



MOREE RURAL ROAD FUNDING REPORT

**Prepared by the Steering Committee
established following the Moree Rural Roads Congress (March 2000)**

February 2001

FOREWARD

This report has been prepared by the Steering Committee established following a Rural Road Congress, sponsored by the Mayor of Moree Plains Shire Council, held in Moree in March 2000. The committee included representatives from local government and other major transport stakeholders. The purpose of the report is to recommend to the Commonwealth, State and local governments how they might work together to address the inadequate and deteriorating road infrastructure in rural and remote areas.

Rural economies rightly consider that rural production makes a significant contribution to the national economy and that the Commonwealth should have regard to their concerns for adequate road infrastructure.

The report not only indicates the funding required to address the issues but also suggests a number of practical ways by which local government can lead the process for improvement. This process would be based on a close working relationship between regional groupings of Councils, State Governments and the Commonwealth.

While the main focus is on encouraging the Commonwealth to play a role, there are messages for State and local governments as well. By and large, individual Councils are too parochial to address regional issues. They need to take a regional perspective with their State Government on infrastructure and reduce the costs of delivery of road projects. The Steering Committee believes that local government will accept this challenge if the Commonwealth increases its level of funding.

As a result of our terms of reference, the focus has been on rural communities and understandably some urban Councils are concerned that they may not receive similar consideration by the Commonwealth. We have addressed this to some extent by recommending an increase in the roads component of the Financial Assistance Grants to all Councils. Though the reasons will be different, the case for increased Commonwealth funding for urban Councils may be compelling but it will focus not so much on upgrading levels of service but on managing traffic, implementing more accessible transport and developing inter-modal facilities.

On behalf of the Committee, I wish to thank all those who have assisted in various ways in the preparation of this report.

E W BUTCHER
CHAIRMAN OF THE STEERING COMMITTEE

EXECUTIVE SUMMARY

PURPOSE:

The purpose of this report is to encourage the Commonwealth, State and local governments, and regional industries to (1) establish a national framework for investment in 'local roads of regional significance' and (2) commit to \$1.9 billion of new funding over five years for a regional infrastructure program.

KEY ISSUES:

The three levels of government share responsibility for the funding and management of the 810,000 km of public road in Australia. Essentially the Commonwealth funds the national highways and roads of national importance (2.5%) while the States fund the major arterial road system (13.5%). The balance of the road system (84%) is funded primarily by local government from property rates with some financial assistance from the Commonwealth.

There is little capacity for local government to meet the demand for infrastructure arising from trends in agricultural production and the emergence of new industries in regional areas (such as viticulture, blue gum forests, tourism, etc). These changes are driven by a number of factors including the need for Australian companies to be internationally competitive in a global market.

In most cases, these issues impact on groups of Councils within a region but there is no national framework for Councils and regional industries to address the impact on their roads from a regional perspective. As a result the assessment of their submissions for funding assistance is ad hoc and fails to reflect the importance that these roads have to regional industries and communities.

The increased demand by regional industries is made in a climate of a local road system that is aging and showing signs of serious deterioration. Insufficient funding for maintenance over the last ten years has created a backlog of needs that is beyond the resources of local communities to fund.

The Commonwealth and the States have a role to ensure that these issues are addressed and needs to identify and fund projects that advance the national interest.

CONSULTATION:

Consultations have been held with major stakeholders in the local government and transport sectors, including State and Territory Local Government Associations, selected State Road and Transport Authorities, the National Transport Secretariat, the National Road Transport Commission, the Australian Trucking Association, the National Farmers Federation, the Australian Automobile Association and the Country Womens Association.

PROPOSED PACKAGE:

The following seven point package is presented for consideration by the Commonwealth, the States and local government.

1. The Commonwealth, State and local governments and the private sector contribute to a \$1.9 billion local road program over 5 years. The Commonwealth share would be \$1.3 billion and be provided through two funding streams. One component would address the backlog of local road maintenance needs across all local governments by increasing the roads component of the Commonwealth Financial Assistance Grants (FAGs). The other would contribute with the State and local governments to the funding of specific projects that support regional industry development.
2. The proposal is for the roads component of the FAGs to be increased by \$140 million per annum for five years. The minimum annual grant to Community Councils would be increased from \$20,000 to \$50,000. The additional funding would be conditional on Councils spending the Commonwealth funding (existing and proposed) solely on road works. Councils would provide audited statements of expenditure.
3. The specific project program would provide \$1.2 billion over five years and fund projects on 'local roads of regional significance' that support regional economic activity. Submissions for project funding would be prepared by regional groups of Councils and stakeholders. The Commonwealth would fund half the program while the other half would be funded on a dollar for dollar basis by State and local governments and the private sector in accordance with the benefits identified.
4. The case for project funding would be supported by a regional asset management plan (RAMP) prepared for the 'local roads of regional significance' in the region and in accordance with a national template. The national template would be prepared by Austroads and the Institute of Public Works Engineering Australia (IPWEA). The submission for Commonwealth funding would identify all other sources including Councils, the State Government and any private sector contribution.
5. The Commonwealth recognise the private sector contribution as an expense for taxation purposes.
6. Local government would reduce the cost of delivery of its road program to benchmark targets by introducing resource sharing arrangements with other Councils in their region, where this is not already the case.
7. The Australian Automobile Association (AAA) to provide an independent audit role in monitoring a sample of local roads in each State each year.

RECOMMENDATIONS

1. The Commonwealth increase its Financial Assistance Grants (FAGs) to local government by \$700 million per year over five years (ie \$140 million per year), for the maintenance of local roads. This additional expenditure to be allocated to Councils according to the existing FAGs distribution formula but with a added requirement that Councils certify each year that the their grant (existing and additional) is spent on roads.
2. The Commonwealth establish a regional transport infrastructure fund to provide local government with the capacity to respond to regional economic activity and allocate \$600 million of new funding over the five years to the fund. In addition, the Commonwealth provide 100% taxation concessions to funding provided by the private sector.
3. The State and local governments and the private sector, match the Commonwealth's contribution to the fund, increasing the program to \$1.2 billion over five years. The States' share is to be new funding as well.
4. The Commonwealth establish a framework for investment based on:
 - (a) Road and transport priorities identified by Regional Infrastructure Groups (RIGs) comprising elected (local, state and federal) representatives, industry and officers.
 - (b) Submissions for the Commonwealth and State contribution prepared by the RIGs and a Regional Asset Management Plan (RAMP). The RAMPs will ensure that adequate provision had been taken for future maintenance.
 - (c) The RIGs facilitate resource sharing between Councils to reduce cost of delivery.
 - (d) Each State and Territory receive a share of the fund on a per capita basis but with an equity adjustment for remote community councils.

BACKGROUND

1.1 A Rural Roads Congress was held at Moree (NSW) between 5-8th March 2000 to address the funding of roads for rural economic and community development. The Congress concluded that Councils were experiencing difficulty in funding those local roads performing a regional function. All other roads in the road hierarchy had a clearly identified road funding source while these 'local roads of regional significance' were required by exception to be funded from property rates.

1.2 A Steering Committee (shown in Attachment A) was subsequently established to pursue the agenda defined at the Congress. The Committee prepared a discussion paper and engaged in a national consultation process with State Local Government Associations and key stakeholders between September and October 2000. A summary of comments made during the consultation process is attached (Attachment B).

1.3 The Committee also undertook a number of case studies and research papers to identify the nature of the benefits from additional funding and explore opportunities for a national infrastructure program. These reports are referenced in the report.

1.4 This report presents the case for a comprehensive Commonwealth commitment both in terms of both funding and process, to infrastructure needed to support regional industries and community life.

THE BENEFITS FOR INCREASED RURAL ROAD INVESTMENT

2.1 Adequate and efficient rural roads are vital for:

- (a) competitiveness of Australian regions, in particular agricultural production, by enhancing timeliness and reliability of supply and reducing cost
- (b) integrated transport systems serving markets and ports
- (c) community life in rural and remote areas

2.2 Local roads have an increasing transport task due to more intensive land use and increased agricultural output. There has been a ten fold increase in the transport task over the last 30 years and a further 5 fold increase is expected in the 20 years to 2020. This trend will not only continue but will become more widespread.

