cost recovery other than from a road safety perspective, I guess, for bicycle ways and walkways. We believe that, if the government decides from a social perspective that that is a good thing, let us go ahead and spend it. But we should not cut into a more vital, export-driven infrastructure like our road and rail transport from rural areas to ports.

Mr Bryant—One of our arguments in relation to the closure or potential closure of these rail lines in New South Wales is that, as Angus said, we have the potential for an extra 79,000 B-doubles to be moving around on New South Wales roads. That is going to create a huge safety issue for the community in general. A lot of those trucks are going to be driving through small rural communities and past school buses et cetera. Angus gave you the figures on the transfer of freight from road to rail and vice versa and the safety impacts of that in terms of life lost.

Our argument has been a safety issue as well. I think you were alluding to the fact that Roads to Recovery funds need to be allocated to safety issues, and we certainly support that. But the point in our submission is that it really needs to be prioritised. There needs to be a cost-benefit analysis done and there needs to be an assessment of priorities in terms of where the safety issues really lie in relation to expenditure of funds under this AusLink program.

Senator BUCKLAND—Senator Allison asked you a question about intermodal units, and I did not pick up the answer you gave. Could you refresh my memory on your attitude towards intermodal units.

Mr Macneil—In terms of the grains industry I do not think—although I could be wrong—that it was a big issue. You could say every country silo is an intermodal unit, because grain is trucked in, tipped down a pit, put in a silo and then loaded on a train. So there are intermodals everywhere. Any grain that goes from the country to a port by road goes straight into the port terminal—there is no transfer from one to the other. The only area where intermodal has been contentious is the grain consolidation facilities. They were designed for longer-term use of these lines and a more efficient rail transport network, by using lightweight trains on restricted lines and having transfer stations at two strategic points where grain would then be put onto bigger, heavier, faster trains that could do 24-hour turnaround cycles to the port.

That has not been justified. We have not seen a business case to say that that is a good way to spend \$50 million or \$60 million. Would that money be better spent on fixing up these degraded branch lines? At this stage we are saying: ‘Yes, we think that is a better way to spend that money.’ In theory it is Pacific National’s money because it was part of the offset of buying FreightCorp. They say, ‘We are not going to invest in something from which we can get no direct return,’ which they would if they built these grain consolidation facilities. That \$50 million is still sitting in the bank somewhere unspent as part of Pacific National’s commitment to/payment for FreightCorp.

CHAIR—Angus, one of the drawbacks, if you went to Springdale or somewhere, is the slow out-loading facilities—certainly there are slow in-loading facilities if you have got B-doubles there. But, if you were to have this system where you have to transfer grain from a light train to a heavy train, there would be a hell of a cost involved, which would be ineffective and inefficient. You would have to top the trucks up and use the same trucks, and then you would have the problem of getting the same wheat from the top-up silo. That would be a very complex and costly operation, wouldn't it?

Mr Macneil—The consensus has always been that, once you put a bulk commodity like grain on one mode of transport, you are better off taking it all the way to its end destination on that same mode of transport. You would be aware we have had subterminals for years that have tended to gather moss recently. They have not been used, because the cost of taking grain off one train, putting it in the silo, taking it out and putting it on another train is too expensive. For the same reason we have not been prepared to support these grain consolidation facilities. It has not been demonstrated to us how they would work to our benefit as growers. It would actually impose more costs rather than reduce costs.

CHAIR—Precisely. Could the New South Wales Farmers Association take on notice the question of the economic investment criteria. How should non-economic investment criteria maintaining rural communities through support of local roads be included in the decision making? Can they be evaluated in a disciplined way even though they are noneconomic?

Mr Macneil—We can try to respond to that. We understand the difficulty. One of the points we are trying to make, which Nick has already mentioned, is about the increase in B-doubles travelling down roads with school buses and through small communities. How do you evaluate that—the pollution, the noise, the threat of more deaths on roads and so on? It is very hard to put a dollar figure on it, but we certainly try to put some dollars around it.

CHAIR—Thanks very much for your evidence.

Proceedings suspended from 10.50 a.m. to 11.01 a.m.

WEBB, Mr Ian John, Executive Director, Australian Road Forum

WILLIAMS, Mr Doug, Chief Executive (National), Civil Contractors Federation

ACTING CHAIR (Senator Buckland)—Welcome. Would you like to make an opening statement?

Evidence was taken from Mr Williams via teleconference—

Mr Williams—I would like to begin quickly with a profile of the federation so you know who we are. The Civil Contractors Federation is the peak industry body for the civil construction sector. It is a national organisation with branches in each state and territory and a membership in excess of 1,700 civil construction companies and key suppliers to the sector. The character of that membership is civil construction companies ranging from small and medium sized businesses to large civil construction companies, but they also work in excavation and demolition.

I should remark, because it is not always apparent, that civil construction is a distinctly different industry from both the commercial building sector and the residential sector. Civil contractors employ staff with specific civil competencies and use sector-specific heavy earth-moving equipment—if you like, those big yellow machines on wheels and tracks. What do we construct? It is primarily roads, railways, tunnels, bridges, dams and other major infrastructure projects as well as residential and commercial subdivisions, including the roadways within those subdivisions. A key element of our work activity relates to maintenance and repair of this infrastructure as well.

From a numeric point of view, the industry accounts for around \$9 billion of work annually. It collectively employs around 50,000 people and owns some 40,000 items of heavy equipment. Practically, civil contractors are generally the first onto a building or an infrastructure site but tend to be at the end of the supply chain of clients, principals, head contractors, project managers, specialist contractors and so on. In reality this means that, in terms of a business environment, as commercial and project risks arise they tend to be passed along the supply chain until disproportionately large risks often end up in the hands of civil contractors. That is a profile of the federation and the sector.

I would now like, with your indulgence, to comment quickly on AusLink by way of opening remarks. The federation's view is in part the obvious one that the nation's road transport infrastructure is central to community wellbeing, business efficiency and environmental outcomes. Future generations of Australians will expect that transport networks not be allowed to fall behind and, to this end, the federation views AusLink as a commendable step in the right direction in ensuring a tangible benefit for all Australians.

The major positives of the proposed legislation for the federation are, firstly, an integrated approach to identifying and addressing national prime land transport bottlenecks covering road, rail and ports; secondly, five-year funding commitments; and, thirdly, specific projects being identified, prioritised and funded. There is, to be balanced, some remaining work to be done. Key areas there relate to, firstly, a general absence of a cogent response to repair, maintenance and remediation tasks facing the local road network; secondly, undue reliance on

private funding of major projects to leverage infrastructure funding capability compared with, for example, public borrowings matched to long-life asset creation; and, thirdly, absence at least for the moment of an agreed, transparent, commercially based project assessment and prioritisation methodology. Let me expand quickly on that. While the AusLink initiatives are comprehensive and, as I said, commendable, a key consequence for civil contractors is that until these infrastructure planning issues are addressed there will not be a reliable basis to manage and fund forward business planning and associated commercial risks in relation to labour hire and acquisition of plant, equipment and supplies to undertake construction phases. Relatedly I should remark that, while there are presently no material capacity constraints, there is not the same basis to be sanguine about skills availability over the next five years as, for example, baby boomer plant operators begin to retire in significant numbers. That is why it is important that planning lead times be as predictable and transparent as possible.

The federation does have some concerns that the identification and prioritisation of projects lack transparency or a clear methodology at the moment, although we do acknowledge that the development of a cost-benefit based approach is promised. Such a methodology needs to be completed quickly. I would remark that the degree to which funding decisions are discretionary in the hands of the minister is necessary to some degree but not preferred.

While the headline expenditure commitment under the AusLink program is impressive, against the overall community need it is a beginning and spread over five years the new money component could be larger. This also takes into account that much of the funding appears to be loaded in the latter part of the five-year period. Additionally, funding should at least be maintained at current levels in real terms, and real terms determined and measured against construction cost inflation. Should any financial efficiencies be achieved in the roll-out of the AusLink programs, they should be retained for infrastructure purposes and not paid into general revenue. Most projects depend on matching contributions from state-territory governments where the financial capability and political preparedness to make the required commitments is unclear and may be problematic. The answer to that I guess is in the bilateral agreements the federal government is framing with state governments, but to the private sector that is not as clear as it could be to underwrite planning arrangements.

As many analysts have identified in public spheres, long-life assets funding through public borrowing is a valid approach. To not do so relinquishes considerable leverage to address road funding blockages and shifts a significant burden onto private borrowing, particularly for major projects through PPP arrangements.

Overall, we would remark that the federal government has quite properly moved to focus funding on national land transport corridors, yet the inherent competitive advantage of road transport at least is the capacity to move passengers and freight from a multiplicity of origins to destinations with great flexibility. The proposed legislation does not fully address new road funding, maintenance and remediation in the urban and regional catchment areas at either end of national corridors.

In this regard, there needs to be a nationally consistent asset management strategy that underpins maintenance planning and funding and all levels of government should have incentives to implement such an approach. Further, the presently announced projects appear somewhat eastern seaboard centric, at least at this stage, and could offer more for business

and communities in the smaller states and territories. While considerable dialogue has clearly occurred with state and territory governments there has been little engagement with the private sector. CCF supports the establishment of a national council involving stakeholder representation and as the only group representing road constructors the federation wishes to be actively involved, including in identifying longer term sustainable solutions.

