

Address to Australian Roads Summit 2010

Friday

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Brisbane

Thank you for the opportunity to speak today on local government and its role in roads and transport.

When viewed from a national level, it is tempting to dismiss local government as being too small, parochial and immaterial to count for much in many policy issues. That is not true, however, when it comes to roads. Councils are collectively responsible for over 80% of all roads in Australia. It is our bread and butter. Take roads out of local government and you wouldn't have local government as we know it today.

Indeed, no comprehensive conversation on roads can happen without the involvement and engagement of local government and for that reason, I'm grateful for our inclusion on your agenda today.

It is an exciting and challenging time to be involved in roads and transport planning in Australia.

Australia's population is expected to increase rapidly in coming years. The Federal Government is forecasting population to increase by 60 per cent to reach a total of 36 million by 2050.

The majority of these extra people will live in our major cities – with most concentrated on the eastern seaboard in Melbourne, Sydney and South-East Queensland.

The planning and infrastructure challenges to meet this increase are significant if we are to maintain – or better still – improve the amenity and economic functioning of our cities.

If that is not challenging enough, this population increase will have to be accommodated in a period of uncertain access to oil, and – regardless of the outcome in Copenhagen – a need for our cities to reduce their carbon footprint. And the age profile of our population is also changing, with a significant increase in the numbers of older people.

At the same time as all of this, Dr Ken Henry, as part of the still unreleased tax review, is hinting at the need to consider alternative funding mechanisms for our roads.

The one thing that is clear, is that we have an interesting and unpredictable decade ahead of us.

Today I am going to discuss these challenges from the perspective of local government.

However, before I get to that, I think it will be useful to first give you a bit of context and background about local government in Australia so you can get a sense – in terms of roads transport – of the role we play, the role we might play and our various challenges and constraints.

Background on local government in Australia

Almost every Australian lives in an area covered by one of the 565 councils which we have across Australia. The only people not covered by councils are those living in Canberra and a small handful living in unincorporated areas of outback NSW and South Australia.

When we talk about local government – we are talking about a range of varying shapes, sizes, capacities and functions which differ across and within state and territory jurisdictional boundaries.

We are talking about councils on one hand – such as here in the City of Brisbane – with a population of more than 1 million people and a budget rivaling the entire State of Tasmania. While on the other hand – councils like West Pilbera in WA which is the geographic land size of Japan but with a population of only a few thousand people.

What this means is that thinking about local government as an entity or institution in forums such as this, or around the COAG table, is challenging because councils are not uniform in size, competency or approach.

In aggregate, local government represents about 2% of Australia's GDP with:

- an annual expenditure of about \$25 billion each year;
- a workforce of about 170,000 people; and
- assets worth more than \$200 billion.

These are significant figures and the efficiency with which Local Government operates is important to the efficient functioning of the national economy.

The core business of councils is to plan and provide the everyday infrastructure and services which support our communities.

Typically, councils are today delivering more than 150 services across a diverse terrain including: recreational facilities, libraries, waste disposal, child care, aged care, health, planning and of course – roads and transport.

Not surprisingly, roads are local government's biggest asset by some margin. Nationally, local government spends about 25% of its funds on roads, although in rural councils this figure is typically more than 50%.

Public transport – with some exceptions such as here in Brisbane – is generally not a local government responsibility.

There are different opinions therefore within local government over just how active councils should be in transport planning

outside of our core business of building and maintaining local roads.

There are those who say we should simply stick to our knitting and concentrate all of our efforts on issues around the local road network which we directly manage.

Increasingly though, councils – particularly in urban areas – are seeing a key role for local government in public transport – usually as an advocate rather than as a service provider. They see a role for councils in agitating issues around public transport provision and freight movements from a local community perspective. As a result, councils are now increasingly at the frontline in arguing for better public transport in the communities they serve.

Building a Big Australia: Future Planning Needs of our major Cities

This approach is entirely consistent with local government's general objective to build and foster better urban environments.

Our cities in the past have largely developed independently of each other. While there has been varying levels of state direction and planning, there has been an absence of federal government involvement in shaping and influencing how our cities look, feel and operate. Yet despite this, Australian cities since the Second World War have still developed in a fairly similar manner.