2.3 Rural roads support the social fabric of rural communities and regions. This has been emphasised by rural women who rate an adequate rural road system as a high priority. Failure to provide adequate rural roads:

- (a) restricts the educational opportunities of country children
- (b) limits the ability to provide emergency medical services

- (c) reduces safety for rural travellers
- (d) reduces regional employment opportunities
- (e) reduces social and cultural opportunities

2.4 Local government is responsible for 84% of the nation's roads. It makes a major contribution to rural road investment by spending one dollar out of every three it raises from rate revenue sources. Nevertheless, this funding effort is not enough to maintain rural roads. This has resulted in a failure to achieve the maximum economic life of the road asset and a consequent major backlog in construction and maintenance. Local government has now reached a crisis point that if not addressed will have major adverse social and economic consequences for regional Australia and the nation as a whole.

2.5 A recent survey of Councils was undertaken to ascertain the benefits from upgrading rural roads and the priorities for Councils (see Attachment C). The clear message was that (i) the level of maintenance expenditure was a major issue for all Councils and (ii) they could all identify industry development, road safety and social equity outcomes from increased road infrastructure investment.

2.6 An astonishing 62% of Councils indicated that their community would regard their roads as unsafe in some way. Road safety continues to be a concern and rural communities believe that road condition is a contributing factor.

2.7 Councils were asked whether there was a significant loss of schooling due to poor access in wet weather. Responses suggest that there was a problem for a 43% of rural Councils and that between 40 and 140 children are affected in each Council area. This equates to an average of 400 child-days being lost each year in each Council area through poor access. The net result is that poor rural roads contribute to a reduction in educational opportunities for rural children.

2.8 For a fifth of Councils, school buses still operated on roads that were closed to heavy vehicles during and following wet weather. For these Councils, buses operated on average for 1,000 km-days each year on roads that were closed to heavy vehicles. This level of accessibility for school buses comes at a high price for Councils as they have to fund the restoration of those roads damaged as a result.

EXISTING FUNDING ARRANGEMENTS

3.1 Existing road funding revenue sources include Commonwealth Financial Assistance Grants, specific purpose grants, private sector contributions, road user charges (at the State level), property rates, developer contributions and efficiency gains. Realistic consideration of these sources has to recognise current government policies, notably:

- (a) Commonwealth withdrawal from specific purpose grants
- (b) attempts to rectify Commonwealth/State fiscal imbalance
- (c) greater independence of State expenditure
- (d) the GST
- (e) government response to health and education needs including regional Australia

3.2 The Commonwealth is unlikely to reinstate Arterial and Local Road Programs nor is it proposed. Rather, it is time to implement new arrangements which place local roads in the context of broader regional transport outcomes.

3.3 There are three main road classes in Australia, each by and large funded by the relevant sphere of government in accordance with 1991 Premier's Protocol. A summary is given below and shows that while funding arrangements with the States have changed to reflect the protocol, both the Commonwealth and the States continue to assist local government with road funding.

<i>Road Classification (% of total length)</i>	<i>Sphere of Government (funding source)</i>	<i>Comment</i>
National highway system (2.5%)	Commonwealth (general revenue, fuel excise etc)	The Commonwealth also funds Roads of National Importance (RONIs).
State arterial network (13.5%)	State/Territories (general revenue, vehicle registration and driver license fees)	Up until several years ago, the State Governments received an identified financial assistance grant from the Commonwealth for arterial roads. These grants were incorporated into general purpose payments to the States and have now been replaced by revenue from the GST.
Local roads (84%)	Local (property rates, developer contributions)	All local governments throughout Australia receive an identified road component of their Commonwealth Financial Assistance Grants. States also provide assistance to Councils but generally for regional roads.

3.4 The Bureau of Transport Economics has reviewed the funding of local roads and a national overview of expenditure is attached (Attachment D).

3.5 As custodians of the nation's local roads (representing 84% of all roads), local government has maintained vital access for communities across Australia. These needs are second only to telecommunications in importance as regional infrastructure.

However, a significant proportion of the local road network was constructed during the 1950s and '60s (ie 40-50 years ago). These roads have reached the end of their economic life and are not offering the level of service required by rural communities and modern vehicle configurations. Worse still, the poor performance of local roads is adversely affecting the competitive position of Australian export commodities.

3.6 The total average expenditure on rural local roads is 3.5 to 6.0 times the Commonwealth contribution, depending on the type of Council. Council expenditure on local roads not only matches Commonwealth funding but exceeds it by at least 150%. But funding resources available to Councils for local roads are limited. Yet of the \$6 billion local government raises in rate revenue, \$2 billion is spent on local roads. While this represents an average of 35% across all Councils, the percentage of rate revenue allocated to roads in some rural areas, is closer to 50%.

3.7 Notwithstanding the funding effort by local government, it is not possible to raise the level of funding from rate revenue required to meet the maintenance needs of 800,000 km of local roads let alone the infrastructure needed to support current and future economic activity in their regions.

THE CASE FOR INCREASED MAINTENANCE OF LOCAL ROADS

4.1 Work in several States (Victoria and South Australia in particular) has attempted to identify the level of funding needed to maintain the existing rural road asset. Data is also available though a recent Local Government Development Program (LGDP) project on asset management and an Austroads study on heavy loading of low trafficked roads. The principles attached to these studies has been extended across the country to quantify the level of funding needed over the next five years to arrest the declining level of service provided by rural local roads.

4.2 The results of the analysis is attached (Attachment E) but it shows that an additional \$700 million is needed over a five year period to bring the maintenance of local roads under control. There is a case for the Commonwealth to fund this program through the roads component of their Financial Assistance Grants to local government as a shortfall in road maintenance funding is evident in all Council classes.

THE CASE FOR A NEW LOCAL ROAD CATEGORY

5.1 The Commonwealth draws on consolidated revenue to fund the national highway system, while the States and Territories collect vehicle registration and driver licensing fees to fund the state arterial road system. The balance of the road system is funded primarily from property rates (\$2,000 million) with assistance from the Commonwealth in the form of the roads component of the FAGs (\$400 million) and the States for some regional roads.

5.2 While it is reasonable for property rates to fund property access roads, there is a significant length of local road that serves a regional function. They could be called 'local roads of regional significance'. By and large, it is these roads that are deteriorating most from lack of funding but they are the roads that are vital to regional development and social cohesion in rural areas.

5.3 The Moree Rural Roads Congress identified strong local government support for such a new class of local road that would attract Commonwealth, State and local government and private sector funding on a shared funding arrangement.

THE CASE FOR INCREASING THE CAPACITY OF LOCAL GOVERNMENT TO RESPOND TO ECONOMIC ACTIVITY

6.1 There have been a number of industry studies looking at their local road infrastructure needs. The study in the south-west of Western Australia identified a case for additional \$66 million to support their emerging blue gum industry. A similar figure could be expected from a current study of roads serving the wine, forestry and fishing industries in the Mt Gambier region of south-east South Australia. Both these studies have involved State and local governments working together with the local regional industries to plan future infrastructure needs including funding. The reality is that cases could be made for additional road funding to support all growth industries across Australia, if given the opportunity to present their case.

6.2 The Mass Limits Review identified the need to spend in excess of \$500 million on local roads to implement general access for the higher mass limits throughout all Councils in Australia. While State Ministers rejected the full implementation of the higher mass without a significant Commonwealth funding, it is clear that local road bridges are an impediment to local government meeting the transport needs of their rural industries. The first priority for local government for a bridge upgrading program would be on those 'local roads of regional significance'.

6.3 However, the formation of partnerships and the pooling of funds between State and local governments are not enough to support regional industries. Nor is the identification of

strategic located bridges that are constraining the efficient movement of goods. A mechanism is needed for the Commonwealth to become a partner in these regional development initiatives and local government needs to have greater capacity for responding to economic activity in their region.