Very quickly on related matters, the development and adoption of standardised general conditions of contracts and specifications should be incorporated in the scheme and the prequalification of contractors based on quality management systems similarly. There should be enhanced and standardised tendering and contract management practices; a standardised national approach to security of payments, including protection of subcontractors from being penalised as a consequence of a head contractor going into liquidation; and skills development. These are all matters that directly affect the bang for the buck of the funds that are available under the AusLink program.

As a final observation, a potential additional funding source would be to ascribe a proportion of GST on fuel—that might be, by way of example, GST raised on fuel prices over 95c a litre—to roads infrastructure funding, with that funding especially focused on road asset management. They are my opening remarks. I thank you for your patience.

ACTING CHAIR—Mr Webb, did you want to add anything to that?

Mr Webb—We are not from the same organisation.

ACTING CHAIR—I beg your pardon; I have just been made aware of that. What group are you from?

Mr Webb—I am from the Australian Road Forum.

ACTING CHAIR—I see. And we have the Civil Contractors Federation. I apologise.

Senator O'BRIEN—They are grouped together.

ACTING CHAIR—I see that. Mr Webb, would you like to make an opening statement?

Mr Webb—Yes. Thank you for inviting the Australian Road Forum to make a submission to the committee. The forum was previously known as the Australian Road Federation. It has represented road transport stakeholders since 1952. Last year an industry task force was formed to look at developing a national peak body for road transport stakeholders and last month the constitution of the Australian Road Federation was amended accordingly. The fundamental objectives were retained but structural changes were made to enable the ARF, as it is known, to service the new national peak body for road transport stakeholders. The Road Forum was then launched by the federal minister for roads on 22 March as the new peak body for stakeholders for the road transport sector in Australia. The ARF also represents the International Road Federation in Australia. The current president of the ARF, who is unable to be with us today, Mr Ray Fisher, serves on the world executive board of the IRF.

Although Australia's road transport system is of critical national importance, as this committee is well aware, no forum has existed until now to bring all stakeholders together. As I have been sitting listening to the evidence given this morning—and no doubt we will talk about it later—one thing has been made clear: if an advisory committee of stakeholders were

to be formed, such as a council, then by crikey it would be a very big one because of the number of stakeholders that are involved in road transport.

At the present time, those stakeholders never meet together. When they speak to government, they all speak from different silos. It is not surprising that it is very difficult to get a consolidated view. That seriously affects policy coordination for the industry and it has a big impact on the way governments, both state and federal, are able to derive their policy, because they have no single industry to talk to. The ARF's key role is to enable stakeholders to engage in policy exchange at peak industry level. The distinguishing feature of the forum is the way we will do that: we will regularly bring stakeholders with an interest in roads—that includes corporations, associations, research bodies and, I might add, public sector bodies—together to meet every six months in one tent, so to speak. This is about to start.

The main delivery vehicle will be the national council, which currently consists of 31 of Australia's leading industry associations, companies and government agencies. Beginning in August, the council will meet as a forum every six months to review the state of the nation as to road transport. That will obviously keep members uniquely informed and bring leaders together in one room regularly. The ARF does not pursue sectional or political issues in relation to specific sectors or stakeholder groups, nor does it duplicate the activities of other industry associations which represent specific sections of the industry. For example, my colleague in Melbourne is with the CCF. The Victorian division of the CCF is in fact affiliated with the ARF and is one of our members, as are a number of the other people making presentations to this committee. Instead the ARF represents the ultimate interests which our members have in common. Those interests embrace the most fundamental issues affecting road transport, such as planning, road funding and industry consultation. So it is not surprising we take a great deal of interest in what AusLink is doing.

The AusLink legislation takes important steps in relation to our interests in ways which have never been seen before in Commonwealth transport legislation. By the same token, we believe that AusLink should be viewed as a vital first step in a process of policy evolution. In particular, we would like to see the following as committee recommendations for future policy development. First, a national management regime which achieves a unified effort and purpose between governments at federal, state and local levels. That is a small sentence but a big vision. We have a long way to go. Second, infrastructure funding based on a bipartisan assessment of national needs with long-term planning and financial commitment which transcend year-to-year budget cycles. AusLink makes a start, but again we have such a long way to go. Third, a transparent system of national road accounts which aggregate the road infrastructure expenditure at all levels of government.

Fourth, within the network the Commonwealth should continue to assume responsibility for national roads until an agreed and coordinated regime can be established. We would like to see increased attention given to the maintenance backlog of the existing network. We would like to see a sustained, significant and bipartisan commitment to research and road safety. Research in particular is one of the most commendable aspects of the AusLink legislation, which has clearly been recognised; it is reflected in our submission. We would like to see programs which support the industry's future work force needs. My colleague from the CCF has just alluded to those. We would like to see improved mechanisms for industry

consultation, and no doubt the committee will be asking questions on that. It will be noted that, in line with the ARF's objectives, this submission focuses on where to from here, rather than on issues on which the industry may have differing opinions.

This is the first submission of the Australian Road Forum. It comes barely a week after its launch. During the last year great progress has been made in achieving consensus towards a peak body and in recognising that our most important role is to put the national interest ahead of the interests of specific industry members—and the ARF sits before you today with that in mind. We would like to take this opportunity to thank DOTARS for their support and encouragement in developing the peak body initiative and assisting the task force. The ARF has also received significant support and encouragement from the Commonwealth government and opposition. The then shadow minister for transport, Mr Martin Ferguson, addressed the ARF at the summit which gave rise to the project in 2004 and his subsequent support was very important to the ARF. Both Ministers Campbell and Lloyd have supported the forum through their active participation in the ARF's activities. The ARF would like to record its particular appreciation of Minister Lloyd, who launched the ARF as the national peak body for road transport stakeholders on 22 March. The ARF thanks the committee for the opportunity to present this submission. It would welcome the opportunity to speak at any time with committee members about industry issues.

ACTING CHAIR—As we have no further bodies in this group, we will go to questions.

Senator O'BRIEN—I will ask a question first of Mr Williams. Can you outline for the committee the work force skills shortages that are emerging in the area you deal with. Do you propose solutions under the AusLink legislation for that?

Mr Williams—Firstly, the key areas of risk in terms of skills shortages in construction relate to plant operators. These operators around Australia are typically at or near 50 years of age, give or take a year or two on either side of that. They are relatively well paid and therefore we would expect that when they reach retirement age, they will wish to retire and will be in a financial position to do so. At the same time, the attractiveness of the construction sector in general, including civil construction, for school leavers is not good. Therefore, entrance into the pipeline, we believe, is unacceptably low compared with forward projections of requirements.

Senator O'BRIEN—Is there a solution you have in mind? Does it have any bearing to the AusLink legislation?

Mr Williams—There is no single silver bullet solution. All government programs should be mindful of what is being done to ensure that the skills are available as the projects are planned. So, in relation to the AusLink legislation, we would be looking for the links to other parts of federal and state government activities in the vocational education and training sector so that the timing of skills acquisition, of putting students through programs, has a relationship to the ebb and flow of project timing.

Senator O'BRIEN—Mr Webb, you have given some considerable thought in your submission to the need for better intergovernmental cooperation on infrastructure planning. How do you envisage this working in practice?

Mr Webb—Perhaps before I address that, I might give you an illustration of the need at one simple level, and I will use New South Wales roads as an example. If we look at New South Wales roads and their profile, we see that there are 3,000 kilometres of federal roads, and they are obviously currently funded by the federal government. There are 14,600 kilometres of New South Wales roads, funded principally by New South Wales taxpayers. There are 18,400 kilometres of local and state roads, jointly funded by local and state bodies, and there are 141,000 kilometres of local roads. Why do I burden you with that? Because each of those groups of roads is funded by different mixes of taxpayers and government agencies at three different levels of government. Those three levels of government never sit down together effectively to work out the priorities in terms of sharing. They are unable to do that. In fact, they put conditions on the other levels of government accepting their planning regimes. AusLink is a first step towards establishing some better form of cooperation.

Now to come to the answer to your question: the real objectives of AusLink will not be realised until federal, state and local governments recognise that our national road system is an integrated thing. The roads we are talking about involve interfaces and interconnections and they must be nationally managed as part of a long-term regime that involves long-term funding commitments, that is based on their relative priorities, not those of the taxpayers who happen to pay for bits of them, and that seriously involve the various levels of government getting together and recognising that this is a national priority. So the answer to the question begins, I guess, with convincing our political masters and leaders that this is a priority which they all have a national responsibility to recognise.

Senator O'BRIEN—That partly answers the question. What you are suggesting, I think, is that there needs to be a consensus across all levels of government as to the need for this national approach and, at the very least, coordination and in some areas a ceding of responsibility for this work.

Mr Webb—That is right. That will begin, obviously, with goodwill. It begins with a degree of goodwill which, unfortunately, is not necessarily always evident in Commonwealth-state relations and negotiations over our road system. Once that goodwill is there, it will begin to manifest itself in planning, which involves a true national set of accounts—the aggregation of our national road accounts so that we can see what they truly are—and appropriate apportionment of priorities based on cooperation. I believe, and the ARF believes, that underpinning the AusLink legislation is a genuine sense of goodwill on behalf of the people who have drafted and prepared that legislation and who have given evidence from DOTARS on it. We believe that that goodwill is demonstrable in the legislation, and it is for that reason that we applaud it. But we believe that it is a first step and we have a long way to go.

