



Economic & Public Policy

AusLink Land Transport Policy

Introduction

On 7 June 2004, with considerable fanfare, the Commonwealth Government released its new long-term land transport policy.

The policy was detailed in *AusLink White Paper: AusLink Building our National Transport Future*. This document also specified an initial five-year expenditure program of \$11,813 million by the Commonwealth Government plus expenditure of \$872 million by the Commonwealth's Australian Rail Track Corporation.

The coalition parties' 2004 federal election transport policy, *Building Our National Transport Future* (15 September 2004), added an additional \$650 million to the initial expenditure program.

The *AusLink* policy and the amended expenditure program have been summarised and analysed in this *Policy Brief*. Particular attention has been focused on issues and outlays affecting Queensland.

Background

Under section 51 (xxxiv) of the Australian Constitution, the Commonwealth Parliament has power to make laws with respect to "railway construction and extension in any State with the consent of that State." Under section 98, "The power of the (Commonwealth) Parliament to make laws with respect to trade and commerce (section 51 (i)) extends to navigation and shipping, and to railways the property of any State."

The Constitution does not provide the Commonwealth Parliament with such powers in relation to roads. However, the Commonwealth has attained an important role in road funding through section 96, which states, "...the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit."

The Commonwealth has been providing financial assistance grants for road works since 1922. Numerous Commonwealth road-funding programs have been introduced, revised, withdrawn and replaced over the past 80 years.

Immediately prior to *AusLink*, the Commonwealth had been providing about 20 per cent of all government road-related expenditure in Australia through financial assistance grants to state and local governments. At that time, the main Commonwealth road funding programs related to the National Highway System, Roads of National Importance, Black Spots, Identified Local Roads, and Roads to Recovery.

About 45 per cent of Commonwealth funding for roads was provided to State Governments for the National Highway System. The Commonwealth identified and assumed full funding responsibility for the National Highway System in 1974. Additional roads were included in this network in 1992 and 1994.

The Roads of National Importance (RONIs) program commenced in 1996-97 for roads outside the National Highway System meeting criteria including contribution to trade, international competitiveness, and integration of transport and land-use, and generation of large net social benefits. Commonwealth funds were transferred from the National Highway program and typically provided to the State on a 50/50 basis. RONIs accounted for about 13 per cent of Commonwealth road funding immediately prior to *AusLink*.

The Black Spots program was introduced in 1990 to rectify road locations contributing to serious crashes involving death or personal injury. The program was abandoned in 1993 and reinstated in 1996. It accounted for only about 3 per cent of Commonwealth road funding.

From July 1991, Commonwealth funding for local roads was paid to local governments as Identified Local Road Grants, which could be spent for any purpose, not just roads. These grants represented about 27 per cent of Commonwealth road funding.

The Roads to Recovery grants to local governments commenced in December 2000 to top-up Identified Local Road Grants and allocate more resources to non-metropolitan, regional roads. They amounted around 12 per cent of Commonwealth road funding. In January 2004, the program was extended to 30 June 2009, but one-third of the funding was to be reserved for projects of strategic regional importance.

In November 2002, the Commonwealth Government published a policy discussion (green) paper, *AusLink: Towards the National Land Transport Plan*. The Commonwealth received 550 written responses.

In late 2003, Commonwealth Transport and Regional Services Minister, John Anderson, wrote to all state and territory transport ministers advising them of new industrial relations requirements for federally-funded road projects. From 1 January 2004, compliance with the National Code of Practice for the Construction Industry and the Australian Government Implementation Guidelines for the Code became a condition of Commonwealth funding for road projects costing:

- more than \$5 million and representing at least 50% of project cost; or
- \$10 million or more irrespective of the proportion of Australian Government funding.

On 7 June 2004, the Commonwealth released its *AusLink White Paper: AusLink Building our National Transport Future*. It included a five-year, \$12,572 million expenditure program.