6.4 There are two dimensions to increasing local government's capacity. One is an increased commitment from Commonwealth, State and local governments and the private sector to fund the infrastructure needed by industries in their region. This commitment must translate into increased funding for a regional transport infrastructure program from all three spheres of government and the private sector. The second dimension is the process to ensure that funding is directed to infrastructure that will deliver tangible regional outcomes. This requires the implementation of asset management principles at the regional level but through a consistent national framework.

Regional Infrastructure Fund

6.5 Some State Road and Transport Authorities already have arrangements with local government already in place and would support extending the concept to include a Commonwealth contribution. An example is the Western Australia Regional Road Groups who identify appropriate infrastructure through a regional mechanism and cost sharing arrangement with Councils.

6.6 There are twelve Regional Road Groups in Western Australia, which suggests that there may be as few as 60 similar groups across Australia. There would be demands for transport infrastructure from regional industries in each of these regional groups for at least \$20 million. A Regional Infrastructure Fund of \$1.2 billion needs to be established with funding from the Commonwealth, State and local governments and the private sector to support regional economic activity across Australia.

6.7 The fund would deliver road and transport projects in all regions identified at the regional level and involving regional industries. Each State and Territory would receive a share of the fund on a per capita basis but with an equity adjustment for remote community councils.

Regional Infrastructure Groups

6.8 Attachment F is a paper outlining an approach developed from the Western Australian experience. It is recommended that the Commonwealth, States and local governments adopt a similar framework for a national program. The framework would include the following features:

- (a) Priorities identified by Regional Infrastructure Groups (RIGs) comprising elected (local, state and federal) representatives, regional industry leaders and officers.

- (b) The RIGs focus on transport outcomes and not be limited to road projects with special consideration given to inter-modal facilities.
- (c) Submissions for Commonwealth and State contribution prepared by the RIGs and supported by a Regional Asset Management Plan (RAMP). The RAMPs will ensure that adequate provision had been taken for future maintenance and that all funding sources have been explored at the local level, including the private sector.

6.9 Regional asset management plans and audited financial reports should be transparent and consistent to ensure that there is no substitution of funding between spheres of government. The web site developed by the Australian Local Government Association and the Commonwealth (with LGDP funding) would be an appropriate medium for public reporting. A good example of the use of the internet to encourage and provide guidelines for Councils is that used in the UK for their Local Transport Plans (see <http://www.local-transport.detr.gov.uk/lpt99/index.htm>).

6.10 A national asset management template would be prepared by Austroads and the Institute of Public Works Engineering Australia (IPWEA) and disseminated to Councils through a series of regional seminars. The regional asset management plan (RAMP) would identify the 'local roads of regional significance', future funding liabilities, appropriate road standards, project priorities and all potential funding sources. The submission for Commonwealth and State funding would identify the potential for a private sector contribution.

6.11 Recent research undertaken by SEATS (see Attachment G) and discussions with AFFA indicates that the private sector would be prepared to contribute to regional road projects, provided there are taxation concessions and provided the projects reduce the transport costs of their industry. There is currently no mechanism for allowing taxation concessions for private interests investing in public roads but it is fundamental to the private sector investing in regional road and transport projects.

6.12 Councils also have a role to play other than being the recipients of additional funding. Not only will they have to contribute their share to fund projects in their Council area but they must move towards reducing their costs. Recent research involving three Councils in central-west New South Wales (see Attachment H) indicates that Councils would benefit from resource sharing with adjoining Councils.

6.13 While the extent of the benefits would vary between Councils in different States, there is no doubt that there are opportunities for productivity gains across local government. The Regional Infrastructure Groups and the Regional Asset Management Plans would provide the vehicle for implementing appropriate resource sharing arrangements to reduce the cost of project delivery.

6.14 A further feature of a national package could be the use of the Australian Automobile Association to assume an independent audit role of a number of roads each year. This would introduce an element of objectivity to the assessment of performance of roads across Australia.

ATTACHMENT A

MEMBERS OF THE STEERING COMMITTEE

<i>Ted Butcher (Chair)</i>	<i>Former President of the Australian Road Transport Federation and Inter-state Commission</i>
<i>John Ross (SA)</i>	<i>President of ALGA</i>
<i>Ian Mickel (WA)</i>	<i>President of WA Municipal Association</i>
<i>Mike Montgomery (NSW)</i>	<i>Vice-President of NSW Shires Association</i>
<i>Colin Jordan (VIC)</i>	<i>CEO of VicRoads</i>
<i>Kevin Bickhoff (QLD)</i>	<i>President of Qld IPWEA</i>
<i>Ron Finemore</i>	<i>Past Chair of Australian Trucking Association</i>
<i>Pam Moore</i>	<i>Representing the Country Women's Association</i>
<i>Todd Ritchie</i>	<i>National Farmers Federation</i>
<i>John Metcalfe</i>	<i>Australian Automobile Association</i>
<i>Bill Ellis (Observer)</i>	<i>First Assistant Secretary, Commonwealth DoTRS</i>

ATTACHMENT B

CONSULTATION PROCESS

NATIONAL BODIES

<i>Organisation</i>	<i>Officer</i>	<i>Date</i>
National Farmers Federation	Todd Ritchie	21 st August
Australian Automobile Association	John Metcalfe	21 st August
National Transport Secretariat	Paul Blake, Robert Davenport and Hal Morris	29 th September
National Road Transport Commission	Jim Stevenson	25 th October
Institute of Public Works Engineering	Allan Clayton, Bruce Lorimer, Ian Campbell and Alex Sheridan (WA), Chris Champion (National) and Ron Ghiggino (VIC)	5 th , 12 th and 25 th October

- The NFF has four platform issues, one of which is infrastructure. However their position on infrastructure is not limited to roads but also rail, electricity, gas etc. They were campaigning for a doubling of expenditure over the next three year and were advocating the use of road user charging rather than excise. There needs to be a questioning of the user pays principle to shore up the funding for rural and remote areas.
- The AAA is considering taking on an audit role and depending on progress could form a presentation to the Mildura Congress. They considered that several key points were omitted from the discussion paper, particularly:
 - (a) BTE report to the Neville Inquiry
 - (b) Government's response to the Neville Inquiry
 - (c) Trends in spending on roads
- Research had indicated that 80% of the increased mass limits benefits would be achieved from 20% of roads. The NTS supported a regional approach to dealing with some national issues. They had three projects relevant to the Steering Committee.
 - (a) The development of a national planning template to promote consistency in transport planning across jurisdictions.
 - (b) Identification of emerging transport corridors.
 - (c) Transport contribution to regional Australia. This will include reporting on two case studies; one in Townsville/Thuringowra integrated transport plan and the other involving the timber industry in the Mt Gambier region.
- IPWEA has produced their "International Infrastructure Management Manual" which could be used to develop a national template for asset management. A professional development element was needed and would be supported by IPWEA. IPWEA would support a transport focus rather than just roads and agreed that additional funding was crucial to encouraging Councils to participate within a regional context.

STATE LOCAL GOVERNMENT ASSOCIATIONS

<i>Organisation</i>	<i>Officer</i>	<i>Date</i>
NSW Local Government an Shires Association	Roads Committee	8 th September
Local Government Association of the NT	Gerry Woods and Peter McLinden	19 th September
Local Government Association of Queensland	Noel Playford, Greg Hoffman, Sarah Buckler and Peter Cole	29 th September
Municipal Association of Victoria	John Hennessy and Rob Spence	21 st November

- Primary focus on the quantum of funds. In general terms they would support a FAG approach to funding distribution ie across all Councils. There was no support for an approach that supported one segment of local government at the expense of another. Any additional funding would have to be new money and not just reallocated from another program.
- A case had to be presented on economic grounds to compete with the health, education and other sectors. Employment was another major benefit from a large road program. Hypothecation was still an issue and there was an expectation that any new funding would be linked to the fuel excise.
- VIC felt that a more robust assessment should be used as the basis for distribution of Commonwealth funding between States.