Senator O'BRIEN—Your submission says that Australian infrastructure, including our road network, faces a crisis. Do you think that the AusLink legislation is an adequate response to that crisis?

Mr Webb—It would be impossible in one piece of legislation drafted at one level of government to respond fully to the crisis. The addressing of the crisis will require a national response at all levels of government. I am not going to point the finger at one particular level, the national level. We need to recognise from the figures I put on the table a minute ago that the nationally funded road programs represent only one section, one slice, of the infrastructure

that is in crisis. To put it in some kind of dimension, our national road infrastructure has been roughly valued at \$135 billion to \$145 billion if we had a set of national accounts. Many of those roads were constructed during our boom years after the war, particularly in the sixties. The chickens are coming home to roost on all of them at more or less the same time. The issue is not one simply of cutting more ribbons and building new roads that we would like to go frontieing on, although that would be very nice and very desirable in some areas. The real avalanche lies in the \$135 billion worth of existing roads and the maintenance backlog that is building up on them at all levels—not simply the roads that are to be funded by AusLink through our national programs but local roads, bridges in rural areas and rural congestion. These are areas that cannot be ignored, even in AusLink, if we are to take a national view.

Senator ALLISON—Mr Webb, did you attend any of the AusLink briefing sessions?

Mr Webb—Yes.

Senator ALLISON—We heard from another submission that the references to the GST and state responsibility in the AusLink briefings were read as a code for major conflict rather than a cooperative approach. Would you agree with that?

Mr Webb—I would not really want to comment on that.

Senator ALLISON—But you have made the point that there needs to be a highly cooperative relationship between all three levels of government.

Mr Webb—That is right. That question, in a sense, is illustrative of the same point. Just as there are aspects of AusLink that could be criticised at a state level—all states have had issues with AusLink and some have been highly critical—there are, I suspect, also aspects going the other way that could equally cause offence. The GST issue may be one of them. I do not want to go down that path. I simply want to say that that kind of issue merely illustrates the validity of the point that I am trying to put on the table.

Senator ALLISON—Would you argue that there should be a ministerial council on AusLink or transport generally? I do not think the Constitution allows us to include local government in such a forum, but would that be your recommendation?

Mr Webb—The Constitution, as I understand it, does not allow the federal government to legislate on a whole lot of areas, so we are looking for much more effective intergovernmental cooperation on roads. That will obviously begin with goodwill on all sides. In terms of ministerial cooperation through various ministerial councils, obviously we would like to see that. Obviously, we would also like to see more effective consultation between governments and industry stakeholders. In part, that has not been possible simply because of the number of stakeholders that are on the job, if you like, and the fact that there is no effective means of ever bringing them together. In that sense—and we have mentioned this in the submission—AusLink is virtually on a hiding to nothing. You put up an issue such as AusLink and then you wait for the scores of stakeholders, all of whom have an axe to grind to come in and chop bits off it. It is completely unrealistic. We believe, as I said earlier, that the fundamental goodwill that underpins AusLink is evident to anyone who reads it. But I could sit here today and come out, as other stakeholders have, with a whole list of issues to quibble about. That is not the point of why I am sitting here today. The dimension that brings me here today is looking at issues in the whole or in the broad. I think that is very important.

Senator ALLISON—What is your response to the suggestion made this morning by our first witness that the state should take over the management of national roads and the Commonwealth should be responsible for funding all roads?

Mr Webb—Again, I have not got a specific answer to that, except to say—to use a bad pun—the road to success in this area begins with better defining those responsibilities. That definition of responsibilities is better done under a system of cooperation and goodwill than under a system of looking at that definition from a negative perspective. It really depends on where you come from. Ultimately, an organisation like ARF does not really mind who funds what bits; what we do mind is whether or not the thing is properly planned and planned with the national interest firmly and clearly in mind. Although the players, I have to say, all purport to represent the national interest, one wonders at some levels—I will not single out individual levels of government—whether those interests are always really national or whether they are sectional. We do need to have a national road system. Our national road network—the one that is funded principally by AusLink—is, in fact, only one level of our national road system. The other levels are equally important, and we need a national system to manage all of those roads.

Senator ALLISON—You refer in your submission to the maintenance backlog as being a significant challenge that needs to be addressed. Do you have any data you could provide the committee with about the amount of work that needs to be done and the likely cost of maintenance?

Mr Webb—No, I do not, other than to simply quote or refer to the committee some of the other material that has been mentioned and which is frequently appearing in the press. You would have noticed, for example, things such as the BCA's comment, based on an assessment from the Boston Consulting Group, that we have something in the order of a \$50 billion infrastructure shortfall overall. Figures released by the Allen Consulting Group to the Commonwealth Bank, for example, suggest, by comparing our GDP since 1984, that we have had a real decline in the ratio between infrastructure spending and GDP over that period. The figures on that are very compelling because Australia's GDP has grown dramatically since that time and the ratio is moving dramatically in the other direction. The ARF itself is not a research body. It merely picks up the research and the facts that have been tabled by others, that are now freely available and that appear in the press virtually on a daily basis.

CHAIR—Mr Williams, do you want to add anything to that? I heard a bit of a mumble down the line a minute ago.

Mr Williams—I apologise for that. We were struggling at our end to hear the last member who was questioning. We could not hear what the questions were or who it was. My mumbling—forgive me—was my speaking out loud to myself about who it was and what the questions were.

CHAIR—I apologise for that. Senator Allison was the questioner, and she will have to speak more clearly. I would be the best mumbler in the committee.

Senator ALLISON—That is for sure!

Mr Williams—I would like to remark on the question of the intergovernmental arrangements and the focus on optimising the effectiveness of the road assets that we

currently have. We concur that this is a principal area of scrutiny and interest because it relates to the overall efficiency of the transport network, particularly the road transport network, and to how you can get very effective returns for dollars spent on repairs, maintenance and remediation. These roads are typically 60- to 100-year assets, but if they are mismanaged they can become 20- or 30-year assets. So these are the sorts of magnitudes involved in getting a good bang for the taxpayers' buck by ensuring that the integrity of the road transport system is optimised.

I would also like to remark very quickly that the inherent competitive advantage of roads compared with other transport modes such as air and rail is the ability not just to get goods and people from one point to another but to get goods and people from a multiplicity of points to a multiplicity of destinations. Central to that competitiveness is the performance of the local road networks. This, of course, is a key element, a driver, for the commercial performance of the business sector overall. It is a key business input generally, so that is why it is of prime significance.

CHAIR—Thank you very much. I am going to have to impose some discipline on the committee now, because we are running into someone else's time. Senator Allison, are you all right with that?

Senator ALLISON—I was going to ask for an expansion on remarks about research and development—

CHAIR—Is it burning a hole your heart?

Senator ALLISON—but, if we are out of time, we are out of time.

CHAIR—Thank you. I thank the witnesses for their attendance and their contributions.

Mr Williams—Forgive me—if you will allow me I would like to make one very brief comment in closing. I am not sure I have been clear that the Civil Contractors Federation represents constructors, who are the only group that actually constructs roads. I am not talking about principal project managers or project finance syndicators such as the household names John Holland, Thiess and so on. We are actually the constructors. We employ the people, we own the construction equipment and we have the proprietary knowledge. That is why we stand ready and willing and expect to be a part of a national consultative council.

CHAIR—No worries. Thank you very much indeed.

[11.39 a.m.]

ARMITAGE, Ms Joan Irene, General Manager, AusLink Systems and Regional Investment, Department of Transport and Regional Services

HOGAN, Mr Robert, General Manager, AusLink Road Investment, Department of Transport and Regional Services

MRDAK, Mr Michael, Deputy Secretary, Department of Transport and Regional Services

CHAIR—Welcome. If you would like to make an opening statement we will then go to questions.

Mr Mrdak—I would like to begin by clarifying an issue with our submission. Unfortunately an error has been made on my part: the front of our submission includes a disclaimer which is, unfortunately, something we use when we provide information to third parties. Inadvertently it has been placed on our submission to this committee. I will write—with your forbearance, Chair—to the committee to clarify that that disclaimer was unintentionally placed on this document and is not intended for the purpose of this committee. We use it with third parties external to the department when we make submissions and letters and the like.

CHAIR—It was a point of curiosity. Would you like us to withdraw it before we publish it?

Mr Mrdak—Yes, if that is okay with the committee. Otherwise I can clarify it with you formally.

CHAIR—Okay. Thank you.

Senator O'BRIEN—I am glad you did that because it was very difficult to deal with your submission with that disclaimer at the commencement of the whole submission.

Mr Mrdak—It was inadvertent. It was an error on my part. It was not intended in any way to influence our relationship with the committee.

Senator O'BRIEN—I cannot believe that, Mr Mrdak!

CHAIR—Have you got any other opening statement?

Mr Mrdak—No. We are happy to go to questions.

Senator O'BRIEN—Is it correct that AusLink does not provide for Australian government funding for links to bulk-only ports?

Mr Mrdak—It provides for a range of ports which have been identified on the network. Some of those do contain bulk facilities. Those are the major ports to which the AusLink network has been extended. But it is correct for bulk ports in terms of coal loads—Dalrymple Bay and those sorts of facilities. Connections to those points are not on the network as such.

