Inquiry into VicRoads' Management of Country Roads

The Victorian Civil Construction Industry Alliance (“Alliance”) is pleased to have the opportunity to make a submission of support to the Law Reform, Road and Community Safety Committee in accordance with the Terms of Reference in regards to:

1. the effectiveness of VicRoads in managing country roads;

2. the existing funding model and its lack of effectiveness for country Victoria;

3. the lack of consultation with regional communities and their subsequent lack of input into prioritising which roads are in dire need of repair; and

4. the option of dismantling VicRoads and creating a specific Country Roads organisation and separate Metropolitan Roads body.

Alliance member, the Institute of Public Works Engineering Australasia (IPWEA - Victoria), has made a submission to this Inquiry, which is duly acknowledged, endorsed and supported by the Alliance.

ALLIANCE
The Alliance was established in February 2005 for the purpose of bringing together those industry groups involved in the delivery and maintenance of the civil infrastructure in Victoria.

With a current membership of 20, the Alliance provides a vehicle by which the Government can engage with the civil construction sector aimed at achieving the efficient delivery of infrastructure.

Apart from providing a collegiate approach to achieving positive outcomes for its members, the key objectives of the Alliance include:

- to increase the capacity of the civil construction sector to respond to or influence Government policy;
- to assist in the dissemination to Alliance Members, key Government and industry information relating to the sector;
- to provide a vehicle to cooperate with other relevant alliances and employer groups;
- to exchange information on best practice initiatives pursued by Alliance Members;
- to provide access to the range of specialist skills and networking opportunities available within the Alliance, especially for the smaller interest groups and so thereby strengthen the sector generally; and
- especially, to build collaboration aimed at achieving common goals for the sector, for example, drive the infrastructure dollar further, skilling the sector, etc.
IPWEA Submission
The broad conclusions reached by the IPWEA submission is a view supported and endorsed by the Alliance, ie:

- Notwithstanding major challenges, VicRoads is not effectively managing country roads.
- It is hard not to conclude that the current funding model is ineffective for country Victoria.
- We support mandated consultation with regional communities to prioritise road repairs.
- We do not believe the country road network would be improved under a new agency.

In recognising differing jurisdictional responsibilities of state and local government agencies in road construction and maintenance, the general community does not distinguish this. The Alliance supports the view that greater collaboration between local government and state agencies is required to ensure the community expectations of safety, utility and resilience are met, or exceeded.

The IPWEA submission is intentionally restricted to comments on the terms of reference for the inquiry and this could be extended to include other issues such as greater standardisation of public procurement processes between agencies, including VicRoads, and streamlining tendering processes to avoid unnecessary time and cost in project delivery; would provide further insights into the Inquiry. The release of the State Governments’ Reforming Public Construction document that was commissioned by the Treasurer, the Hon Tim Pallas and released by the Department of Treasury & Finance in December 2016, provides further context in this regard.

We refer the Committee to the finding of this review on the reforms being sought to improve efficiencies for public procurement including civil construction in this State.

Notwithstanding, the Alliance, will restrict its response to the direct terms of the inquiry.

1. The effectiveness of VicRoads in managing country roads
VicRoads is responsible for the management of approximately 24,000 kms of freeways and arterial roads throughout Victoria with road assets comprising road pavements, road formation earthworks, sound and safety barriers, bridges and traffic signal control systems.

With 7 regional offices including the recent establishment of 3 Regional Alliances Partnerships between VicRoads and Fulton Hogan (Eastern - Traralgon & South Eastern - Geelong) and Downer EDI (North Eastern - Benalla), VicRoads has the capacity to deliver effective and efficient road maintenance services into Regional Victoria. However, this must also be considered in terms of ensuring appropriate local government and community engagement in prioritising works, securing appropriate funding levels for road maintenance and improvements and maintaining a consistent pipeline of work to support pre-qualified contractors remain viable. It is widely recognised that there is a “capacity and capability” gap to keep pace with an accelerated works program in the State.

While we support the IPWEA submission and the suggestion that the regional road network is not being managed effectively, this must be placed in context of the fact that not enough funding is being allocated to road maintenance to sustain the current network. The Victorian Auditor-General’s Maintaining Safety-Controlled Roadways Report (VAGO - June 2017) re-inforced this view.

The report also acknowledges that Vic Roads is aware that a more strategic approach is required and that it is working towards improving its road pavement maintenance practices within its operation. Without an integrated strategic approach and appropriate funding, road conditions will continue to deteriorate and Vic Roads will find it increasingly difficult to maintain the network without growing risk to public safety and business efficiency.

The Alliance supports the recommendation contained in the VAGO Maintaining Safety-Controlled Roadways Report, ie: .... “That VicRoads develop a road maintenance strategy with clear objectives, outcomes and measures that define both technical and road user levels of service for each maintenance category.” This service for each category must be communicated and reported to key stakeholders for transparency of performance delivery against set service level targets.
2. The existing funding model and its lack of effectiveness for country Victoria

The IPWEA submission highlights the lack of funding that is leading to a deterioration of the Victorian road network. This is a view and conclusion supported by the Alliance.

