



**AUSTRALIAN
AUTOMOBILE
ASSOCIATION**

Constituent Members



AusLink Bill 2004
**Submission to the Rural and Regional Affairs
and Transport Committee**

March 2005

Submission by the Australian Automobile Association

GPO Box 1555

216 Northbourne Ave

Canberra ACT 2601

PH: (02) 6247 7311

Fax: (02) 6257 5320

email: aaa@aaa.asn.au

ACN 008 526 369

1. Introduction

Australian Automobile Association (AAA) represents the interests of over 6 million motorists through its State and Territory motoring Clubs and Associations. AAA has a vital interest therefore in funding, planning and use of Australia's land transport network.

AAA made a submission to the Government's AusLink Green Paper in February 2003. In that submission we noted that roads provide over 95 per cent of the transport task for private motoring, carry most of the freight tonnage and accommodate the great majority of public transport (taxis, buses, trams) – a dominance that is likely to continue, even with a significant freight shift to rail. We also reported that a doubling of the freight task in 10 years may be a forecast, but that the rail system could not possibly absorb such an increase across the nation and where absorption may occur, it will be limited to a handful of corridors.

AAA also argued that adequate and transparent pricing of all transport is essential. A proper pricing framework is fundamental to the success of any overall transport plan. Without it, an appropriate balance of usage between road and rail will not come about.

2. AusLink White Paper

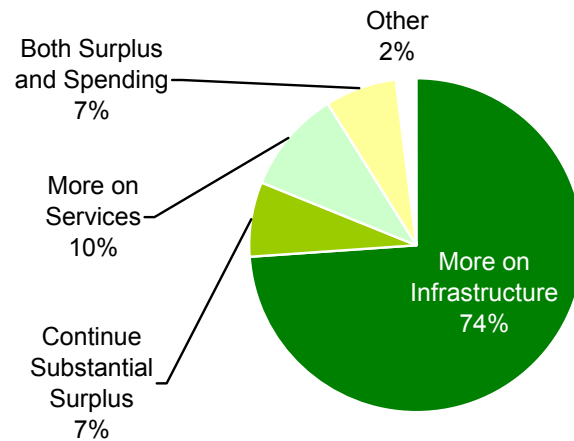
When the AusLink White Paper was released in June 2004, AAA welcomed its launch noting that the integration of road, rail and research funding into one rolling five-year plan was a desirable shift towards a more strategic long-term approach to transport infrastructure. AAA also supported the recognition by Government that a broader network of transport corridors required Federal funding.

AAA was pleased to see new funding included as part of the AusLink plan – and additional funding as part of the 2004 election campaign – but we noted that more funds for roads is necessary to achieve the full vision. AAA called on the State and Territory governments to increase road funding. We also pointed out that although the Federal Government had committed \$11.8 billion – since increased to \$12.5 billion – over the next 5 years, during the same period motorists will pay an estimated \$67 billion in petrol excise and \$16 billion in GST on fuel. AAA would like to see a greater proportion of this revenue spent on roads.

Following the AusLink release, AAA also reported that road expenditure should be seen as an investment, not a cost, as there are significant benefits which are widespread throughout the economy. These benefits extend to the road safety area; the implications of the Government's National Road Safety Strategy of reducing the fatality rate between 1999 and 2010 by 40 per cent, is that 700 lives can be saved every year, with 332 coming from safer roads. Road investment will translate into savings in the health, welfare and justice components of the Federal Budget.

There is support for increased investment in road and other infrastructure in the community. In recent polling undertaken by ANOP for AAA, in answer to whether they think the Federal Government should continue to have a substantial surplus or whether it should be spending more on infrastructure like roads, 74 per cent of respondents said there should be more spending on infrastructure. Just 7 per cent thought that the Government should continue to have a substantial surplus.

Figure 1: Motorists' Attitudes on Government Surplus vs Spending More on Infrastructure



Source: ANOP, 2005. *National Survey of Motorists' Attitudes and Priorities*, conducted for AAA

There is many other elements of the White Paper which have been embodied in the legislation which are supported by AAA. In particular, we strongly support the development of the National Network to encompass the former National Highway System (NHS) including its connections through urban areas, other nationally important interstate and inter-regional transport links, as well as links to ports and airports. AAA has been advocating for such a network for some time.

The intention to improve the transparency of project decision making is a welcome development and AAA looks forward to seeing the benefit cost ratios of all AusLink projects made available in the near future.

One disappointment of AusLink is the failure to recognise the need to address the issue of transport pricing sooner rather than later, and how it might helpfully address the congestion problems in our major capital cities.

3. AusLink National Projects Funding

AAA welcomes the additional funding for roads under AusLink. However, the level of funding is not as significant as has been portrayed. And clearly more is needed if the backlog of economically viable projects is to be addressed. In a speech to the Australian Local Government Association Roads Congress in 2004, Senator Ian Campbell indicated that increases in funding under AusLink were substantial, to say the least. For example, he indicated that there would be a 118 per cent increase in Victoria and a 76 per cent increase in New South Wales.¹ Overall, the AusLink White Paper indicated that funding would increase by 64.2 per cent under AusLink.²

However, the quoted figures appear to have compared AusLink expenditure over 5 years with previous Forward Estimates which is a somewhat dubious basis for comparison (particularly since the exact figures used in the comparison appear to not be readily obtainable).

