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09 November 2006

Mr Gary Banks
Chairman
Productivity Commission
LB2 Collins Street East
Melbourne VIC 8003

Dear Mr Banks

**Submission to Productivity Commission inquiry –
Road and rail freight infrastructure pricing**

Thank you for the opportunity to provide further information to your inquiry into road and rail freight infrastructure pricing.

Firstly, the AusCID Transport working group welcomes your discussion paper released in September and in particular the need for:

- ‘a more commercial approach’ wherever possible across all aspects of transport infrastructure delivery
- greater transparency in all aspects of the process from policy, planning and assessment through to construction and ongoing maintenance
- consistency across jurisdictions, modes of transport and between portfolios and agencies *within* each jurisdiction.

Many of these issues are in fact views outlined in our first submission to your inquiry.

One of the areas we believe warrants further consideration is the appropriate role of the private sector in transport infrastructure.


The Australian Government has a clear policy of seeking to encourage greater private sector involvement in transport infrastructure. AusLink states:

“Private sector investment, that ensures that the public interest is protected, will be encouraged—particularly on selected urban corridors” (AusLink 2004: 94)

However, there has been very little debate about how this policy objective will be implemented at Commonwealth level. Further, neither AusLink (and related work) or the Productivity Commission’s discussion paper acknowledge the range of state-based work in this area or consider how they could be implemented within or along side the AusLink framework. If our policymakers and project managers are sincere in achieving the policy objective outlined in AusLink, the appropriate role of the private sector and relationship with traditional infrastructure delivery and funding methods both at policy and project levels need to be considered in more detail.

Further detail is provided in the following submission. I look forward to the Productivity Commission's final report into this inquiry and if you require any further information please contact Jane Reynolds on 0419 638 175 or jane.reynolds@primarysources.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "B. J. Judd". The signature is written in a cursive style with some loops and flourishes.

Bruce Judd
Chair, Transport Working Group
Australian Council for Infrastructure
Development Limited

**Submission to the Productivity
Commission's inquiry into Road and Rail
Freight Infrastructure Pricing –
*Response to discussion paper***

The Australian Council for Infrastructure Development

November 2006

Introduction – “Transparency”, “consistency” and the role of the private sector

The Australian Council for Infrastructure Development (AusCID) strongly and openly supports the call made by the Productivity Commission (the Commission) for greater transparency in all aspects of transport infrastructure delivery from policy, planning and decision-making through to construction and the whole-of-life maintenance cycle.

Contrary to some recent public discussion surrounding particular construction projects, the private sector does not benefit from a ‘closed shop’ approach to these issues. A lack of transparency only serves to generate uncertainty and unnecessary risks to infrastructure projects resulting in higher tendering and construction costs to the private sector and ultimately, the community at large.

The role of the private sector

There are a wide range of benefits that the private sector can bring to infrastructure projects. These include:

- access to broader funding sources
- benefits in the areas of risk allocation
- earlier project delivery than might otherwise be possible through traditional funding mechanisms
- enhanced efficiency
- the application of innovative solutions
- a better customer focus
- access to the latest technology
- economically sound decision making.

Nevertheless, it is important to recognise that private sector involvement may not be appropriate in every instance, and that a careful assessment needs to be undertaken in each case of what benefits the private sector can truly bring.

To be able to undertake such an assessment requires two (2) fundamental things – (1) a considered and consistent policy position and implementation guidelines regarding the role of the private sector and (2) a transparent assessment process where timelines, assessment criteria and decisions are known and made available.

Traditionally state governments have provided the majority of funding for transport infrastructure in their respective jurisdictions and each have policy frameworks/guidelines (Private sector financing guidelines) articulating their respective arrangements for private sector involvement. Neither the discussion paper nor AusLink (and related work) refer to any of these guidelines.

It should also be acknowledged that Commonwealth involvement and experience in transport infrastructure delivery, particularly in relation to project delivery, is limited. As the new ‘negotiated’ national approach develops through CoAG, the Australian

Transport Council (ATC) and related working groups, the role of the private sector also needs to be openly considered in the 'cross jurisdictional context'. Without doing so, the AusLink objective of encouraging greater private sector involvement will fall between the cracks and will not be achieved.

The Commission's draft finding 9:10 provides little contribution to the debate to date. It states:

"The private ownership and provision of roads on a network wide basis is currently neither feasible nor desirable. However, private sector involvement in providing road management and/or provision of elements of a road network can yield efficiencies" (9.40).

AusCID would like to see the Commission expand its consideration of these issues.

National Guidelines for Transport System Management in Australia (the Transport guidelines)

AusCID supports the general directions articulated in the Transport guidelines however we have some reservation about the complexities, particularly in relation to private sector involvement, that will invariably arise when they are implemented in each of the jurisdictions in Australia. Draft finding 9:5 states:

Full implementation and application of the AusLink decision-making framework across all jurisdictions would likely lead to some improvement in road investment decisions. However, it is yet to be seen how effective the AusLink processes will prove to be in practice (9.14).

Developing the Transport guidelines has been a positive step for decision making in transport infrastructure however the likely complexities that will be associated with implementing them should not be underestimated.

It is yet to be seen how the Transport guidelines will be used in a manner that is both:

1. consistent with the AusLink policy position of 'encouraging private sector investment'; and,
2. not inconsistent with or duplicating assessment processes established by the Private sector financing guidelines – *as with AusLink and the discussion paper, the Transport Guidelines make no reference to the various established Private sector financing guidelines.*

AusCID would also welcome the opportunity to comment on the Transport guidelines and their implementation with appropriate organisations. This opportunity has not been afforded to date.

Transparency

AusCID fully supports calls for greater transparency in all aspects of transport infrastructure delivery but again, further consideration is warranted as to what is intended in seeking greater transparency and once determined, those principles need to be applied to all stakeholders. A few examples follow:

- Is greater transparency needed during the process or only in relation to the ultimate decision?
- Transparency in outlining the objectives in pursuing individual projects – why is the project being undertaken?
- Transparency in identifying which projects should be undertaken and why
- Transparency in identifying which projects are candidates for private sector involvement and Public sector comparators (PSCs) used to identify them.
- Transparency through post-project accountability. A more specific role for the Auditor General may also be appropriate.

National Road Fund

The proposal for a National Road Fund (NRF) deserves further development. It offers potential for improvements to the present methods of transport infrastructure planning, funding and delivery however any improvements will depend entirely upon the structure, organisational objective/s, decision-making responsibilities, accountability and resources made available to it. For instance:

- Who will make decisions? The organisation responsible for managing the NRF? CoAG? ATC? Will recommendations be referred back to each jurisdiction for decision?
- How will investment/project priorities be set? AusLink?
- How will the NRF (or the managing organisation) relate to the existing road agencies?

Conclusion

Overall, AusCID welcomes the Commission's discussion paper and the wide range of issues that it has raised including:

- Constitutional and institutional arrangements
- Balancing freight and passenger requirements
- Taxation settings
- Road pricing (in its broadest sense).

We support moves to:

- Introduce a 'more commercial approach' to transport infrastructure wherever possible

- Seek opportunities to between align demand for, with the supply of, transport infrastructure
- Improve transparency.

However we look to the Commission to consider the role of the private sector in more detail and in so doing,

- utilise the extensive work that has already been undertaken within each of the states and territories and
- find ways to better align the Transport portfolios and responsibilities with Treasury and Finance portfolios and responsibilities.

Without doing so, we run the risk of policy settings that:

- Hinder private sector involvement contrary to stated government policy
- Potentially increase of project delivery costs as a result of duplication and/or inconsistency.