Subsequently, the *AusLink* expenditure program was supplemented by \$650 million promised in the coalition parties' transport policy for the 2004 federal election.

AusLink Policy

The Ministerial Foreword to the *AusLink White Paper* asserted:

“*AusLink* will revolutionise the planning and funding of Australia’s national roads and railways by taking a long-term, strategic approach for our long-term future. It represents the most significant change since Federation in the way we tackle the national transport task.”

Key elements of the *AusLink* policy are as follows.

- The National Highway System and Roads of National Importance are absorbed into a broader National Network, including national and interregional rail and road links, rail/road connections, and links to ports and airports.
- States must share National Network costs, particularly in urban areas.
- National Network projects and contributions by Commonwealth and State Governments are to be specified in bilateral agreements.
- The Commonwealth will increase rail funding to attract long-distance freight from roads.
- Private sector investment in toll-roads will release Commonwealth funds for commercially unattractive projects.
- Urban traffic congestion is not a Commonwealth problem, except to the extent it affects the National Network.
- Commonwealth funding will be conditional on other governments keeping high volumes of local traffic off the National Network.
- Commonwealth funding will depend on projects being subject to the *National Code of Practice for the Construction Industry* and Guidelines. This is to be specified in funding agreements with state, territory and local governments and infrastructure managers.
- Projects and priorities are to be rigorously evaluated.

The *AusLink White Paper* and the coalition parties’ 2004 election policy committed the Commonwealth Government to transport expenditure of \$12,463 million and Australian Rail Track Corporation to expenditure of \$872 million over five years commencing in 2004-05. The components are:

	\$ million	\$ million
• National Network, rail		
gov’t grants/investment	1,054	
Australian RailTrack Corp.	<u>872</u>	1,926
• National Network, road		
capital	5,576	
maintenance	<u>1,500</u>	7,076
• Roads to Recovery (local gov’t)		
formula allocation	1,453	
unincorporated areas	30	
strategic projects	<u>120</u>	1,603
• Identified Local Grants (local gov’t)		2,550
• Black Spots		<u>180</u>
		<u>13,335</u>

Queensland's share of Commonwealth funding of the road component of the National Network over five years from 1 July 2004 is \$1,594 million (excluding unallocated maintenance for years 2 to 5). Commonwealth rail funding in Queensland during this period is estimated to be \$7 million. Queensland's share of total Commonwealth National Network funding (excluding all unallocated amounts) is 21.3 per cent.

Queensland's share of all Commonwealth road and rail funding committed over five years from 1 July 2004 is \$2,406 million. This represents 20.5 per cent of the national total (excluding all unallocated amounts including maintenance and local strategic projects).

Since the October 2004 federal election, there has been considerable political controversy regarding the Commonwealth Government's persistence with the strategy of making its funding dependent on projects being subject to the *National Code of Practice for the Construction Industry* and Guidelines. As at 14 February 2005, only Victoria and South Australia had agreed to apply the Code and Guidelines to road projects.

RACQ Analysis

Positive features of the *AusLink* policy include:

- the intent to apply a strategic approach to transport funding;
- a longer-term focus;
- consideration of road and rail transport together;
- the proposed rigorous assessment process; and
- additional land transport funding by the Commonwealth.

Criticisms of the policy include the following.

- Most urban traffic congestion was ignored, despite rapidly rising social costs and growth-impeding effects of congestion. Because congestion is a problem of national importance and the Commonwealth dominates Australia's major tax bases, it should contribute greatly to a solution.
- Construction of safer roads was neglected. For example, black spot rectification yields relatively high benefit/cost ratios, but has been allocated less than 1.4 per cent of Commonwealth land transport funding.
- Analytical support was not provided for a significant re-allocation of Commonwealth funding to rail from a seriously deficient road network.
- Greater reliance on private sector capital to free-up government funds for commercially unattractive projects not only means more toll-roads in urban areas, but also has adverse effects on efficiency of resource-use and questionable consequences for equity.
- Sensible government borrowing to provide better roads was ignored.
- The Commonwealth won't better the miserly 16 per cent of fuel tax revenue allocated to roads in the past.
- The *AusLink White Paper* and the earlier green paper acknowledged the appropriateness of charges to reduce congestion and road damage, and improve the efficiency of use of infrastructure. However, the *AusLink* policy omitted such measures. It impedes their implementation by other governments by failing to offer fuel tax cuts to offset state or local government congestion and road damage charges.