Senator O'BRIEN—Port Hedland, for example, is Australia's largest export port and deals only with bulk. The link road into the port would not come under AusLink.

Mr Mrdak—The link road from the network would not. I would need to check, but I do not think that our connection directly to that port is on the network. Certainly the network includes what was the former national highway into Port Hedland. But I would need to check the actual connection to the port. I do not believe it does include that last connection to the port.

Senator O'BRIEN—Can you explain the rationale for that omission, if I can put it that way?

Mr Mrdak—It recognises that the network that has been put forward in the AusLink white paper picks up what was formerly the national highway system, which has been determined for some time. It picks up the interstate rail network and some key strategic links to ports in some urban areas which previously were not eligible for Commonwealth government funding. The network was determined following an assessment of traffic flows and demand. It also recognises where the Commonwealth saw its strategic interests lying. That is not to say that funding may not be available—in fact, funding is provided under Roads to Recovery and other programs for other roads. Obviously some of those links are state roads, which would continue to be funded by state governments.

Senator O'BRIEN—They certainly will not be funded under the strategic component, will they? There is no money left.

Mr Mrdak—Some of the details for the future of that program are yet to be settled. Certainly, Roads to Recovery more broadly is provided to local government.

Senator O'BRIEN—Can you explain how funds have been allocated between states? Is it simply a question of how effectively each state negotiates its bilateral agreement?

Mr Mrdak—No. In essence, the government has set out its first five-year funding program in the white paper, which allocates funding to projects, not to jurisdictions. What is set out in the white paper is a series of projects which the Australian government is looking to have developed and constructed during this first five-year period. That is based on an assessment that was done along with the jurisdictions on needs, what was on the states' forward works programs, the various submissions that were received during the consultative period on the green paper that was put out on AusLink and then final decisions taken by the Australian government in relation to the national priorities.

Senator O'BRIEN—Let us look at one of the states. I believe 6.9 per cent of total AusLink funds is directed towards Western Australia, yet it accounts for 10 per cent of the population and 25 per cent or so of our export income. Can you tell us how that proportion was reached in the case of Western Australia? Was it just that they did not get the projects which carried the money?

Mr Mrdak—In the discussions with all the jurisdictions we looked at what their priority projects were on the national network and the projects at the end of the day which the Commonwealth felt were priorities for each jurisdiction. This is what we are trying to shift AusLink to. It was very much done on where the projects of greatest benefit are—recognising that we are in a federal system and obviously all states have needs and priorities—and where the greatest return on investment to the nation would be. Some strategic decisions were

certainly reached, but it was against the background of all the projects and priorities and the forward programs for each of the jurisdictions.

Senator O'BRIEN—What transparency is there about that process?

Mr Mrdak—The green paper that was put out as part of AusLink sought submissions on the network and what the priority needs were along the network. As part of that the department received some 550 submissions in a very open process of discussion with a whole range of parties. Also we worked pretty closely with each of the state governments in relation to their forward works programs and what projects they saw could be delivered in the coming five-year period. So we had a good grasp of what their priorities and forward works programs were. Then the Australian government made decisions in relation to where it would apply the budget funding that would be available for the five-year period for the priority projects.

Senator O'BRIEN—If I am understanding you correctly, the states have made some proposals about what their priorities are and the Commonwealth have adjudicated on them.

Mr Mrdak—The states put forward to us what their priority projects would be on the network in the lead-up to the preparation of the white paper. The Commonwealth looked closely at those and made judgments in relation to which projects it would support in the five years and the timing of payments to various projects. I think it is fair to say that from our dealings with the states on the whole we have picked up the bulk of their priority projects, if not all of their projects, in this five years.

Senator O'BRIEN—Are any of the priority projects priorities of the federal government but not of the state governments?

Mr Mrdak—No, I am not aware of any. I think the reception thus far by the jurisdictions has been that all of the projects are projects that appeared on their priority lists. The timing of our payments to some of those projects may differ to what they would have hoped, but on the whole my experience has been that all the states have seen this as according with their own priority needs.

Senator O'BRIEN—What is the department's or the government's response to the submission that the Warren centre placed before this committee about the Commonwealth government accepting greater responsibility for urban transport needs?

Mr Mrdak—Certainly one of the key areas in AusLink is the fact that the Commonwealth has looked quite closely at the key links to our export points in cities and some key urban links. The extension of the network to some of the road and rail links to ports that we are funding recognises a broader role in terms of national economic interest. So we have taken a larger step in funding some urban infrastructure, which will obviously have some benefits for public transport as well in terms of future road and rail development. Having said that, the overall view of the Commonwealth government remains that public transport operations per se are the responsibility of state governments and they are the governments which should bear the responsibility for public transport operations, albeit that we are funding a broader range of infrastructure in urban areas than we previously did.

Senator O'BRIEN—I did think the Warren centre submission was more about non-government providers providing very fast train services or end of line commuter services

other than by motor vehicles. How does that fit with the federal government's AusLink strategy?

Mr Mrdak—AusLink is very focused on land transport infrastructure, not on operations of services and the like. That is an area where the Australian government's position has been that they are matters for the state governments.

Senator O'BRIEN—Have you any comment to make on the Australian Automobile Association's calculations as to the real increase in funding which results from the AusLink legislation? I would say they are very critical of the assertion made in the AusLink white paper that funding would increase by 64.2 per cent. They say it would be more like 16 per cent.

Mr Mrdak—I am sorry, Senator, I have not had an opportunity to assess the Australian Automobile Association submission. I do not know if we have had a chance to go through those numbers. I will take the question on notice and come back to you. Certainly the Australian government's perspective is that all the jurisdictions will receive an increase in construction funding over the previous five-year period. So the figures that have been announced by the Australian government on the expansion of funding are based on increases in construction funding across all jurisdictions for the five-year period of the first AusLink plan compared with the previous five-year period for each jurisdiction. As I say, I am sorry I have not had a chance to look at the submission of the Australian Automobile Association. I am happy to have a look at it and come back to you.

Senator O'BRIEN—I would be happy if you would. I will read a part of their submission, which says:

AAA has undertaken an analysis to compare actual Commonwealth Road Funding for the 5 year period prior to AusLink, with projected funding for the first five years of AusLink.

That is a similar comparison to the one that you are saying the department made, isn't it?

Mr Mrdak—I would have to have a look at the basis on which they have done their figures, because they may have included areas where contributions have been calculated on a different basis from what we are currently proposing. As I say, we have ongoing national highway funding, which is a little different from what we are proposing for the future. We are providing much more, such as an increase in construction funding and the like. I am happy to have a look at that.

Senator O'BRIEN—Can you provide to the committee the means by which the 64.2 per cent figure was arrived at?

Mr Mrdak—Yes.

Mr Hogan—I would like to add to Mr Mrdak's comments. Obviously we need to look at AAA's figures and work out how they made their comparison. But, in the five years to 2003-04, Australian government spending on national roads was nearly \$5 billion. Under the first five-year AusLink program, total expenditure on road and rail and national projects will go up to \$7.7 billion, of which the roads component is around \$7 billion.

Senator O'BRIEN—I am interested to see the breakdown, because there is a 2½ page section in the AAA submission which queries your figures, and when questioned today they were adamant that they relied upon the calculation.

Mr Hogan—We will be happy to provide a comparison.

Senator O'BRIEN—On the black spot funding issue the AAA submission says:

Support for increased Black Spot funding has also come recently from the House of Representatives Standing Committee on Transport and Regional Services. In its report 'Eyes on the Road Ahead' released in May 2004, the Committee recommended to the Australian Government that Black Spot funding throughout Australia be increased by 25 per cent. AAA is awaiting the Government's response to this and the other 37 recommendations.

When can we expect that response?

Mr Mrdak—I will take that on notice, but my understanding is that the response will be finalised very shortly. I will come back to you, if I may.

Senator O'BRIEN—Turning to the road funding maintenance available under AusLink, the AAA submission states:

There will obviously continue to be a significant maintenance requirement for the broader national network. The BTCE (as it was then known, now the BTRE) estimated in 1997 that maintenance needs of the National Highway (which is just one component of the AusLink Network) would be \$280 million in 1998 and then rising to around \$360 million through to 2014-15. On these figures, the Government's decision to invest \$1500 million over 5 years towards the cost of maintaining the road links on the National Network is, in our view, insufficient. Increased funding needs to be allocated to maintenance. In addition, the Government needs to identify and report on the asset value of the National Network so that the appropriate level of maintenance spending can be identified and account for depreciation of the asset.

What comment can the department make on that submission?

Mr Mrdak—The important point to make is that the Commonwealth is making a contribution to maintenance. Previously, the Commonwealth had 100 per cent responsibility for the national highway system. Through AusLink, we are extending our willingness to partner with the states to fund a broader network. It is a much broader network than the Commonwealth was previously funding. In recognition of that, the additions to the network are predominantly roads and rail links that previously were maintained by the states or state authorities. We believe that, as part of the partnership, it is only fair states also contribute to the maintenance of those links, for which they currently bear 100 per cent of the maintenance. Essentially, the Commonwealth is providing an amount of funding over a broader network for maintenance than was previously the case.