COUNCILS

<i>Organisation</i>	<i>Date</i>
Forum of WA Councils	5 th October
Forum of SA Councils	22 nd November

- A diversity of views was expressed by Councils in a broad range discussion on the following issues:
 1. Accountability
 2. Regional Road Groups (RRGs)
 3. Funding Streams
 4. Shared Funding
 5. Asset Management Template
 6. Enticements/trade-offs

STATE ROAD AND TRANSPORT AUTHORITIES

<i>Organisation</i>	<i>Officer</i>	<i>Date</i>
NT Department of Transport and Works	Ken Grattan and John Baskerville	19 th September
QLD Departments of Main Roads and Transport	Neil Doyle, Allan Krosch and Karen Peut	29 th September
WA Department of Main Roads	Rob Giles, Bob Peter and Mike Wallwork	5 th October
WA Department of Transport	Doug Brindal and Steve Beyer	5 th October

- NT Aboriginal roads came across with self government (10-12,000 km) in poor condition and without any ongoing funding. There was a serious gap in the funding of these roads with the only definitive source was the FAGs as the Community Councils had no rate revenue. DTW would support a multi-modal approach to transport infrastructure. The IHANT model used for indigenous housing (involving a number of agencies – but excluding local government) may be appropriate but would have to be tailored to transport and include local government.
- Commonwealth project funding should be used to leverage State and local government funding (ie sharing funding between three spheres of government). Any Commonwealth local road program needs to be complementary to the State's programs and should avoid establishing a separate administrative process. Queensland is moving to regional groupings for their Transport Infrastructure Development (TIDs) program. Any Commonwealth program should include the lower order State roads as well as the higher order local roads.
- WA supported the existing funding arrangements used by their regional road groups. The regional road groups merely identified priorities; they did not have responsibility for managing a regional fund, rather this was done through Councils ledgers. WA would support the establishment of a regional group structure for any new Commonwealth program.
- The case for additional funding will be diminished if it only focuses on roads. WA Transport would support a broader focus on transport infrastructure and the chain of supply. They referred to a report prepared for the timber industry (blue gums) in the southern region. AFFA had prepared a financing options paper which included shared funding between jurisdictions, taxation relief and differential rating. However the question of funding for the industry was at an impasse at the moment due to the lack of a mechanism for funding a project that was in the national interest. The timber industry had made a clear commitment to fund ongoing maintenance of roads but were belatedly coming to the view that they will have to contribute to the capital cost as well. Partnerships were critical but not enough without a funding mechanism.

STATE/TERRITORY STAKEHOLDERS

<i>Organisation</i>	<i>Officer</i>	<i>Date</i>
NT Department of Local Government	Peter Thornton and Robert Thompson	19 th September
NT Land Councils	Lester Eldridge (NLC) and Kerry Satour, Karl Spence (CLC)	19 th September
NSW Country Womens Association	Pat Keill	12 th October
Transport Industry	Peter Mostram (NT) and Howard Croxton (WA)	19 th September and 5 th October

- There was an overall shortage of road funding for Community Councils as they had little or no capacity for raising local revenue. The shortfall in maintenance funding was \$4 million per annum. The Daly/Port Keats road was a good example of how a regional approach has brought economies of scale. While there were also some bad examples, the regional road program was generally considered to be a success. There were some duplication of resources between the Community Councils (funded by the NT) and the Resource Centres (funded by ATSIC). There was an opportunity for rationalisation. Need a tri-lateral agreement with the Commonwealth, the NT and local government to find solutions to funding access to remote communities.
- The IHANT (Indigenous Housing Authority) model recognised the need for economy of scale. They are responsible for overall housing policy and funding allocation. Although it does not include local government, it is a possible model for a roads program. The role of the Commonwealth goes beyond the National Highway system. They have a responsibility to redress inequities in the system. Community Councils provide a range of services beyond those of traditional local governments, including DSS, funeral, postal services etc. The DSS only fund 60% of the cost and the balance is quite often funded from the untied FAG road funds.
- The CWA raised the need to ensure Councils were efficient. The quality of roads was an issue for country women and they would be prepared to write to the Prime Minister in support of a case for better rural roads. She advocated special consideration should be given to those whose access is cut off by virtue of their local soils. She thought the funding should come from the fuel excise but suggested that Governments could also borrow from superannuation funds.
- Trucking Associations wanted a clearly defined road user charging system and a 10 year forward program based on income from an identified road charge. There needed to be a greater focus on regional freight routes, including a bridge upgrading program. They were supportive of the regional road group concept to provide the mechanism for targeting investment.

ATTACHMENT C

SURVEY OF LOCAL GOVERNMENTS

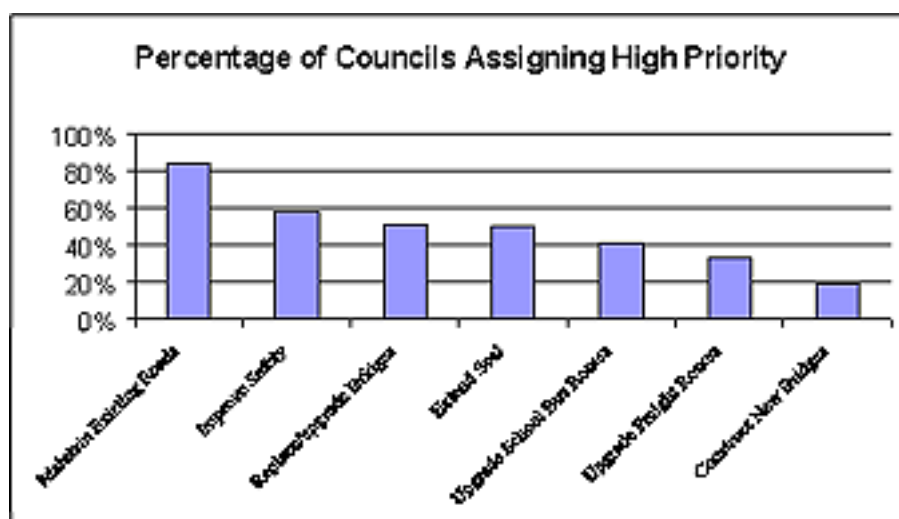
Introduction

The Steering Committee undertook a survey of Councils to seek information on two issues:

1. What are the benefits from investment in rural roads?
2. What roads need upgrading to realise these benefits?

Question 1 of the survey attempted to establish the type and extent of the work that Councils would undertake, were they to receive additional funding. This is a crucial question for ALGA, because in arguing a case for additional funding, questions will arise in the targeting of any additional investment. Not only is an understanding of the type of work important, but the type and extent of roads is equally important. These roads are important from a local perspective and need to be identified as local roads of regional significance.

Councils were asked to indicate their priority on a high (H), medium (M) to low (L) scale for a range of measures. The results are summarised as follows:

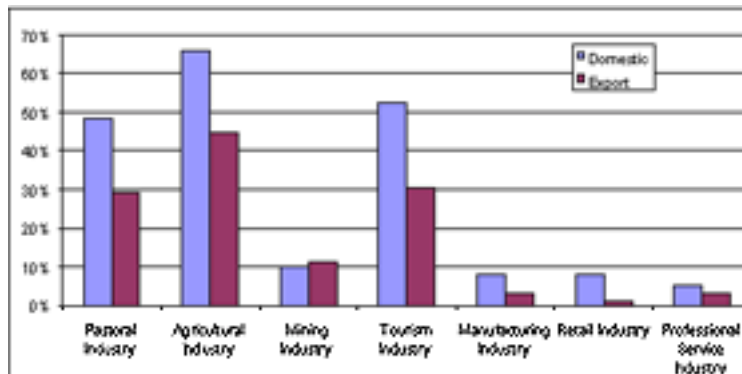


The second part of the question addressed the extent of the network that they would concentrate their efforts. The response is summarised as follows:

<i>Measure</i>	<i>Average</i>
Maintain the existing network	40%
Replace/upgrade existing bridges	16%
Upgrade school bus routes	16%
Upgrade roads for safety	15%
Provide new bridges	10%
Extend the seal	9%
Upgrade access to freight terminals	5%

Question 2 addressed the nature of the benefits that would accrue from the increased road investment. Councils were asked to identify the benefits from additional investment on rural roads in their region. They were asked to rank on a high (H), medium (M) to low (L) scale, the benefits accruing to various industries.