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. This seems to be a more reasonable basis for comparison. Importantly, we believe it is crucial to inform the community, and motorists, about just how much funding is being directed to improving the road network.

Our analysis indicates that the increase in Commonwealth road funding in real terms is nearer to 16 per cent for the 5 years of AusLink compared with the 5 years before AusLink, which is somewhat lower than the quoted 64 per cent in the White Paper, even allowing for the fact that we are considering road funds alone. The results of our analysis, showing Commonwealth funding expressed in nominal and real terms (1999-2000 dollars) is shown in Figure 2 (full results in Appendix 1).

¹ http://www.alga.asn.au/newsRoom/mediaReleases/20040712Campbell_2.php

² AusLink White Paper, page 29

Figure 2: Commonwealth Road Funding, 1999-00 to 2008-09



Sources: see Appendix 1.

As can be seen from Figure 2, funding in real terms will remain fairly constant from 2001-02 onwards.

A comparison of this nature is not easy, as funding arrangements have changed over this period and certain estimates have had to be made. For example, State Financial Assistance Grants identified for roads were abolished in 2000-01 and replaced by GST. We have therefore deducted the State FAGs from the 1999-2000 Commonwealth road expenditure figures to compare 'like with like'. Even then it should be said that we do not know how much of the GST payments have been allocated to roads by the State governments, but that is a separate issue.

In our analysis, we have also retained the funding commitment of \$565 million for the Scoresby (Mitcham-Frankston) Freeway. Since this funding was conditional on the Victorian Government reversing its position on tolls for the freeway, and given that this has not happened - and is now unlikely to change in the short-term - our Constituent member, RACV, considers that this money should be allocated to other urgent road needs in Victoria. RACV has identified the projects where funding should be re-allocated in its 2005-06 Budget submission to the Federal Government.

Also in our analysis we have included expenditure on the Fuel Sales Grant Scheme. This seems reasonable, because the beneficiaries of the Scheme were (presumably) motorists and when the Scheme is abolished in 2005-06, the White Paper reports that \$810 million will be directed to new road investment as a result of the decision to abolish the Fuel Sales Grant Scheme.³

Although this increase in funding of 16 per cent is welcome, it needs to be pointed out that the AusLink network is presumably much longer than the

³ AusLink White Paper, page xi

current length of the NHS and RONIs (unfortunately, there is no information in the White Paper identifying its length). Increased investment is surely justified on this basis alone, let alone to accommodate increases in traffic and freight volume between the one five-year period and the next. Further analysis conducted by AAA indicates that passenger traffic will increase by nearly 9 per cent between the two five year periods, and the AusLink White Paper indicates that freight traffic is likely to increase at an even higher rate.⁴

AAA acknowledges that the Commonwealth has an expectation that States and Territories will invest in those projects on the National Network which provide benefits at the State and Territory level, meaning that in many cases, projects costs will be shared with State and Territory Governments. AAA's Constituent members will continue to inform the relevant road authorities in the States and Territories, as well as the Commonwealth, of its views on project priorities and funding expectations.

The need for additional funding is justified on the basis that there is a significant backlog of economically viable projects. In a report prepared for AAA by Allen Consulting in May 2003, it was estimated that current required road works (including upgrades and new construction) in NSW total around \$4.4 billion, in Victoria total around \$3.8 billion and in Western Australia total around \$2.2 billion.

3.1 Maintenance Funding

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 2014-15.⁵ 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.

4. AusLink Black Spot Projects Funding

AAA welcomed the announcement during the 2004 election campaign to extend the Black Spot program for a further 2 years to 2007-08. The Black Spot program has proven particularly effective in recent years. According to the BTRE, between 1996 and 2000, the number of casualty crashes at treated sites decreased by approximately 31 per cent in capital cities, and

⁴ Adapted from BTRE data; AusLink White Paper, page 4

⁵ Department of Transport & Regional Development, Submission to the Federal Inquiry into Federal Road Funding, February 1997.

approximately 48 per cent in rural areas. The BTRE also estimates that the program produced a benefit cost ratio of 14.1. That is, every \$1 invested produced a \$14.10 return in reduced deaths, injuries and related costs.⁶

Given the significant benefits, AAA would like to see increased funding being allocated to this category and a greater emphasis given to safety in the selection of all AusLink projects for funding in the future. After all, it needs to be remembered that 5 deaths occur on Australian roads every day.

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.

5. AusLink Transport Development and Innovation Projects

AAA notes and supports the inclusion of a category of funding for transport development and innovation projects. There are undoubtedly many projects that could help improved Australia's road safety performance. We note that the Bill does make provision for projects that could improve the safety of the National Network and we urge the Government to very quickly identify such projects and to fund them as matter of urgency.

6. National Transport Advisory Council

We note that the AusLink Bill does not make reference to the establishment of a National Transport Advisory Council, despite such a body being foreshadowed in the White Paper. AAA considers that the proposed body should be established urgently and that there would be benefits of having consumer representation on the Council.