In relation to asset management, one of the reforms we are trying to drive with the jurisdictions is better data on asset condition. Under the bilaterals with each of the jurisdictions, we are seeking to include clauses that maintenance be to a fit-for-purpose standard and that data be provided which enables all jurisdictions to better understand the asset condition of pavements and the like on the network. So we are undertaking a reform process to get a better understanding of that. Essentially the position of the Commonwealth

government at this point is that the \$300 million per annum is a contribution to maintenance on a much broader network than previously was the case.

Senator O'BRIEN—I think the point made by AAA is that the cost of maintaining just the national highway, not the extended network, will actually increase to more than \$1,500 million—certainly by 2014-15. So, if you are providing only \$1,500 million over the next five years, then there is likely to be a shortfall just in maintaining the national highway—let alone the extension to other roads.

Mr Mrdak—As part of our extension to a broader network, we are seeking a contribution from the states and territories for the maintenance of the broader network and what was formerly the national highway.

Senator O'BRIEN—But the point is that, if you are actually paying less than you were before, you are shifting the costs onto the states. Whilst you say, 'We're contributing to the cost of maintaining other assets,' if the reality is that you are paying less than it actually costs to maintain the asset that you were previously responsible for, is it a cost shift, is it not?

Mr Mrdak—No. I would not agree with that in the sense that the Commonwealth is providing funding for a whole range of projects—they are now eligible under AusLink—for which the states are currently responsible that, had we stuck with the national highway division of funding, would not be eligible for Commonwealth funding. There has been an increase in overall construction project funding available, and we believe that, commensurate with that, there should be an increased contribution by the states to the maintenance.

Senator O'BRIEN—So some of the maintenance costs are transferred to the states in return for the contribution towards construction?

Mr Mrdak—There is an increased contribution by the Australian government to projects which currently would be totally the state's responsibility.

Senator O'BRIEN—Can you quantify the transfer?

Mr Mrdak—I do not believe I easily could, but I am happy to have a look at that.

Senator O'BRIEN—I would be happy if you could so that we can have a clear understanding and it can be absolutely transparent as to what has been given and what has been taken away.

Mr Mrdak—We can certainly provide to you a breakdown of the project funding by each jurisdiction and how that applies across those jurisdictions.

Senator O'BRIEN—Thank you.

Senator ALLISON—It is hard to know where to start. AusLink is said to be about neutrality between modes, yet there is nothing here which ensures access pricing neutrality. Can you comment on that, please.

Mr Mrdak—AusLink takes some very important steps towards investment in intermodal infrastructure on two grounds. Firstly, it provides for the first time in legislation a Commonwealth rail program. Previously, we had a roads program and at various points we made investments in rail, but this provides a multimodal investment framework which looks to in the future make investment decisions based on the best transport outcome and enables us

to fund both road and rail for the first time, based on what the greatest benefit is in terms of the economic outcome. We are also able to fund intermodal terminals and the like—some of those key economic linkage points in the system.

Senator ALLISON—That may affect, at the margins, the access pricing neutrality question.

Mr Mrdak—I will come to that in the second part. The first part is that it provides a mechanism for funding rail infrastructure, intermodal infrastructure, which we previously have not had at the Commonwealth level, through the legislation. The \$1.8 billion investment in the first five years is a pretty significant demonstration of an increased investment in rail. The second part of it is in relation to pricing. That has been dealt with through other mechanisms. First, as you would be aware, the National Transport Commission is now working towards its third heavy vehicle determination. That work is going on with a view to it coming forward to Australian governments in 2006. Additional to that, some work is going on between jurisdictions into some of the issues that have been raised by the Australasian Railways Association. Earlier this year they released a report by Port Jackson Partners, which raised some issues in relation to competitive neutrality between road and rail. Some work is now under way between us and the states and territories in having a detailed examination of those issues in relation to intermodal pricing, and that work will be going back to ministers later this year.

Senator ALLISON—It has been said in previous hearings that, at the modelling and funding allocation decision-making stage of AusLink planning, only road based stakeholders were consulted. Is that correct?

Mr Mrdak—No, not to my understanding.

Senator ALLISON—Perhaps you could provide us with some details of who was consulted.

Mr Mrdak—Yes, I would be happy to provide details of the consultation process on the green paper.

Senator ALLISON—It was also argued that the legislation is fundamentally flawed, because it does not deal with the guidelines that are to be used to determine priority for allocating funds for infrastructure projects. How do you respond to that? Are the guidelines to be developed? Are they finished now? Will they be in the form of regulations? When can we expect to see them?

Mr Mrdak—The legislation sets out funding categories, with areas which are to be considered in making a decision on funding a particular project. Additional to that, a lot of the work in developing AusLink was, for the first time, in developing national assessment guidelines which would set out how planning processes should operate and how projects should be developed and assessed. One of the more significant but little recognised reforms of AusLink is that we now have all jurisdictions agreeing to those guidelines. They were agreed by transport ministers in November last year and have now been published, and I would be more than happy to provide them to you. So that has been agreed to by all the Australian government transport ministers.

Senator ALLISON—Are the guidelines on the web site?

Mr Mrdak—Yes, they are, and I can get you a copy of those.

Senator ALLISON—A number of people also said they thought, as did people today, that it was important to establish a national transport advisory council. At the last hearing you said that state, territory and federal ministers had decided to shelve discussions about the council until later this year. Can you give the committee an update on the thinking about the council and its establishment?

Mr Mrdak—Certainly the AusLink white paper flags the willingness of the Australian government to form a national transport advisory council. This is an agenda which was developed some years ago when the National Transport Commission was first put together. Under AusLink it looked at a whole range of activities which the council might perform. The decision of jurisdiction ministers in November was that at this stage there was no need to move to put in place such a council, that they wanted to see the work on issues like pricing and urban congestion—those sorts of issues—best dealt with directly to them through established Australian Transport Council mechanisms and working groups, and that they would review the need for a council further down the track. At this point, that remains their position. Ministers will meet again in June and then again later this year as part of their twice-a-year meetings, but I am not aware of any push by any of the other jurisdictions to revisit that decision in the lead-up to the next meeting of ministers.

Senator ALLISON—The arrangements have been criticised because of the high level of ministerial discretion in the exercise of these criteria. Have any further discussions taken place about ministerial discretion? Are we likely to see that as is?

Mr Mrdak—The legislation sets out a range of matters which the minister should have regard to in reaching a decision on funding projects. As I say, sitting behind that are a whole range of reform agendas on data and national assessment guidelines. But my attention has not been drawn to any concerns in relation to the way the bill is structured. At the end of the day, ministers make decisions in relation to funding—it is an Australian government program. What the bill sets out is the framework by which proposals come forward to ministers for their decision making.

Senator ALLISON—How is it that the National Land Transport Network leaves out the Cairns to Townsville rail line and the Townsville-Mount Isa rail line and the Queensland coal lines to Hay Point and Gladstone, together with grain lines Parkes to Adelaide via Broken Hill? Why were they left out of that system? Is that to be reviewed at any stage in the future?

Mr Mrdak—Certainly the national network that has been published and proposed for AusLink does include the Cairns to Townsville and Townsville to Mount Isa rail lines on the network. Essentially it picks up the defined interstate network which has been in place for some years and adds those lines. What is not provided in this first five years of AusLink is funding for projects on those particular rail lines. The bulk of the rail funding is being provided in New South Wales in relation to track improvements because that is where the greatest efficiencies lie on the national network. In relation to those other points, the network was defined on the basis of levels of traffic and where, as I say, the main interstate network previously operated.

Senator ALLISON—Can I ask about research. The white paper says that one per cent of AusLink funds will be for research, which from our calculations would suggest \$77 million, about \$15 million a year. Can you confirm that?

Mr Mrdak—The research budget does form part of the funding that is set out there. There is allocated national network funding available in AusLink. In the tables it sets out a quantum—

Senator ALLISON—For 2003-04 the budget allocation was only \$3½ million.

Mr Hogan—Can I clarify the figures. There is \$16.4 million which is essentially ongoing research commitments that were already in the program prior to the announcement of AusLink, and then there was another \$40 million added for research and innovation when the white paper was released.

Senator ALLISON—The \$16.4 million is over what period?

Mr Hogan—Five years. It is \$16 million plus \$40 million, so it is \$56 million over the five years.

Senator ALLISON—When does the \$40 million start to kick in?

Mr Hogan—It was budgeted for this year but we will not be able to spend the whole \$8 million because we are cranking up on things like corridor strategies.

Senator ALLISON—So \$8 million of the \$40 million was budgeted for this financial year.

Mr Hogan—That is right.

Senator ALLISON—And how much of the \$16.4 million was budgeted for the same period?

Mr Hogan—\$5.6 million.

Senator ALLISON—That is \$13.6 million, and how much do you expect to be expended?

Mr Hogan—We anticipate spending about \$3 million of the \$5.6 million and perhaps a few million of the \$8 million. The unspent funding is not lost; it will just flow into the out years of the program.

Senator ALLISON—So is there a new schedule over the period of AusLink that shows where the expenditure will fall?

Mr Hogan—We will be doing that as part of the budget process.

Senator ALLISON—And we will see that year by year?

Mr Hogan—Certainly the first year. We do not publish out years on that.

Senator ALLISON—So we will not know until the end of the five-year period whether the money has been spent.

Mr Hogan—No. It is something that the committee could certainly request and we would provide it.

