



Australian Government
Infrastructure Australia

Roads Australia AGM

Is Australia's road system broken?

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3 November 2011



Themes today

- **Australia's road system is broken.**
- **The current problems.**
- **Achievable reforms.**





Before we start...

- A Roads Australia *Road Pricing Committee*: thank you for the invitation to be represented.
- Roads Australia and freight customers – direct engagement in holistic approach. National land freight strategy, COAG Road Reform Programme.



Roads **administration**: broken?

- **Our roads:** controlled on behalf of 23 million people by:



- 1 Federal road agency;
- 6 State road agencies;
- 2 Territory road agencies;
- 560+ local government roads departments;
- Many 'national transport agencies' (NHVR, NTC, PBS, AUSTRROADS, BITRE, TCA, etc, etc)



Road **funding**: broken?

Funding is almost 100% by the public purse: Road work goes only as fast as limited taxpayer funds allow.

No private sector interest? Why are roads so different to rail, power, water, telco? All have more private investment

Road planning, access almost 100% gov't controlled: Little space for 'market' intent to be heard.

Public road funding will get tighter Road build costs outstrip GDP; ageing population, shrinking tax base, more people, more roads - public funds under more pressure....



Road **pricing and charging**: broken?

- Productivity Commission **Road/Rail Pricing Inquiry**:
‘(current road charging system) covers the financial and economic costs of providing road services’ (2006)

BUT...

There is no transparent national road asset reporting

Nothing to test pricing assumptions against = what confidence in pricing?



Road **pricing and charging**: broken?



- **DEGRADED:** There is a multi-billion dollar annual life-cycle funding gap across the road network.
- **LOGIC FAILS:** How can road pricing 'cover costs of road provision through road user charges' when multi-billion dollar annual funding gaps exist?



Road **asset management**



**Our Federal transport agency:
road assets are worth over
\$100 billion but do we have.....**

- mandatory national reporting of road asset data,
- road condition analysis,
- depreciation cost tracking,
- uniform asset valuations,
- safe asset life estimates,
- prioritised preventative maintenance targets?



Road grant funding: sensible?

- Reference to road asset conditions or needs?
- Guarantee of efficiency?
- True picture of the problem?
- Is it enough?
- Is it targeted to best effect?





Road **reform efforts**: misguided?

COAG Road Reform Program - acted on Productivity Commission findings, but so far...

- Fails to address transparent national road asset reporting
- Fails to acknowledge a road asset funding gap
- Only deals with heavy vehicles, not light vehicles and cars
- **Does not address 'root and branch' reform**



Transport reform future

- Not just roads or freight, or IT
- Any ‘road reform’ should **avoid averaging** and
 - involve industry and be sensitive to community
 - deal with rural/urban differences
 - ensure investment is led by private sector
 - complement and draw on reform in other modes
 - benefit customers and community
- Suggested initial focus: likely profitable locations where
 - freight is concentrated
 - operator productivity can rise
 - outcomes do not depend on new IT





Road **minimum standards**



Why not minimum safety standards for our roads – like we have for rail?

- Roundabouts on rural intersections reduce casualty crash risks by 75% (*Monash*)
- Tree/pole treatments reduce fatal accidents by around 68% (*Monash*)

Vision Zero road safety built into our road infrastructure? It's possible.

Road death and injury = \$22 billion loss

Can't do it without asset reporting!



Roads **fail** remote and indigenous life

Lack of road funding priorities hurt remote and indigenous Australia...



True story: in 2008 this truck took four days to be dug out – it was delivering food supplies to a remote community on QLD/SA border.

No asset condition reports
= little idea of real problems



Road **productivity**



The B-triple

- Carries 100% more freight than a semi
- More productive, less carbon emitted, safer
- A safety-approved design for 15 years



Road **productivity**



Why no B triple access?

- Access is a competitive function currently run by public sector
- Government controls productive vehicle access - but public servants aren't entrepreneurs – is Australia losing out on vehicle innovation dividends?
- No funds for targeted road upgrades to allow access



Roads are a **natural monopoly**

- Energy, water, telecommunications and rail
- All natural monopolies, all subject to competition reforms in the 1990s:
 - **Structural reforms:** separation of competitive and regulatory functions
 - **Adopt new structures** to encourage private investment and market innovation – suitably regulated in the public interest
- **Roads – last piece of economic infrastructure untouched by competition reforms**



Roads: unreformed and broken





Road **reform**

- **Competition reform:** seek networks that are '*investment-grade*' infrastructure and encourage private investment
- **Road freight will pay for efficient tolls if** they are allowed to make more money with better vehicle access on upgraded freight networks
- **Private capital:** is out there if the risk/return equation is right
- **It won't happen without structural reform** – global capital investors will look elsewhere.



Road **reform** that needs to happen

- **Mandatory road cost and condition reporting.**
- **A national road portfolio manager** –to identify ‘investment grade’ road assets and help to identify true network funding shortfalls – allows democratic, transparent debate about roads
- **Competition bodies** – to provide legal investment rights to interested private players and regulate their behaviour
- **Learn from rail reforms** – rail has been here before! Access pricing, network plans, independent regulation, etc.



Road **reform**: what can Roads Australia do?

- **Call for landmark economic infrastructure reform:** productive private road investment, more efficient public investment – *‘grow the road funding pie’*
- **Champion a national road portfolio manager** – to receive mandatory road asset reports and get to grips with the problem, identify investment priorities for safety and productivity (public and private money)
- **Build alliances with freight users** and identify **‘investment-grade road freight projects’**



It doesn't have to be like this

The system: If you want a road system that structurally looks like pre-reform state rail organisations, set up another road pricing committee...





It doesn't have to be like this

Poor spending: Governments will continue to avoid confronting the true road funding shortfall without mandatory and transparent road asset condition and cost reporting





It doesn't have to be like this

No freight/productivity focus: Relying on the taxpayer to fund all future road needs means drip-fed budget funding with little freight focus = no productivity dividends in freight.

Imagine where Australia's manufacturing sector might be with a 5% nationwide road freight productivity dividend...





It doesn't have to be like this

'Unavoidable' road deaths will continue to be tolerated without minimum road safety standards that come through road asset reporting.