Over the last 60 years they have been shaped by cheap oil and the ready availability of cheap motor vehicles. This has resulted in the urban sprawl that characterises all of our major cities.

Late last year the Prime Minister delivered a speech in which he signaled and foreshadowed new national leadership in planning the future of our cities. He justified the need for this national leadership on the basis that the future of our cities will substantially shape Australia's future economic prosperity and the performance of our nation. We in local government welcome his interest in this area.

The key policy driver in transport planning over coming years must be responding to our expected population increase and demographic change.

The Federal Government is predicting that by 2049, Sydney and Melbourne will each hold almost seven million people – that is an additional three million people each. Brisbane is expected to more than double to four million, Perth will reach almost three and half million and Adelaide one and half million.

I mentioned earlier that our present cities have been shaped by cheap oil and the availability of cheap motor vehicles. This proliferation of motor vehicles has driven demand for road networks and placed governments at all levels under pressure to build more road infrastructure.

I'm conscious that this is a Roads Summit, but surely we now accept that this trend and dependence on roads is unsustainable on both financial and environmental grounds into the future.

Federal Involvement in urban transport

The Rudd Government has made it clear that one of its main policy priorities is investment in quality national infrastructure.

In the last Budget the Federal government announced funding of \$7.9 billion over six years to improve and expand the nation's passenger and freight rail infrastructure.

Some of the largest projects submitted by the states for funding to Infrastructure Australia involve public transport and other urban transport infrastructure in our cities. These are welcome areas for Commonwealth funding.

Given this level of investment by the Commonwealth, it is not surprising that the Federal Government wants to be assured that funds are being well spent and targeted. At the last meeting of the Council of Australian Governments – COAG – the States agreed to submit plans for their capital cities for vetting by an independent group, the COAG Reform Council. I am pleased to note that ALGA will play its part in this process.

This is a new and very direct role for the Federal Government in transport planning and is an indicator of future Federal involvement at all levels of planning. For example, even at a very micro level, the Rudd Government has taken the lead in developing national standards for accessible parking.

COAG

In a country like Australia with our three levels of government and centralised taxation system, it is not just important but essential that the three levels of government work effectively together.

Under the Rudd Government, we have seen COAG go from an annual talkfest to a sharper, reform focused body which now meets four times a year.

You can call it cooperative federalism, or you can call it whatever you like – I'll just call it a good thing.

There are very few policy issues facing Australia – including transport – which can be solved solely at one level of government.

Developing COAG into a more robust and effective structure for collaboration across the three levels of government to respond to policy priorities such as in transport must be a priority.

What does this mean for local government?

Local government has for many years called for direct Federal involvement in the planning of cities and the funding of major transport infrastructure – so, of course, we welcome this new direction for the Commonwealth.

With the exception of Brisbane City Council, individual councils are generally not large enough to play more than a supportive role in these new arrangements. Nevertheless this is still an important role as it links large federally-funded projects to the local community and local planning.

While I believe local government has generally managed its planning functions well, there are obvious advantages in a coordinated approach to city and transport planning. This raises questions about the number of councils in urban areas and how to most effectively meet the planning challenges of the population growth we face in our cities.

In the Sydney basin, for example, where population is expected to grow by more than 3 million people over the next 40 years, there are 39 councils – 49 councils if we also consider Newcastle and Wollongong.

In my view, local government can and must do better through a more coordinated approach using regional structures that give councils a stronger capacity to work with Federal and State governments on major transport infrastructure needs.

The role of local government

While Federal and State Government have the role of big picture planning for our cities, local government's role is to ensure that services and facilities are provided at the local community level, and this means dealing with people on a more personal level.

Local roads and associated transport infrastructure such as footpaths and bike paths will continue to provide the key link between the home or place of production and the arterial transport system.

This means that the maintenance of the local road system will continue to be one of local government's major tasks and in the case of almost every council – the largest single item of annual expenditure.

I have already noted that the local road network is huge – 80% of the nation's road length, or some 650,000 kilometres. The National Transport Commission has estimated that 18% of kilometres travelled by vehicles over 4.5 tonnes and 28% of all kilometres travelled for commercial purposes, are on local roads.

It is crucial that we consider the funding and governance arrangements for local roads because national productivity literally depends on it.

About a quarter of funds spent by local government on roads comes from the federal government rather than from the ratepayer.