Senator ALLISON—Good. The suggestion was made that the minister should publish the details of all projects funded under AusLink, as the minister is now required to under Roads to Recovery. Is that the intention?

Mr Mrdak—Yes. One of the things we are looking for is greater transparency in project details. One of our tasks at the moment is to build an improved IT system and web site that will include the details of each project, the status of the project and the like. Ms Armitage is currently tasked with that role. We envisage rolling that out in the next few months. It will give people an access point to every project that we fund to see what the commitments are and what stage they are at.

Ms Armitage—When the site has been completed, it will have all of the funded national and regional projects and, as they come on stream, the Roads to Recovery.

Senator ALLISON—The white paper promises \$145 million for rail network-wide improvements but the *Bills Digest*, which is prepared by the Library, indicates only \$45 million. Can you assure the committee that it will be \$145 million and not \$45 million?

Mr Hogan—That money is certainly there, and it is being allocated to rail projects. Some of those projects have already occurred, and there is a pool of unallocated funding which is scheduled—

Senator ALLISON—Perhaps you can look at the *Bills Digest*.

Mr Mrdak—We will clarify that, but there is a commitment to the total quantum in the white paper.

Senator ALLISON—Is it the case that there is still \$140 million outstanding from the projects that were promised in 1996, but that that money was not spent over the next six years? Can you also check that?

Mr Mrdak—Certainly, but I am not aware of that.

Senator ALLISON—The committee has been asked to clarify the spending commitments in appendix 2 of the *Bills Digest*. What state funds are assumed in these projects, both rail and road? Does the \$809 million of identified rail projects include the \$450 million AusLink infrastructure investment announced in June last year and the \$143.3 million ARTC capital injection, also announced in June 2004?

Mr Mrdak—Perhaps I can come back to you with a detailed breakdown of all the rail spending. It is probably the easiest way rather than trying to run through it this morning. I will come back to you with a detailed statement.

Senator ALLISON—Okay. Was the privatisation of the Australian National Railways and the National Rail Corporation taken into account to any extent in this program?

Mr Mrdak—Not specifically. That took place some years ago now. Pacific National, the purchaser of a number of those assets, is one of the entities that is a key player in the transport task, and it was consulted in various stages of AusLink, but I am not aware that the sale process per se was a factor in relation to the development of AusLink.

Senator ALLISON—This submission makes the point that between 1997-98 and 2002-03 asset sales were worth \$384 million but the investment in the national rail system in that time, including the Darwin to Alice Springs link, was only \$163 million. You would not disagree with those figures?

Mr Mrdak—I am not familiar with the figures. I would need to have a look at them, but certainly the government has some clear policy statements on asset sale proceeds and how they are dealt with in relation to retirement of debt and other fiscal measures. To my knowledge, it has never linked those with any specific transport outcome.

Senator ALLISON—Is it true to say there has been a shift in transport spending away from the national highway system to Roads of National Importance and Roads to Recovery? Can we see what the shifts have been in those areas over the last five years or so?

Mr Mrdak—We can certainly give you that data. Essentially the national highway spend has been a bit over \$1 billion per annum, but we can give you those figures.

CHAIR—My final question is: how does Bass Strait fit into AusLink?

Mr Mrdak—It does not.

CHAIR—Thank you, Mr Mrdak, Ms Armitage and Mr Hogan, for your time, care and patience.

[12.15 p.m.]

KEECH, Mr Kenneth Gordon, Chief Executive Officer, Australian Airports Association

McARDLE, Mr John Patrick, National Chairman, Australian Airports Association

CHAIR—Welcome. Once you are settled, you can make an opening statement. You can go for your life and do a song and dance or whatever.

Mr McArdle—We extend our thanks for the invitation to come to address you today. We note that the committee was asked to:

- Examine the extension of the criteria for Roads to Recovery projects to include public transport, cycling, walking infrastructure and regional airport runways.

Whilst we recognise that the Senate may have grouped all these together for ease, we would have expected that regional airport runways would have been put on a pedestal higher than that for a walking trail or a cycling track, even though all are healthy for Australians. We think that the paper we have submitted is self-explanatory, and we are open to any questions.

CHAIR—Thank you very much.

Senator O'BRIEN—Would you outline for the committee the national significance of, for example, freight movements from regional airports?

Mr McArdle—It is not in our charter to identify what the significance of freight is but what we are saying is that regional runways are an important part of the highways of the sky, particularly for those areas that are rather remote from major capital cities and indeed are in areas that are sometimes isolated by road closures due to flooding and so forth.

Mr Keech—We mention in our submission that there is significant statistical data to support the fact that, in terms of the economic growth of regional and rural communities throughout Australia, those that have access to regular air transportation have the opportunity to grow faster—in fact historically have grown at twice the speed of those communities that do not have that facility.

Senator O'BRIEN—I understand that part of your submission. Perhaps I can approach the matter from another angle. In your submission you contend that the proposal to potentially extend funds under AusLink for regional airports is far too limiting. Can you describe the limitations that you see with your eyes? Can you tell us if what is there is any help and if it needs to be changed?

Mr McArdle—Initially we felt that the AusLink white paper was rather remiss in not identifying airports as part of the national transport system, and we welcome the idea there is going to be consideration to include runways. As our paper suggests, there are opportunities to attract growth if we can include some funding to our regional and rural airports in particular to meet the high cost of aviation infrastructure, particularly runways, taxiways and aprons. If I may, I will use Port Lincoln by way of example. Port Lincoln airport is in a shire that is outside the Port Lincoln shire boundaries. It is in the shire of North Shields. North Shields is a very low population shire but has the impost of meeting the cost of maintaining and growing that airport, whereas Port Lincoln, the nearby township, reaps all of the economic benefits

that the airport brings to that area. So the shire of North Shields would welcome any assistance that AusLink could give.

We are aware that one of the national low-cost operators is keen to fly into the Port Lincoln airport in North Shields, but to bring that airport up to the minimum standards that the Civil Aviation Safety Authority would require would cost in the order of \$6 million. That would open up the opportunity to move perishable airfreight from that region—particularly seafood—and take some of that traffic off the roads from, say, Port Lincoln through to Adelaide or even Melbourne. So, just by way of example, if we could extend the AusLink grants scheme to include that sort of an upgrade it would be beneficial, in our view.

Senator O'BRIEN—What amendments to the legislation do you say are required to give effect to that? Do you want to take that question on notice?

Mr McArdle—Yes, I will take it on notice.

Senator O'BRIEN—Okay. The regional airport infrastructure you are talking about is runways, taxiways and aprons. Is there anything else?

Mr McArdle—If you upgrade your runways, taxiways and aprons you are opening up the airfield to higher capacity aircraft, and some work may be needed on navigational systems—approach lighting, perhaps, and other assistances to the pilot.

Mr Keech—And approach roads to the airport. There are a lot of the rural and regional airports—

Senator O'BRIEN—I think they are already covered, in part, under Roads to Recovery, aren't they?

Mr Keech—In some instances yes, but in some instances no.

Senator O'BRIEN—Can you give me any examples of where they would not be?

Mr Keech—Birdsville and a few of the out-of-the-way places in western Queensland come to mind.

Senator O'BRIEN—Does your organisation support the establishment of a national infrastructure advisory council as well?

Mr Keech—Yes, we do, in simple terms.

Mr McArdle—We are represented, for example, on the national infrastructure security committee and we would welcome support for any body that is looking at national development and national infrastructure in any way.

Senator O'BRIEN—Can you describe the role you foresee for a national infrastructure advisory council in strategic assessment and advice on AusLink infrastructure investments?

Mr Keech—I think it would probably provide—and I do not mean this in an unkind way—more of a balanced overview of all the transport and infrastructure requirements for the country, rather than just looking at specific parts of it, as I think is the case at the present time.

Mr McArdle—The nature of the business that we are associated with through airports—and by implication the aviation industry—is that of an industry that needs to have some national consistencies. We have worked very hard; as a matter of fact, we chair the national

Airport Emergency Planning Committee, for example. We have been instrumental in helping government develop a national aviation security planning process. The nature of how people use our airports is that they fly across states and territories daily—they cross borders regularly. Therefore, there needs to be some national consistency. I do not see any argument against a national infrastructure process so that national consistency is maintained.

Senator ALLISON—Could you clarify, Mr McArdle, how those runways are funded at present?

Mr McArdle—In most, if not all, of the regional and rural airports throughout this country they were transferred under the airport local ownership scheme in the seventies and eighties. At that time, the government brought most of those airfields up to a certain standard for the aircraft that were operating at the time. Subsequently, the ongoing maintenance of those has been either by community commitment—out of rates, taxes and so forth—or by—

Senator ALLISON—A local government commitment?

Mr McArdle—Yes, by local government, or by some grants from state governments which, according to our paper, are pretty constrained at the moment. So there has been the ongoing effect on local government communities in most of regional and rural Australia, the flow-on effect of the demise of Ansett and the costs that those communities endured. There has been a change in the fleet of aircraft, with new aircraft requiring new infrastructure or more heavily maintained runways, overlays and so forth, which are huge costs to a community. The methodology has been to recover that from passenger fees, and with the decrease in the number of passengers to regional Australia there has been a smaller amount of money to meet those costs.

Senator ALLISON—Has any work been done to assess the demands? If there were to be some money out of Roads to Recovery, what sort of level of annual spending would be required?