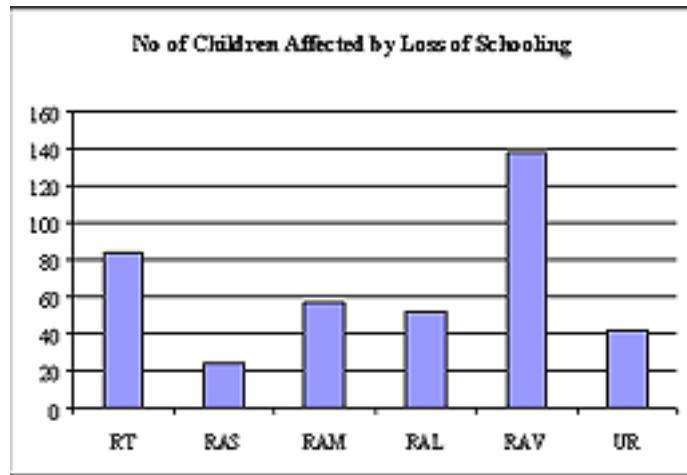
The percentages of Councils showing a high priority for each industry are shown in the following figure.



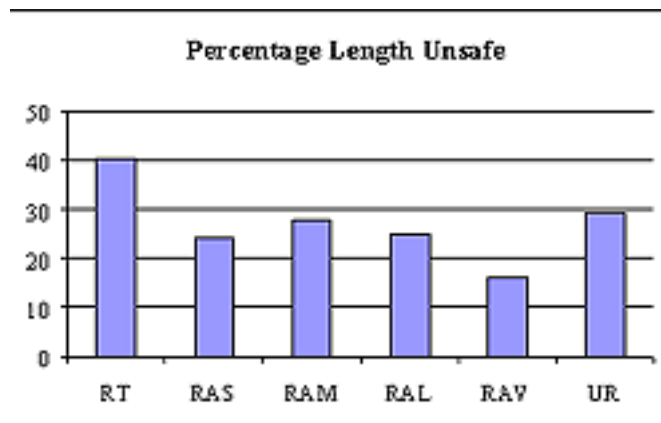
Question 2 also asked for a response to:

- The extent of loss of schooling
- The extent to which their community might regard their roads unsafe
- Instances where access to hospitals were prevented or restricted by poor access
- Instances where school buses operated whilst heavy vehicles were restricted during wet periods

Forty three percent (43%) of Councils responded that there was loss of schooling in their Shire due to poor roads and the average number of children affected per Council area are summarised in the following graph (by Council class - see Note below¹). The average number of days lost per year per child was 5 and ranged between 2 and 50 days.

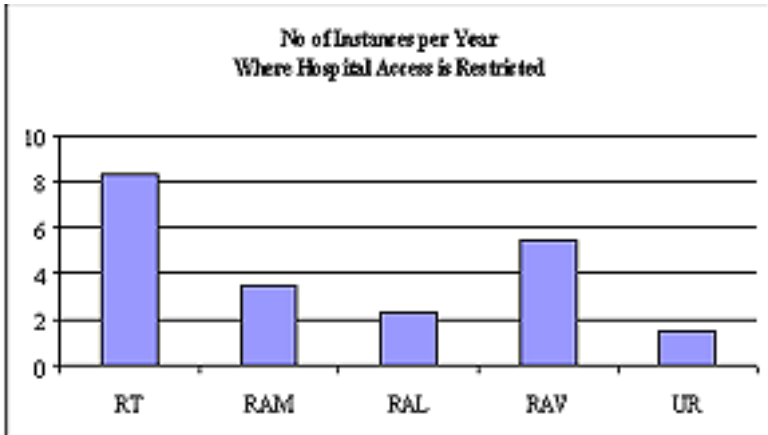


Sixty two percent (62%) of Councils indicated that their community would regard their roads as unsafe. The percentage length of roads considered unsafe is shown in the following figure.

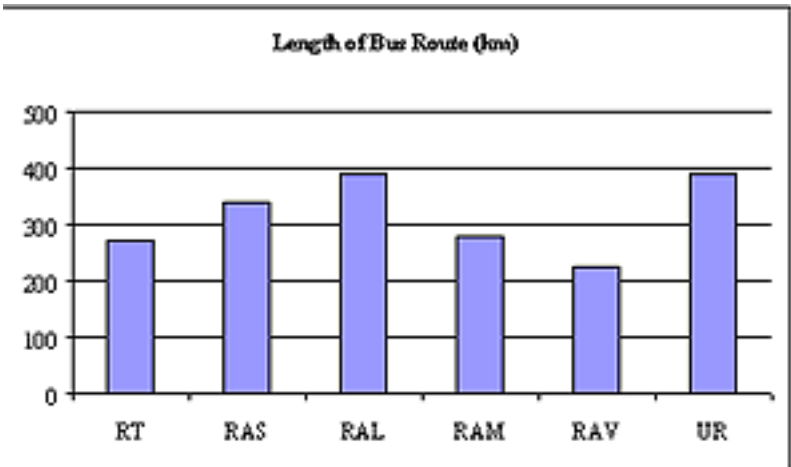


¹ Note: RT are rural remote Councils, RAS are rural agricultural small Councils, RAM are rural agricultural medium Councils, RAL are rural agricultural large Councils, RAV are rural agricultural very large Councils and UR are urban regional town/city Councils.

Eighteen percent (18%) of Councils responded that access to hospitals was also restricted or prevented in times of wet weather and those that were able to quantify the extent provided the following information.



The average length of bus route per Council was significant, even for the small Councils. The following graph shows the average length of school bus routes for each Council class.



Nearly 20% of Councils responded that school buses operated when the roads were closed to other heavy vehicles during wet weather. While not all Councils could quantify the extent of this type of use, those that could indicated that it averaged about 1,000 km days per year. Notwithstanding the significant contribution that the school bus services make to rural life, there is a cost associated with their operation during wet weather.

ATTACHMENT D
EXPENDITURE ON LOCAL ROADS

**To be prepared
from research undertaken
by the Bureau of Transport Economics**

ATTACHMENT E

ASSET MANAGEMENT ANALYSIS

Introduction

Strategic asset management is crucial to the effective allocation of funding resources to roads. This strategic analysis has been undertaken by ALGA with the assistance of Jeff Roorda to identify the shortfall in current maintenance expenditure on local roads across Australia.

The analysis was based on:

- Expenditure data collected for ALGA through the various State Grants Commissions for the 1997-98 financial year.
- Detailed asset management analyses of Councils in Victoria, South Australia and to a lesser extent New South Wales.

The approach involved the following steps:

1. Average the expenditure (for existing and new assets) for each Council class.
2. Estimate typical average economic life based on detailed assessments of individual Councils.
3. Estimate the percentage of the total expenditure on the existing asset spent on recurrent maintenance.
4. Average the current replacement value of existing assets and calculate the average expenditure needed to replace the asset over its economic life.
5. Add the average recurrent maintenance with the average annual replacement expenditure to give the theoretical expenditure needed.
6. Calculate the difference between the theoretical expenditure and current expenditure on the existing asset.
7. Scale up the results to give an estimate of the annual shortfall in expenditure across all Councils.
8. Conduct some sensitivity testing on key input variables.

The detailed analysis of Council data showed that the need for road funding was not uniform over time. Rather the need was cyclical in line with the life cycles of the of all the road elements in the network.

The task for the asset manager in each Council is to understand the likely future demand for road funding across the road network and to target available funding to minimise the expenditure needed to maintain a desired level of service.

Strategic Options

There are a number of strategies that could be pursued by local government nationally. They essentially relate to the frequency of resealing and reconstructing the road asset. A previous survey in 1997 indicated that Councils were resealing their roads on average every fifteen years. On the other hand they had a goal of reconstructing their roads every 50-80 years.