- The Commonwealth intends to use road funding as a tool to impose its industrial relations views on state governments, rather than gain their acceptance and public support through provision of solid, supporting analysis.

The Commonwealth's *AusLink* expenditure program has negative and positive features.

The *AusLink White Paper* and associated ministerial statements to the media claimed massive increases in Commonwealth funding for roads. These claims were grossly exaggerated.

Average annual road funding by the Commonwealth specified in the *AusLink White Paper* for the five-year period from 1 July 2004 would have been only 1.7 per cent higher than in 2003-04, after adjusting for inflation and cancellation of the Fuel Sales Grants scheme from 2006-07.

The coalition parties' 2004 federal election promise of additional *AusLink* road expenditure of \$650 million over the same five-year period boosted the adjusted increase in average annual funding compared to 2003-04 to 7.4 per cent. This commitment broke a 20-year trend of Commonwealth road funding failing to keep pace with inflation, except for occasional pre-election spikes.

However, this outcome would be reversed if the Commonwealth does not spend \$542 million of *AusLink* funding set aside by the Commonwealth for the Scoresby Motorway. This funding is conditional on the Victorian Government reversing its decision to apply tolls, but on 14 October a decision was taken to enter into a PPP toll-road deal with the ConnectEast group.

Unfortunately, *AusLink*, as amended, continues the long-term trend of Commonwealth road funding falling relative to Gross Domestic Product, even if the Scoresby allocation is spent on other roads. Therefore, as population and economic activity grow, road infrastructure will become increasingly inadequate, increasing accident rates, adding to traffic congestion and constraining further economic growth. These effects will be particularly severe in south-east Queensland because of its relatively high rate of growth of population and economic activity.

Projects selected for funding were not rigorously evaluated, contrary to the policy.

The only National Network projects in Queensland to be adequately funded are the Barkly Highway (\$112 million) and completion of the 6-laning of the Bruce Highway between Brisbane and Caboolture (\$196 million).

Only \$330 million has been allocated for 1600 km of Bruce Highway between Caboolture and Cairns, compared to a requirement of \$720 to upgrade it to a tolerable, but less than desirable standard. The allocation in the next two years is just \$47 million, 14 per cent of the five-year expenditure program.

Very small amounts have been allocated to the Cunningham and Warrego Highways. No funds have been allocated to the Landsborough, New England, Gore and Flinders Highways. The combined funding shortfall for these segments of National Network is about \$1,390 million.

The Commonwealth allocation of \$120 million for the \$360 million Tugun By-Pass will not be available until 2006-07 and 2007-08. The Commonwealth has not allocated any funds to the \$1,000 million works program proposed by the Queensland Government on the Pacific Motorway segment of the National Network between Tugun and the Gateway Motorway. In contrast, the Commonwealth is contributing on a 50/50 basis to a \$1600 million, 10-year upgrading program on the Pacific Highway in New South Wales.

A total of \$627 million over 5 years has been allocated to the Ipswich Motorway, Brisbane Urban Corridor (BUC), and Gateway Motorway and Bridge, but 73 per cent will not be available until 2007-08 and 2008-09. Specific allocations include \$60 million for the Mains/Kessels Road intersection on BUC, \$160 million for the Logan/Ipswich Motorway interchange, and \$52.7 million for stop-gap safety works on the Ipswich Motorway.