Mr Keech—At the present time in the industry, we would estimate—and we have done a little bit of work on this with our divisionals—that by the end of next year it would take almost \$100 million to bring that rural and regional infrastructure up to scratch. It is slowly but surely getting behind because the local communities, through their shires and their councils, just do not have—

Senator ALLISON—So it would take \$100 million to bring it up to scratch, to what you say are the standards that we should be expecting, but how much would need to be spent on an annual basis to keep it up to scratch?

Mr McArdle—We will take that on notice.

CHAIR—Using the same logic, should we be including coastal shipping in this? If you are arguing a case, where do you stop?

Mr Keech—I will just add another dimension to it. There was a strong view in the community that, if local communities in rural and regional Australia wanted to have and to maintain an operational airfield, it was the local community that benefited from having it because of medical services and all the sorts of things that we in the capital cities seem to take for granted. In New South Wales three years ago we conducted a survey with the rural and

regional airports on emergency medical evacuations, and we found that, throughout New South Wales, in excess of 70 per cent of the emergency medical evacuations that took place were for people other than the local community serviced by that airport. What was happening was that you would have people from the capital cities towing their trailers or their caravans or whatever and having road accidents et cetera. They were not part of the local community, but there was an expectation that they could be evacuated safely and conveniently to the appropriate medical service. That is the sort of facility that I think coastal shipping is not able to provide in terms of the community service obligations.

CHAIR—I do not agree with your analogy, but anyhow. Thanks very much.

Mr Keech—Can I say that we do not advocate that the Roads to Recovery should just push money—if it were to change—to the communities on an ad hoc basis. Some time ago we developed a template for budget planning and comparative financial analysis for rural and regional airports that are owned by councils and shires. If this was to be completed, it would give any person responsible an assessment, an absolutely accurate snapshot, of exactly where that particular airfield and the community was at. I will be more than happy to leave copies.

CHAIR—I will ask one final question, then. At Port Lincoln, where does the seafood go out now? Does it get driven to a nearby airport?

Mr Keech—Most of it goes to Melbourne.

Mr McArdle—It gets road freighted to Melbourne.

CHAIR—It would get airfreighted to Melbourne then shipped across from one plane to another. You are obviously not going to get a full load. This is like the Parkes international airport argument: you cannot make up a full load there.

Mr McArdle—There is a fair bit that comes out of there.

Senator O'BRIEN—They are big fish!

CHAIR—Thank you very much for that.

[12.30 p.m.]

PULLEN, Mr Gregory John, Economic Development Manager, Shoalhaven City Council

CHAIR—We now welcome the Shoalhaven City Council representative. Would you like to make an opening statement?

Mr Pullen—We appreciate the opportunity to put our case and we fully understand the pressures on any committee or level of government that is charged with the responsibility of allocating resources on matters of national importance. Council made a submission in February 2003 in response to the green paper and advocated in that document that we wish for AusLink to be retained as a high level strategic document which the Australian government uses to direct the allocation of both federal and state government funds to build a national integrated transport network that will deliver economic benefits not only to the capital cities and metropolitan areas but also to regional centres across Australia.

Council believes also that, as well as the major metropolitan nodes, regional centres such as the South Coast of New South Wales and the Gippsland have a significant contribution which should be recognised and addressed in AusLink, although I am not saying they are the only regional centres that should be considered. Council has made a submission to this committee which advocates that continued provision be made for the local government component of Roads to Recovery, with allocation directed at local government at the same level as in the original program.

As a regional player in south-eastern Australia, the Shoalhaven Council is cognisant of the necessity to allow the freight tasks to be performed effectively and efficiently. Connectivity to the major freight corridors is essential for sustaining regional economic growth. AusLink fails to address the interconnectivity of the regions in south-eastern Australia and their relationship with other regions within the state and across state boundaries—for example, the Gippsland with Port Kembla, Nowra-Bomaderry with central and southern Victoria, and the timber processing areas around Tumut, Bombala and the South Coast with metropolitan areas and the ports. Some aspects of the interconnectivity are recognised within AusLink but, in our opinion, not sufficiently. That AusLink recognises the regional context of both the Princes Highway through Nowra and Wollongong and into Sydney and Main Road 92 as an escarpment crossing from the Hume Highway across to the coast is vital to the economy of the South Coast and of the Shoalhaven and lower South Coast.

We also advocate that AusLink needs to recognise that Main Road 92 and the Princes Highway Nowra to Wollongong are important regional connections to the expanding Port Kembla harbour upgrade and that the upgrading of both these roads should occur in parallel with the development of Port Kembla. That was missed in the AusLink document. Port Kembla harbour will provide sufficient economic benefit as a port facility to both exporters and importers of goods, and the improvement of the road corridor will provide economic impetus to not only the immediate area but also the south-eastern region of Australia. AusLink, however, does not recognise the Princes Highway south of Port Kembla.

The major industries and businesses with growth in our export industries in the Shoalhaven are food to Asia and Europe, mining equipment and chemicals to Asia, recreational and commercial boats to Asia, the Americas and Europe and flow control systems and valves for water reticulation control systems to Asia and Europe. They are all coming out of our area, to name a few. These industries are dealing on the world stage and freight costs are important in their cost structure. A 10 per cent fuel saving in a Nowra-Melbourne freight trip could mean the difference between a local supply and an imported replacement alternative.

The council supports the section of the Roads to Recovery program dealing with the network issues—that is the discretionary money as opposed to the local government allocation money. This council is a member of the SEATS organisation, the South-Eastern Australia Transport Strategy. It strongly supports the regional approach especially dealing with issues such as the Princes Highway, the South Coast escarpment crossings and upgrading of bridges or breaks in the network which deny B-double access to some of those regional areas and moving product from regional areas into those metropolitan or near metropolitan ports.

In the short term we believe that in the AusLink program we are gearing ourselves for working up projects based on the Princes Highway south of Port Kembla and also we are looking at Main Road 92, the escarpment crossing, enshrining that route beyond Nerriga, once it has got across the escarpment, into regional planning strategies. There is a link there now capable of taking semitrailers and B-doubles. However, a better route needs to be identified and enshrined in the planning documents.

Simply put, we see Port Kembla, especially with the change in the New South Wales port strategy, as now becoming a more important link to not only south-eastern New South Wales but also to Gippsland, and we see that the network linking those regions into that port facility is important and should be supported in a strategy like AusLink. Obviously in some of those links, especially the road linkages, there are issues of public safety and employment security, and what we need is those inputs from the federal government program channelling down into the state programs and upgrading those facilities so that a corridor providing safe transport and employment security is secured.

In our instance we are not trying to be parochial in this area; we see the road network as important in the larger issue of putting our products to market. We see an incorporation of south-east Australia—not stopping at Port Kembla, not stopping at Sale, not having a void in the middle because there is no railway and we do not have the alternative freight corridors and it is all road transport to shipping nodes at either end—as important. That is basically where we have been coming from in regard to the discussions about AusLink.

Senator O'BRIEN—So do I take it that your council would support the national infrastructure advisory council to address the strategic needs of the various regions around the country?

Mr Pullen—In our first submission to AusLink we supported that and we even offered membership of that committee because we have been involved through the SEATS organisation. I have been heavily involved in prioritising at a regional level—when I am talking about a regional level I am talking Dandenong to Wollongong—transportation projects

across all modes. We have a model which we have discussed with the DOTARS people and we think it is robust. It takes the parochialness out of a lot of the projects, and we would support being involved in that council and offer ourselves as members.

Senator O'BRIEN—There is a vital need for transparency in the process if it is to have long-term credibility, isn't there?

Mr Pullen—That is right.

Senator O'BRIEN—How does the AusLink proposal deal with the Princes Highway now?

Mr Pullen—From the Sydney end, the Princes Highway is in there as a proposal to Port Kembla. It is in AusLink. Beyond Port Kembla it is not provided for other than if we can get funding for black spots or those sorts of provisions which are available for highways and country roads. From the Victorian end, I believe it is from Melbourne out to Sale.

Senator O'BRIEN—I take it Shoalhaven's argument is that the whole of the Princes Highway should come under AusLink.

Mr Pullen—Yes, that is the argument but not for the reason that we are trying to connect Sydney and Melbourne. When the media gets hold of this they misinterpret our intention to connect Sydney to Melbourne as an alternative to the Hume Highway. I do not think any of us want to see what has happened on the Pacific Highway with trucks thundering through every night of the week. We see that we have two vital subregions: the South Coast of New South Wales from Wollongong down to Eden and the area around Canberra and Queanbeyan. We also have the Gippsland area. Traditionally, people have thought of those subregions as a way of getting to their nearest metropolitan area. That is not the case. There is a substantial amount of traffic coming out of Gippsland trying to get to Sydney and Port Botany. It is coming through, and there was a VicRoads document which highlighted the point that the greatest single road artery for the exit of rural produce from Victoria is the Princes Highway via Cann River.

Some of that traffic is going to be dairy products. Some is timber products going to Eden to Harris-Daishowa and so on. Some of it is making its way to Botany, into the Woolworths and Coles distribution centres at Chullora, the Sydney markets and places like that, but it is also being taken to Botany for export to Oceania. In the restructure of the port facilities around Sydney the most likely pick-up that Port Kembla will make is in the Oceania trade; therefore we see more and more need to improve the link between Port Kembla and Gippsland. We do not necessarily see it as the Princes Highway exclusively; we see it as a combination of the Princes Highway to Cann River, the Monaro Highway to Queanbeyan, Queanbeyan across to Nowra on Main Road 92 and then into Port Kembla from Nowra.