There is general agreement amongst Council engineers that a fifteen year reseal frequency is not frequent enough. A second strategy is to reduce the resealing period to ten years but increase the reconstruction period to 100 years. There was evidence that VicRoads has applied this strategy over the last five years for their rural arterial roads and has in fact measured an improvement in the level of service over that period. Whether this strategy is sustainable in the longer term is yet to be tested but clearly the same approach is worth considering by local government.

The analysis involved modeling the two strategies and determining the financial implications for the various Council classes in Australia.

The assumptions made for the two strategies are summarised in the following table.

	<i>Strategy 1</i>	<i>Strategy 2</i>
Reseal frequency, % pa	7%	11%
Pavement renewal, % pa	1.5%	1%

The number of Councils included in the analysis from which the relationships were derived are shown in the following table together with the total number of Councils across Australia.

<i>Council Category</i>	<i>No of Councils</i>	
	<i>In Analysis</i>	<i>Total</i>
Rural Agricultural	208	313
Rural Remote	29	110
Rural Significant Growth	5	23
Urban Regional	75	109
Urban Fringe	34	45
Urban Developed	64	88
Total	415	688

The Model

The model involved estimating the theoretical expenditure needed for a Council based on:

- the length of sealed, gravelled and other unsealed road.
- current annual expenditure on the existing asset.
- a maintenance strategy on resurfacing and pavement renewal frequency.
- generic unit costs for pavement renewal.
- assumptions regarding the percentage of existing expenditure allocated to routine maintenance and other fixed expenditure.
- average statistics on the extent of unformed roads.

The model was applied to expenditure and road length statistics provide by Councils for the 1997-98 financial year. It included data from Councils in all States (except Tasmania and the Northern Territory).

The results were calculated by Council and averaged by Council category.

Results

The theoretical expenditure needed for the various categories of Councils is summarised in the following table.

<i>Council Category</i>	<i>Theoretical, \$ per km per annum</i>	
	<i>Strategy 1</i>	<i>Strategy 2</i>
Rural Agricultural	\$1,372	\$1,232
Rural Remote	\$839	\$911
Rural Significant Growth	\$2,008	\$1,787
Urban Regional	\$3,745	\$3,202
Urban Fringe	\$6,147	\$5,041
Urban Developed	\$11,255	\$9,128

The shortfall is calculated as the difference between the theoretical maintenance and the total expenditure on the existing road asset. The average shortfall per Council and by Council category is shown in the following table.

<i>Council Category</i>	<i>Average Annual Shortfall \$ per Ccl</i>		<i>Total Annual Shortfall \$m</i>	
	<i>Strategy 1</i>	<i>Strategy 2</i>	<i>Strategy 1</i>	<i>Strategy 2</i>
Rural Agricultural	\$291,416	\$121,875	\$91	\$38
Rural Remote	\$392,019	\$499,193	\$43	\$55
Rural Significant Growth	-\$132,194	-\$268,986	-\$3	-\$6
Urban Regional	\$778,176	\$137,431	\$85	\$15
Urban Fringe	\$1,583,743	\$609,298	\$71	\$27
Urban Developed	\$854,989	\$118,205	\$75	\$10
Total			\$363	\$140

Conclusions

The following conclusions are made:

1. Strategy 2 requires substantially less funding than Strategy 1.
2. There is a case for increased maintenance funding for all Council classes. The exception was the Rural Significant Growth Councils which perhaps reflected the small sample size.
3. The total shortfall in rural areas (including Urban Regional Councils) is twice that in urban areas.
4. There is a case for at least an additional average \$140 million to be allocated each year to the existing local road system based on the second strategy.
5. A national effort should be made to monitor the performance of the strategy over the next five years before continuing beyond that time.
6. The actual need for an individual Council in any one year will depend on the age of its asset relative to its life cycle.
7. The analysis provides the framework for developing an asset management template for regional strategic asset management.

ATTACHMENT F

REGIONAL INFRASTRUCTURE GROUPS

Introduction

One of the keys to engaging with the Federal Government and its funding agencies is to emphasise the opportunities for better planning and coordination at a regional level. If Local Government were to embrace a role that facilitated better transport planning and coordination in the regions this could lead to greater economic benefits.

These two elements of regional development and economic performance underpin the Federal Governments major interest in roads outside of the metropolitan areas of Australia. However, encouraging Local Government to think more regionally in identifying road priorities is fundamental to obtaining a successful outcome on these issues.

This study reviewed the current Regional Road Group arrangements in Western Australia and explored the potential for expanding the framework to identify transport infrastructure that targets regional economic development. The study was undertaken by Tim Shanahan, the former CEO of the Western Australia Municipal Association and now with Sinclair Knight Merz in Perth.

This project was intended to examine whether Local Government can become more engaged with the economic and infrastructure investment decisions and planning that are so essential to the future of those communities.

WA Regional Road Groups

Western Australia has a well-established system of Regional Road Groups. These groups have as their membership all of the Local Governments in Western Australia. They have a role that has developed since the establishment of the 1995 “State Road Funds to Local Government Agreement”.

Essentially, this role is to distribute the “project” component of State Road Funds to Local Government. They do not have a statutory role nor do they administer a roads program. They merely identify through agreement the priorities of projects within the region to be funded from the regional program. Once the projects have been identified and the shared funding arrangements accepted, the State share of the project funding is allocated to the particular Council undertaking the project.

The Regional Road Groups do however have the capacity to take on other roles and have to a limited extent. For example the Regional Road Groups will be involved with the new State funded “blackspot” program.

The Regional Road Groups are essentially owned by the Local Governments in the region and supported through the resources of the member Councils. The MRWA and WAMA provide joint oversight of their operation.

Issues

The proposal is that the Regional Road Group structure be used as a mechanism for increasing coordination of all transport planning in the regions and not just roads.

The following issues emerged from discussions with a number of key stakeholders, namely the Main Roads Western Australia, Department of Transport Western Australia, and the Regional Development Commissions of Western Australia:

1. The Regional Road Groups administered through Main Roads and the Transport Advisory Group supported by the Department of Transport seem to operate in isolation.
2. Any expanded role of the groups would need to include input from State Government agencies including the Ministry for Planning, the Department of Resource Development, the Port Authorities and the airport owners.
3. Each of the agencies consulted saw potential in a more coordinated approach (and involving local government) particularly if it produced strategies consistent with those of the Commonwealth's Regional Taskforce.
4. The concept of a Memorandum of Understanding that provided a framework for the development of a long term plan with commitment from all spheres of government and the community was advanced and supported in the consultation phase..
5. The willingness and capacity of Local Government to effectively participate in the process was identified as an issue to be addressed.

Findings

Commitment by Local Government

The consultation process acknowledged that regional coordination of the provision of transport infrastructure could be improved.

In Western Australia there is a significant level of activity being promoted by various State Agencies some which include a formal role for Local Government and some that do not.

By and large the Western Australian Regional Road Group system was seen as stable and well supported. However, there is a view amongst stakeholders that the current role of Regional Road Groups is narrowly focused on road funding distribution.

Before the role of the Regional Road Groups could be broadened, however Local Governments themselves would have to embrace that wider task, both directly and through the active support of the Western Australian Municipal Association.

Application Nationally

It would appear that the Western Australian system of Regional Road Groups is one of the most mature throughout Australia. It provides a framework for the State Government to invest in the local and regional road network with confidence. It provides an objective and accountable system for planning and the delivery of road projects. There is room for further expansion of this role and for the facilitation of better coordination.

The introduction of similar structures for planning investments in regional transport infrastructure could be undertaken on an Australia wide basis and provide the basis for an enhanced national investment in regional transport infrastructure.

Such groups could be formed between the State and Local Government spheres in each State and provided with the task of planning and/or coordinating the planning of regional transport infrastructure.