The total allocation for these deficient Brisbane metropolitan roads is only 23 per cent of the Commonwealth's estimate of the cost, or just 14-16 per cent if a western by-pass of Brisbane is added to link the Bruce Highway and Ipswich Motorway and thereby fill a substantial gap in the National Network. After funding the Logan/Ipswich Motorway and Mains/Kessels Road intersections, there will be a \$330-390 million shortfall for the Ipswich Motorway, no funding for the remainder of the Brisbane Urban Corridor, no money for Gateway Motorway/Bridge duplication and nothing for a western by-pass of Brisbane.

When the Gateway Motorway became national highway, tolls remained on the bridge. This is inconsistent with national highway practice, but the Commonwealth intends to extend the anomaly to the duplicated Gateway Bridge.

Commonwealth funding for the road component of the National Network in Queensland over five years from 1 July 2004 totals \$1,527 million (excluding maintenance). However, the cost of upgrading these roads to an acceptable standard is around \$6790 million, leaving a funding shortfall of more than \$5260 million or 77 per cent. Adding the cost of a western by-pass of Brisbane would increase the funding shortfall to about \$6,500 to \$7,000 million or 81-82 per cent.

Queensland's share of Roads to Recovery and National Network funding over the next five years is concentrated late in the period. About 49 per cent of Queensland's funding has been scheduled for 2007-08 and 2008-09, compared to 43 per cent Australia-wide.

The superlatives and claims of massive funding increases uttered by Commonwealth ministers to promote their *AusLink* policy were not consistent with the niggardly reality. Parts of the *AusLink* strategy are seriously flawed and funding allocations are insufficient to prevent road infrastructure becoming more inadequate, particularly in regions experiencing relatively high population and economic growth.

Motorists can expect long waits for improvements to many key roads, increasing accident rates, worsening congestion, and more toll-roads in major population centres.

RACQ Position

RACQ supports the Commonwealth Government's intent to establish a rigorous assessment process for projects and programs and adopt a longer-term, broader, strategic approach to transport planning and funding.

RACQ applauds the additional road funding proposed in the *AusLink White Paper* and subsequent 2004 election policy. However, RACQ considers that this additional allocation is inadequate to prevent growing pressure on deficient National Network road infrastructure, particularly in rapidly growing regions like south-east Queensland.

RACQ is opposed to the Commonwealth Government's plan to shift part of its responsibility for funding the national highway system to state governments and to road-users through tolls, without any offsetting reduction in the current substantial Commonwealth fuel tax burden. This plan is particularly inappropriate because of prolonged Commonwealth neglect of its national highway responsibilities and the ongoing serious vertical fiscal imbalance problem afflicting Australia's federal system of government (The Commonwealth controls the major tax bases, but state and local governments have a disproportionately large share of expenditure responsibilities.).

RACQ objects to Commonwealth avoidance of responsibility for the serious and worsening traffic congestion problems lowering the quality of life and inhibiting economic activity in major urban areas. RACQ believes that these problems have assumed national economic significance and warrant federal action in two forms:

- funding of major orbital and by-pass roads to take traffic around major activity centres and fill gaps in the National Network; and
- reductions in fuel taxation to make-room for state and local government congestion charges to induce changes in travel behaviour and more efficient use of road and public transport infrastructure.

RACQ is disappointed that a proposed more rigorous assessment process for land transport programs and projects was not applied to inclusions in the initial five-year *AusLink* expenditure program. RACQ believes that rigorous assessment procedures should be used not only to allocate funds between land transport projects and programs, but also to allocate funds between land transport and other government programs.

RACQ is disturbed that funding of vital road projects is being delayed by an ideologically-based dispute between governments regarding industrial relations policy. RACQ believes that state and federal governments should expose the bases for their positions to public scrutiny by releasing policy discussion papers detailing the underlying analysis.

For more information, contact:

Ken Willett
Executive Manager
Economic and Public Policy
kwillett@racq.com.au
07 38728650

Last revision:
14 February 2005