We see network issues as the No. 1 thing, and it is the interconnectivity of those regions. The tonnages, when you look at tonnages, are in the millions of tonnes and the hundreds of thousands of tonnes. No-one will compete with Sydney to Melbourne freight anywhere else. There is no other corridor that will compete with that; however, there are substantial outputs and inputs from regional Australia that require connectivity into those metropolitan ports or, probably in the case of Queensland, into regional ports. That is what we are really advocating: don't forget about the regions.

Senator ALLISON—What money would be required to do the projects that you have suggested? Do you have any figures?

Mr Pullen—If we use the Princes Highway as an example and carry on from the previous question, currently the New South Wales state government has an allocation of \$380 million over 12 years for the upgrade of the Princes Highway. We acknowledge that and we commend the New South Wales government for doing that. To bring it up to a standard that we believe is safe and satisfies the freight need, we believe conservatively that at least another \$400 million is needed. What we have been advocating is that, with the assistance of the federal government on a dollar-for-dollar basis, that \$400 million could be split: \$200 million from the Commonwealth and \$200 million from the state. We have a lobby group which involves the councils of the South Coast, NRMA, Australian Business Ltd and a few other groups, and that is the position that we have taken. For the Princes Highway corridor that is what we have been advocating. We also appreciate that, to fix and upgrade the road network, you could spend billions of dollars every year for the next 50 years and you probably would not reach it. We are realistic, but we are going to continue to lobby for our share of the cake.

Senator ALLISON—You are suggesting \$780 million.

Mr Pullen—You could probably spend \$1½ billion.

Senator BUCKLAND—I want to ask about the rail service to the South Coast. I think it stops at Bomaderry.

Mr Pullen—Yes. The South Coast is serviced by a rail line that comes out of Sydney through Wollongong and terminates on the northern side of the Shoalhaven River at Nowra, at Bomaderry.

Senator BUCKLAND—What amount of freight is carried by that service?

Mr Pullen—The quantity I would not know, but the predominant freight on the line is the product in and out of the Manildra starch mill—the flour coming in from Manildra and from Gunnedah. There is at least one train a day that comes in with the flour, and that train going out is obviously empty. The food products that are produced by Manildra are for export and they predominantly go to Botany in boxes. They could be deflected to Port Kembla if a greater range of shipping was there. There is some product that comes out of Manildra as well that goes into other food manufacturing directly. Predominantly, it is flour in from Gunnedah and Manildra near Orange and the exported product out.

Senator BUCKLAND—Have there been any efforts to get manufacturers in the Shoalhaven region to utilise the existing rail service?

Mr Pullen—I will explain a little of the history of that railway line. The railway line was put there many years ago—in fact, I do not fully know the history of that—but a spur was put in by Wiggins Teape in 1955 for the paper mill at Nowra. It was a privately run spur of about three or four kilometres and that carried product in and out of the paper mill. Over the years, the paper mill has moved to road freight. In fact, at one stage there was 155,000 tonnes a year of coal coming from Lithgow to Nowra to feed both Manildra and the paper mill and that was all coming by road transport. State Rail had the rail connectivity at Lithgow straight into Invincible Colliery, and one of the problems was the fact that they required the paper mill to

put in a teardrop at the end so that they could turn the trains around a lot quicker. At the moment they have to shunt the trains backwards and forwards.

Senator BUCKLAND—Is that coal still being carted?

Mr Pullen—By road transport.

Senator BUCKLAND—How much is it—155,000 tonnes?

Mr Pullen—That has now been reduced because we have natural gas. Manildra has taken natural gas and uses natural gas. The paper mill still relies on road freight. So approximately 80,000 tonnes of road-freighted coal is coming in from Lithgow. And then you have the 70,000 tonnes going out of the paper mill by road. Fifty per cent of that product—both in and out—comes from Melbourne, so that is where the link across the escarpment from Nowra comes in. They are moving to B-double transports in that freight task. Those B-double transports have to go to Wollongong and around and come back. We are advocating, and we and the RTA are working towards, the Main Road 92 escarpment crossing, which will allow a B-double access from Nowra all the way into Queanbeyan and then out onto the Hume or Monaro corridors.

Senator BUCKLAND—I have a couple of questions too. Is passenger transport by rail to Nowra a regular service?

Mr Pullen—That is a regular service. There would be at least eight services a day, and probably more. They have taken the trains off and replaced them with buses for the late-night runs.

Senator STEPHENS—You were commenting then on Main Road 92. You made some remarks in your submission to the committee about the fact that that road was announced in 1997 as a road of national importance. Can you bring us up to date with where that project is now and the extent to which the promised funding has actually been delivered?

Mr Pullen—Shoalhaven City Council actively changed the focus of its lobbying in 1996. For the last 30 years council had said that this road had to be upgraded as a tourist link. In 1996 I was given the task of giving it a freight emphasis and a haulage link out of the coastal plain up into the tablelands. We lobbied fairly hard and effectively. There was an announcement that the link between Nerriga, which is basically halfway between here and the coast, and Nowra would be declared a road of national importance. That was in 1997, I think. That was based on an estimate of \$80 million for the cost of that link. The allocation was to be \$12 million from Shoalhaven City Council, which we said we would supply; \$34 million from the federal government; and \$34 million from the state government. There were then negotiations with the state government to bring them on board, but I have seen a change in their attitude towards Main Road 92. They are now accepting that, as a freight route, it will deliver outcomes; it will take the traffic out of Kangaroo Valley Road and it will also take some of the B-double traffic away from the Nowra to Wollongong section of the Princes Highway.

Collectively the three levels of government have worked together. We have worked up an environmental impact statement and we have done part of the construction that did not require an environmental impact statement. Council had full jurisdiction on that section, so that was

funded—I think it was about \$4.8 million in that section. The EIS has been done and has now been submitted to the state government by the RTA. That is now with the state Minister for Infrastructure and Planning, Minister Knowles, for determination. It has been with that minister since some time in November or December, I believe.

There have been a number of hurdles that we have had to jump along the way. The road adjoins the Sydney catchment, which required changing state legislation. It also requires an amendment to the boundaries of Morton National Park, one of the oldest national parks in New South Wales. That also requires statutory change—it cannot be done administratively; it requires an act of parliament. That is being worked through at the moment.

So at this point in time we have a development application EIS before the state government for determination, the funds are in place, the detailed design has commenced for the road, some of the property acquisition, which is mainly of state government land, has commenced and everybody is sitting on the edge of their chairs waiting for the announcement. We believe that from the announcement we could be probably be out there with construction within about three to six months.

Senator STEPHENS—And that would be to take it as far as Nerriga?

Mr Pullen—That is basically crossing the escarpment. Beyond Nerriga you then have links down into Braidwood. Those are a combination of dirt road and tar-sealed road. From Nerriga, using the route through Tarago, it is virtually all tar-sealed road. That is with the exception of one or two kilometres through a quarry which was formerly Mulwaree Council and is now Goulburn Mulwaree, where they have not tar-sealed it because they intend to move the alignment of the road. So basically from Nerriga to Yass or to Queanbeyan is all tar-sealed with the exception of one kilometre.

Senator STEPHENS—Is the Braidwood to Nerriga end all tarred?

Mr Pullen—No, the Braidwood to Nerriga road is about 40 per cent tar and 60 per cent dirt. But the intention is not to go to Braidwood. The freight route out of Nowra wants to get to Yass; it does not want to get to Cooma. The quickest way for Main Road 92 is Nowra, through Nerriga, across to Tarago and then ultimately through Collector past Woodlawn Mine up to Gunning. That is the quickest route. But in the interim, because part of that is unsealed, when you get to Tarago you follow the old highway down into Queanbeyan and around the top of Canberra out to the Barton Highway.

Senator STEPHENS—In your submission you comment about your council seeking to work with the Goulburn Mulwaree Council. What priority has the Goulburn Mulwaree Council put on extending that towards Bungendore and Queanbeyan?

Mr Pullen—Our negotiations earlier had been with the Mulwaree Council. They did not involve Goulburn. We only had discussions with the Mulwaree Council at that time. They assisted us with some data. They actually used Roads to Recovery money and section 94 money to upgrade that link into Nerriga. Five years ago there were probably closer to 15 kilometres of unsealed road. Using Roads to Recovery money and section 94 money they have upgraded that link into Nerriga.

Before the amalgamation of the councils in New South Wales, Goulburn was basically a town council and Mulwaree was a doughnut council around it. Those two councils were amalgamated. The senior staff at those councils basically said, 'Let us get our house in order before you come back and work through the Main Road 92 argument.' We are about to do that now because we did not have the guidelines for AusLink. Our intention is not to actually apply in the first round for funding to construct it. There is probably \$100,000 to be spent on investigating the best alignment and preserving that in the regional planning schemes. That would be the first process. We appreciate the alignment through there is probably not ideal for heavy transport. There could be some curvature improvements, both vertical and horizontal—let us address that. But at the moment the trucks can go through legally.

Senator STEPHENS—Thank you, Mr Pullen.

CHAIR—Thank you very much.

Committee adjourned at 1.00 p.m.