Role of State/Territory Local Government Associations

WAMA representatives indicated their commitment and enthusiasm for this concept however it was acknowledged that the issue would need to be formally raised and progressed through the WAMA committee system. This would also be true of any of the other State and Territory Associations.

If the State and Territory Associations do not champion the initiative then it is quite possible that the role of coordinating regional transport infrastructure will be undertaken by state agencies.

It is evident in Western Australia that there are a significant number of agencies active in transport related projects studies and initiatives. This would reflect a level of activity that is comparable in other jurisdictions.

Promoting a more prominent role for Local Government amongst those sometimes competing forces will require a solid commitment to the process from Local Governments as well as their State and Territory Associations.

The main thrust of the model was the need for acceptance by all of the stakeholders, ie the need for greater coordination and an acknowledgment that Local Government could play a more central role.

Formal Agreements

Some very useful suggestions regarding the development of an understanding between the three spheres of Government in Australia in relation to the coordination planning and importantly funding of regional transport infrastructure were made during this project.

Given the precedent for Intergovernmental cooperation in Western Australia on Regional Development issues it is possible that the suggestions can be advanced as part of the next renegotiation of the State – Local Road Funding Agreement.

In other jurisdictions the creation of the creation of these groups would provide the initial opportunity for the negotiation of such an Agreement. This would be seen as a positive development by most of the State and Territory Local Government Associations.

Risk of Duplication

There are a significant number of agencies and initiatives in Western Australia examining transport related issues. It was clear that virtually all of the stakeholders consulted felt that there was no need for “yet another” group to be formed. The various groups and initiatives formed to date were undertaking worthwhile work, and that there was not any wide spread comment that any of them should be disbanded.

Given the broad sweep of activity however there was a general feeling that coordination of effort and communication was not as good as it could be.

Conclusions

The notion of expanding the role for the Regional Road Groups and applied it nationally as part of a national infrastructure program has promise but would need the support of both State and Local Governments in each State and Territory. The support of the State Governments might be conditional on the new groups focusing on transport infrastructure and not just local roads.

The Federal Government could play a pivotal role in encouraging the development of these kinds of arrangements.

The Groups would require some assistance to undertake the enhanced planning and coordination role. Mechanisms already exist (other than Regional Road Groups) in different forms across the country for regional co-operation, which should be used as much as possible. .

ATTACHMENT G

PRIVATE SECTOR CONTRIBUTION

Introduction

This study reports on the willingness of the private sector in rural and regional Australia to contribute financially to transport infrastructure. It was undertaken by the Geoff Robin the CEO of SEATS (South East Australia Transport Strategy) and the Australian Local Government Association.

The study was based on interviews with the following three companies in the SEATS region:

- Murray Goulburn Co-operative, a large dairy products company based at Leongatha in Victoria
- the Cocks Group, a logging and transport company based in Eden, NSW. It has interests in transport aspects of both the petroleum and timber industries.
- Dyer Transport, a transport company based at Sale in Victoria.

In the past eight months, SEATS has been discussing transport issues with a number of companies and the findings reflect the issues and their concerns.

It is hard to exaggerate the importance of transport infrastructure to the livelihood of those living outside major cities. Transport is a major determinant of the survival of business in rural and regional Australia.

Companies operating in rural areas are not immune to increasing pressure on enterprises to be competitive in a globalised economy and many are more vulnerable than their city competitors when confronting unanticipated change such as rapidly increasing fuel prices. The cost and efficiency of transport systems directly impacts on whether a company is able to remain competitive and reliable.

Companies located in rural and regional Australia tend to fall in the small to medium small range, and their earning capacity is obviously of a different scale than large national and multi-national corporations.

Findings

Companies in regional Australia are disinterested in which sphere of government is responsible for which part of the system, but they see the development of coordinated regional transport networks as important.

Regional companies are not opposed to contributing to infrastructure in specific circumstances. Such contributions would be for tangible local projects that contribute to the ability of companies to compete in their particular markets or protect their investment by reducing risk of accident etc.

Companies were quickly able to identify specific local transport issues and trouble spots where investment was needed. Examples range from farm gate black-spots, the need for passing lane opportunities and driver rest areas to specific bridge or road reinforcements to reduce the length of journeys and road damage.

Local companies had a close and genuine relationship with their communities, and participated in practical ways in road safety programs, driver safety and similar activities. In this respect, they accept a kind of responsibility to their own communities which is unlikely to be found in large, city based national and international companies.

Equity was an issue. Local companies did not want to have to pay for infrastructure which their competitors and/or others used without paying.

Funding issues can be looked at three distinct levels. At the small end of the scale are local issues that would not cost much to fix and which are important locally.

At the next level there is scope for investment in district works, which may involve contributions from local industry, local Councils with some State or Federal assistance.

The third level is industry wide funding. This raises issues, which are, to a large extent, outside our terms of reference but they are relevant for several reasons. An example is the NSW Government initiative for collecting funds from industry (in this case, plantation timber companies) for use in regional road projects. This provides an interesting example of raising funds for regional distribution and we draw attention to the mechanism for distributing those funds. The possibility of voluntary contributions to those regionally administered funds and the distribution mechanism inherent in the new system needs to be explored in the context of the current consultation processes now being set in place.

It is worth commenting too on the inequities imposed on transport and primary production companies when they have to compete across state borders where different rules, regulations and charging regimes apply. A final point is that the capacity of rural and regional companies to contribute to project funding obviously will be limited where they are also contributing to compulsory industry funds.

There is a need to distinguish between transport companies which can pass on any additional costs, provided this does not undermine their competitive position, and production companies where transport is just one of the costs, albeit a vital one, and where passing on additional costs may be more complex.

There appeared to be little interest in devices such as infrastructure bonds as they were seen as remote and not necessarily delivering locally. People and companies with money to invest tended to be looking for a return on their investment as the primary concern.

Build now / pay later schemes were seen as too complicated at first glance. However such approaches need not necessarily be ruled out.

Two propositions attracted interest. These were:

- the creation taxation incentives / write offs to encourage local infrastructure investment
- contribution to a local infrastructure fund through which Local Government and local industry could finance some joint initiative. Such funds would probably need a \$ for \$ or similar subsidy from Federal or State governments.

Attention was drawn to Division 30, section 30-90 of the Income Tax Assessment Act 1997. This provision is used to fund sporting infrastructure in joint projects often involving Councils, citizens and local companies through the Australian Sports Foundation. Under this program, the donor must not receive any material advantage in return for making a contribution. This makes it different the circumstances of this study in that in the case of transport infrastructure, contributions would be made so that the donor, as well as the broader community, would anticipate a material advantage.

However the possibility of instituting a scheme similar to that for sporting infrastructure but applicable to transport infrastructure could be explored with the Federal Government and the Australian Taxation Office.

In summary, it is considered possible that a considerable amount of new money could be raised in rural and regional Australia for local infrastructure projects given appropriate taxation incentives or other financial incentives.

Finance Mechanisms

Two circumstances are considered. The first is where relatively small amounts of money are available for minor works on public roads. A typical example would be on an intersection between a public road and a farm gate.

If no other external finance is needed, the most efficient arrangement may be for a business to make a direct arrangement the local council. The extent to which such arrangements can be made may well depend on taxation treatment of such private funding for public sector assets. If taxation write-off or concessions are achieved, the question will then become whether there are any impediments to this kind of arrangement.

The second circumstance is where a project may require external finance and to be managed outside the normal Council works program. It was in this latter context that advice from the Bendigo Bank was sought, as this Bank is currently showing interest in innovative regional financing.

It was explained to the Bank that it seemed likely that there is some willingness in rural companies/industries to contribute to infrastructure costs where:

- the project would redress some local trouble-spot or meet a specific local transport need;
- money contributed could be seen to address the local issue ;
- the contribution improved the company's financial position or competitiveness or removed a potential threat to the company's operations; and
- the contribution was equitable, in that all sectors benefiting from the infrastructure improvement made a contribution.

While it is fair to say that Bendigo Bank was not able to offer any startling new mechanisms for infrastructure financing, its officers were prepared to explore options for a rural infrastructure financing package. It was noted that this would be dependent upon outcomes of discussions with the key participants, the level of support provided and the availability of resources within the Bendigo Group.