We note the comment in the White Paper that the Council will focus its work on three key policy areas, including advice on strategies, policies and options for infrastructure pricing. As noted earlier, we believe that the issue of pricing is of critical importance. So too did the National Transport Planning Taskforce when it reported as far back as 1994. The report stated that 'The Taskforce believes that a more efficient funds allocation within Government for transport infrastructure will only be partially effective, unless accompanied by more efficient road and rail infrastructure pricing'.⁷

⁶ BTRE, The Blackspot Program 1996 – 2000: The First Three Years.

⁷ National Transport Planning Taskforce, 'Building for the Job', November 1994.

7. AusLink Roads to Recovery Program

AAA welcomes the four year extension of the Roads to Recovery program (R2R2) announced in 2004 and the additional funding provided in the election campaign. According to our Constituent members, the program is working well. We also note the findings of the R2R review completed in May 2003 which found that Roads to Recovery had made the roads safer, improved the ease with which goods and people can use them, enhanced economic development and improved the amenity of living in many places.

8. AusLink Strategic Regional Projects

There appears to be merit in allocating funding to Strategic Regional projects that are not in the National Land Transport Network. We note that the Government has already announced funding for 18 projects totalling some \$93 million and that an additional \$30 million of the total allocation of \$150 million has been allocated for unincorporated areas. It is of some concern to AAA that detailed project proposals are now being sought from project proponents. We would have liked to have seen the increased transparency and the application of benefit cost analysis which was promoted in the White Paper, to have been applied to the project selection *prior* to the commitment of funding.

9. Corridor Strategies and Project Assessment

We are pleased that the Commonwealth and the States have agreed to adopt a standard methodology for project assessment. Indeed, there has clearly been a lot of valuable work undertaken by Commonwealth and State officials in the preparation of detailed guidelines for transport system management in Australia which were signed off by Transport Ministers last November.

As we understand it, these guidelines, which provide a multi-modal approach to project assessment, will be applied to the initial corridor strategy studies (referenced in the White Paper) which are to be undertaken. We are pleased that AAA has been invited to participate in the lead up work for these studies.

10. Conclusion

AAA would like to see the AusLink Bill passed as soon as possible and bilateral agreements with the States concluded quickly so that funding to the expanded National Network can flow quickly to urgent works.

AAA urges the Government to consider additional funding for the AusLink categories of funding including, in particular, to National Projects and Black Spots. An emphasis on road safety in selecting projects should be paramount.

AAA would also like to see Transport Development and Innovation projects quickly identified so that rapid improvements can be made in the important area of road safety.

Appendix 1 – Commonwealth Road Funding

	Roads (\$ million) ¹	Local Government Grants (\$ Millions) ²	AusLink Election Commitments (\$ Millions) ³	Fuel Sales Grant Scheme ⁴	Nominal (\$ Millions) ⁵	% Change	Road construction index (1993-94 = 100) ⁶	CPI ⁷	Real (\$ million) (indexed to 1999- 00)	% Change
Prior to AusLink							104.9			
1999-00	875	389	0	0	1,264		109.1	2.40	1,264	
2000-01	1,050	406	0	115	1,571	24.4	115.1	6.00	1,489	17.9
2001-02	1,394	425	0	210	2,029	29.1	117.7	2.90	1,881	26.3
2002-03	1,265	451	0	215	1,932	-4.8	124.0	3.10	1,699	-9.6
2003-04	1,322	463	0	220	2,005	3.8	126.8	2.25	1,725	1.5
Total	5,906	2,134		760	8,800				8,058	
AusLink										
2004-05	1,523	471	48	225	2,267	13.1	129.3	2.00	1,913	10.9
2005-06	1,406	492	106	230	2,234	-1.5	132.6	2.50	1,839	-3.9
2006-07	1,627	510	165	0	2,302	3.0	135.9	2.50	1,848	0.5
2007-08	1,811	528	145	0	2,484	7.9	139.3	2.50	1,946	5.3
2008-09	1,747	575	55	0	2,377	-4.3	142.8	2.50	1,817	-6.6
Total	8,114	2,576	519	455	11,664	32.5			9,362	16.2
Difference	2,208	442	519	-305	2,864				1,304	

Notes

Shaded cells are AAA estimates.

1 Pre-AusLink period: BTRE, 2004, Public Road Related Expenditure and Revenue in Australia, Information Sheet 23 (figures exclude Land Transport Research);

AusLink period: personal communications with DOTARS (figures exclude Technology and Research funds).

2 As above; 2008-09 AAA estimate.

3 Liberal Party, 2004, Building Our National Transport Future, Election Policy. Figures = net budget impact; 2008-09 AAA estimate.

4 Figures for 2004-05 and 2005-06 AAA estimates.

5 Sum of previous four columns.

6 Figures for 1999-00 to 2002-03 from BTRE. Remaining figures estimated by AAA using CPI.

7 ABS (2003) "Consumer Price Index" Australian Bureau of Statistics, Cat No 6401.0; Commonwealth Budget Paper, 2004-05.