There are three programs under which the Federal Government provides funding for local roads:

1. general Financial Assistance Grants;
2. the Roads to Recovery Program; and
3. the Black Spots Program

Each of these has significantly different administrative arrangements:

- Financial Assistance Grants Identified for Roads are paid to the states as a special purpose payment on the basis they must be passed on to local government.
- Roads to Recovery funding is paid directly from the Federal Government to councils. State governments have no role in the administration of this Program. And,
- The Black Spot Program provides funding through a bidding process for the available funds.

However, a recent High court decision brings into question the constitutional validity of the Federal Government providing funds directly to local government through programs such as the Roads to Recovery Program.

You may recall that last year, a university academic, Bryan Pape, challenged the constitutional power of the federal government to make those \$900 payments to taxpayers as part of the federal government's stimulus package.

While the High Court upheld the validity of the payments, in doing so, their reasoning has created some significant uncertainty around

the ongoing direct funding provided by the Commonwealth to local government.

Their reasoning suggests that the money paid by the Commonwealth directly to local government, such as for the Roads to Recovery Program, may be unconstitutional because it cannot be tied to a specific head of power in the Constitution. That is the view of Professor George Williams in light of the judgment who is one of Australia's leading constitutional scholars and lawyers.

We in local government think it is ridiculous that in 2009, after more than 30 years of commonwealth funding to local government, that there are still questions over whether the federal government can provide funds directly to local government. It makes no sense and is an example of where the Australian system of government is out of date and needs reform. For that reason, local government supports a financial power being inserted in the constitution, through referendum, clearly empowering the commonwealth to fund local government.

This is a big issue for local government because loss of Roads to Recovery funding would have a severe impact on the ability of local government to deliver local roads. In particular, rural

councils would fall even further behind in the delivery of roads to their communities and economic productivity would suffer.

Henry Tax Review

The Henry Tax Review has also identified the funding arrangements for roads as an area ripe for micro economic reform through the development of a system of direct road user charging.

A road user charging regime would provide the basis for a source of ongoing funding for local roads and address the anomaly of the lack of a direct link between local road usage and funding. If road user charging is to be adopted, ALGA believes the same system and pricing mechanism should apply to local roads as to whatever applies to arterial roads. ALGA would also seek an assurance that total funding to local government for local roads would be at least be maintained at current levels.

Under any road user charging regime, local government believes that it is essential that there be a corresponding offset in the current tax burden through a reduction in the fuel excise. If this approach is not adopted, communities will perceive any move to road user charging as no more than a 'grab' for additional taxes.

ALGA sees the current COAG heavy vehicle reforms for a mass-distance-location charging regime for heavy vehicles as a useful microeconomic reform that perhaps will also serve as a useful precursor to road user charges.

However, local government would be concerned at any proposal to exclude local roads from a mass-distance-location charging regime. Local roads form more than the majority of the total road system and it would, we believe, be detrimental to the credibility of that system if such a large proportion of the road system was excluded.

While the technical difficulties of including local roads in any mass-distance-location charging arrangement are recognised, any decision to exclude local roads has the potential to establish a two tier roads system:

- on one hand, an arterial road system that is charged and paid for on a mass-distance-location charging basis; and
- on the other, a local road system that is perceived by users to be “free” as there is no charge for its use.

Local government is concerned that not charging for the use of local roads would lead to ‘rat- running’ on the local road system to avoid charges on the arterial road system.

Conclusion

In coming to a conclusion, let me recap. Our cities will experience significant population growth and change over the next 40 years which will present challenges for all three levels of government. The involvement of the Federal Government in our cities is a welcome development and recognises that efficient cities are essential to the future prosperity of Australia. Collaboration across governments is vital.

Local roads and other local transport systems will continue to provide the key linkages to arterial systems for the foreseeable future and they must not be cast to one side in the clamour towards reform.

The immediate priority for local government is to establish more robust funding arrangements which will ensure a well-managed

and sustainable local road system that provides appropriate access and levels of service for communities and industry.

However, there is also a need to be more creative and to develop new governance arrangements, for example the strengthening of regional structures, to more formally coordinate planning across multiple councils and the state and federal governments.

I would like to thank you all for sticking around for this afternoon session on the local road dimension and I look forward to exploring some of these issues further in the panel discussion coming up shortly.