The critical factors would include:

- basing the scheme on commercial reality;
- ensuring a return for investors;
- allowing for a return for managers. The possibility of joint project management arrangements with Council engineering/ professional staff was not ruled out and the feasibility of varying management arrangements to suit specific projects could be negotiated on a case by case basis; and
- the kind of support government would give to such a scheme. Options to be explored included taxation write off, concessional taxation treatment (such as with superannuation) or government providing a level of guarantee to give investors security.

While not making a firm commitment, the Bank thought there was sufficient substance and potential for a scheme based on a modified version of the Bendigo Bank Regional Development Fund to be explored in more detail.

ATTACHMENT H

PRODUCTIVITY SAVINGS

Introduction

This study was undertaken by Bruce Dockrill (Bruce Dockrill and Associates) to (1) examine the feasibility of resource sharing of engineering resources between three Councils in Central West New South Wales and (2) identify potential productivity savings. The three Councils were Parkes, Forbes and Lachlan Shire Councils.

The study concentrated on the opportunities for resource sharing for road construction and maintenance works and related support activities. All of the Engineering directorates have other responsibilities and it is recognised that in any resource sharing arrangement it would not be realistic or desirable to confine such arrangements to road activities.

Current Situation

The three Councils examined are adjoining and range from a geographically large and predominantly rural Council to a relatively small Council based on a dominant regional centre. The Councils already co-operate to some degree through meetings of the combined Councils, but the extent of informal resource sharing in the practical sense is insignificant. The Councils spend about \$14 million per annum on road works and are responsible for over 9000 km of roads.

It was found that the Councils:

- Are unable to develop technical specialisations because of a lack of economies of scale;
- Use different financial packages and different methods for costing of works;
- To varying extents rely on RTA work for spreading overhead costs;
- To varying extents are important employers in their area;
- Program works in an ad hoc manner or in response to community pressure and do not use asset maintenance systems to program works;
- Have work practices and conditions of employment which are broadly award based and reflect the traditional approach in local government;
- With one exception, have the traditional organisational structure and have experienced little cultural change.

Options Identified

The following resource sharing options were developed for discussion with the Councils.

1. Central procurement of high value items;
2. Specialist technical services;
 1. Centralised administrative and financial support;
 2. Central management of plant and equipment;
 3. Central management of construction and/or maintenance activities.

Central Procurement of High Value Items

The Councils currently have their own arrangements for the procurement of all items of equipment and material and do not co-ordinate their purchases.

A previous study undertaken for a group of Councils in central NSW, including the three involved in the study, examined the potential efficiencies from central procurement of a range of items and various options for procuring and sharing plant. While central procurement of smaller items appeared to offer little overall benefit for smaller items, its use for high value items, such as road materials and large items of plant, offered the potential to generate worthwhile savings.

It would appear that central procurement of high value items could achieve savings of the order of 10% and possibly more in total purchase price. Further savings may be made through an e-commerce approach.

A review of procurement activities might also examine the merits of leasing large items of plant and other vehicles, as against the direct purchase of such items. Councils may also benefit by combining their orders.

Implementation of central procurement would involve the acceptance by a Council of the coordinating role. Agreement would be needed on the items to be purchased in this way and the procurement cycles of Councils would need to be brought into line if this is not already the case. These changes may cause some inconvenience in the transition.

Specialist Technical Services

It is apparent that all Councils suffer from dis-economies of scale in relation to specialist technical services such as bridge assessments, asset management, traffic engineering and road safety and design. The consequence is that Council staff cannot develop specialist skills in any of these areas. However, on a consolidated basis, there would be a sufficient demand for staff to specialise.

A factor working against the formation of a specialist group, particularly for design, is the propensity for Councils, often at the request of elected members, to design works on an ad hoc basis and to plan or program maintenance works on the basis of community pressure or perceptions. Such practices are not in the long term interests of the infrastructure or the Council's budgetary position. Another factor against the centralising of design capability is said to be the geographic spread of the three Councils.

Nevertheless, there would be merit in examining the establishment of a central asset management cell that could collect data on at least the key roads, and the operation of an asset management system. This would at least allow an assessment of the appropriate maintenance programming even if other factors largely dictate the works programming.

In relation to design, it may be worthwhile for two Councils to examine the benefits from the establishment of a specialist design, bridge assessment, traffic engineering and road safety units. This may overcome to some extent the problems seen with the geographic spread of the three Councils.

The savings from these measures are not readily quantifiable and would be unlikely to become apparent for some years.

Administrative Support

The ratio of administrative support to the outdoor and technical and engineering staff involved with roads is currently around 18%. While comparisons with the private sector are difficult because of the varieties of scale and types of work that Councils undertake, there appears to be an opportunity to reduce significantly the level of support which is currently provided.

A centralised group providing human resource and financial support to the three Councils could be expected to lead to efficiencies for all concerned. It is anticipated that the staff currently supporting the roads activities could be reduced by half, and perhaps more, thereby releasing resources for works.

In relation to financial support, no Council has a costing system that meets the needs of engineering staff generally or the RTA. One Council is planning to introduce a new system in three years and is to commence a scoping study shortly to establish the requirements of the new system. As there would be considerable benefits if the new system served the three Councils, it would seem beneficial for the other Councils to participate in the study so that a system to serve all their needs is obtained.

Savings in costs of the order of up to 50% could be made in support costs while savings of around 10% could arise from the centralisation and coordination of HR services and financial systems.

Central Management of Plant and Equipment.

The three Councils each operate a workshop and a significant fleet of plant of various sizes. There appears to be under utilisation, at least of heavy plant, to some degree. As a benchmark, a figure of 1800 hours per annum utilisation should be sought compared with the present 1290 hours.

While the Councils have to contend with different operating environments, there may be scope for Councils to increase the utilisation of plant by equipping for a base level of work and relying on contact plant hire, with operators, to meet higher levels of demand. This approach may be more practical for the two geographically smaller Councils.

All Councils have vehicles maintained by local dealers and there seems no reason to review this approach. However, given the capacity of the private sector to support plant, and the reliability of modern machinery, consideration could be given to outsourcing the maintenance of plant. If it is felt that a Council workshop should be retained, the Councils may see benefit in sharing workshop resources.

In the longer term, there may be benefits from a single group managing the plant fleet and allocating items to works. This would reap the benefits of central procurement that could have proceeded earlier.

These measures could lead to annual savings in the cost of plant of up to 25% in a few years.

Central Management of Construction and/or Maintenance Activities.

Planning and programming of construction and maintenance works are undertaken by the Councils independently of each other. There is no attention to regional priorities, the needs of the road network as a whole or the economic, social or cultural role it should perform. From the point of view of the region's economy, a case can be made for roads and related works to be allocated priorities so that the roads support the viability of the region on economic or other grounds.

The benefits of the central management of works would take some time to become apparent. However, there is little doubt that a more carefully planned, system wide approach, and drawing on an appropriately operated asset management system, would yield significant benefits to the Councils' budgets and the economy of the region generally. Social equity considerations could also be addressed in the broader approach where access to various facilities could be addressed on a regional basis.

The centralisation of works could be taken a step further by the establishment of an organisation with the resources to undertake the construction, rehabilitation and maintenance of some or all the roads in the Councils' area. Such an organisational change, along the lines of the arrangements that have already been put in place by Parkes, can be expected to bring about the necessary culture shift and commercial approach that RTA will require in future. These productivity benefits and other savings are likely to be of value also to the Councils.

Productivity gains of from 20% to 33% could be expected from this type of major reform. A by-product of such measures is that the organisation is well placed to seek work from other bodies in both the public and private sectors. Success in this direction allows the organisation to grow and to withstand downturns in the Councils' workload.

Summary

If all the identified resource sharing and organisational measures were implemented, 20% and possibly more of the current costs of road works could be saved over time through increased productivity of the workforce, reduced costs of plant and materials, reduced support costs and improved planning of works.