Constrained funding means that a cost effective “whole of life cycle” approach is not being adopted towards road pavement maintenance. The IPWEA submission highlights the correlation in decline in road pavement maintenance funding and the continued deterioration of the road network.

VicRoad’s Regional Project Division reported in their 2017/18 budget, an allocation of $260m for Rural Road Restoration and Surface Replacement. An additional $300m - $350m is also allocated towards the SSRIP or Safe System Road Infrastructure Projects (ie: Road Safety Barrier Installations. This funding level is only just approaching levels previously reported in 2010/11.

The VAGO Maintaining State-Controlled Roadways Report cites road pavement maintenance funding falling from $247m in 2010-11 to an average of $152m p.a. for the next five years. The RACV has estimated that over $300m p.a. would be required to strengthen and resurface roads in country Victoria during one term of government and Warrnambool City Council has recently estimated a cost of $300m to improve the Princes Highway west of Colac.

Finally, the VAGO Report concludes that “…at the current level of investment, the condition of the roads is expected to continue to deteriorate. By 2025, 50 per cent of the network is predicted to be in very poor condition.”

Furthermore, a report produced by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) in May 2016 Helping Victoria Grow; Extractive Resources in Victoria Demand and Supply Study to 2050 confirmed inadequate affordable construction materials supply for Victoria. As confirmed by a review of Earth Resources Regulation (ERR) by the Commissioner for Better Regulation in October 2017, inadequate approvals for new sand and stone are creating significant materials supply shortages across Victoria forcing increased cost through the supply chain. This is further exacerbated by restrictive and outdated VicRoad’s materials supply specifications placing upward pressure on declining VicRoad’s funding.

Alliance members Cement Concrete & Aggregates Australia (CCAA) have long advocated for the allocation of Strategic Extractive Resource Areas (SERAs) to ensure future supply of critical road construction and maintenance materials proximate to the current and future road network to drive every road dollar further. CCAA recommends a review of VicRoad’s materials specifications to be performance based to optimize the use of limited high-grade road construction materials.

As stated by the IPWEA submission, it is hard not to conclude that the current funding model is ineffective for country Victoria given the challenges of increasingly frequent extreme weather events, likely population growth, heightened labour and material costs flowing from the demands of a buoyant public works sector and an increasing renewal gap.

3. The lack of consultation with regional communities and their subsequent lack of input into prioritising which roads are in dire need of repair

Alliance members have reported a good level of engagement with VicRoads in terms of communication from Vic Roads in terms of contractor and community consultation. This occurs at both a local and Senior Management level.

The Civil Contractors Federation (Victoria Branch) reported that it conducts an annual Roads Sector Breakfast with VicRoads presenting its “forward works” programs to civil contractors, suppliers and members. This event is subsequently supported by regional presentation events facilitated by Vic Roads. The VAGO Maintaining State-Controlled Roadways Report (2017) provides further context in regards to the level of consultation with regional communities. The report states that:
“VicRoads needs to engage with road users and the government to determine the level of service they are prepared to accept, given the funding available. Agreed levels of service for the network will help VicRoads to define funding requirements, prepare a long-term road pavement maintenance strategy, identify service gaps and effectively target maintenance work.”

The IPWEA submission highlights the importance of local government engagement local councils being a key stakeholder in Victoria’s road network. The knowledge held by municipal engineers, particularly throughout regional Victoria, can make a significant contribution to effective road infrastructure management.

It is noted in the IPWEA submission, the current state government’s moves to mandate community engagement by local government, evident in the Local Government Bill Exposure Draft released in December 2017 which includes the requirement that “A Council must adopt and maintain a community engagement policy” and prescribes a series of community engagement principles that are equally relevant for state community service providers. The Alliance supports a position where mandated consultation with regional communities is undertaken to prioritise road repairs.

4. The option of dismantling VicRoads and creating a specific Country Roads organisation and separate Metropolitan Roads body.

The Alliance supports the IPWEA submission and view that efficiency or economy would not be improved by the creation of a separate statutory authority, or that the condition of Victoria’s regional road network would be improved under the jurisdiction of a new regional road agency unless substantially increased funding was made available.

We also support their view that even if such funding was available, that it would be better directed towards deeper community engagement, technical skill development in the areas of design, procurement and contract management, review of materials specifications and enhanced asset management practices and governance changes (see below).

The IPWEA submission made a series of broad recommendations, which are endorsed and supported by the Alliance, ie:

(a) Community Engagement
That a regular, recurrent, tri-partite consultation protocol be established between local VicRoads, Council and community representatives (e.g. tourism groups) as an input to the determination of works priorities rather than maintenance programs being developed based upon “…the likely maintenance budget.” (VicRoads Road Management Plan, April 2014).

(b) Asset Management
That road asset condition and agreed service levels should inform Victoria’s road network maintenance budget, rather than state budget decisions constraining the road asset maintenance and rehabilitation effort.

(c) Agency Governance
Recognise the key differences between Victoria’s regional and metropolitan road networks and establish two Strategic Advisory Boards to help VicRoads meet the challenge of competing community service level expectations.

The Boards would report to the Minister for Transport with one focused on Urban and Interface areas and the other focused on Regional and Rural Areas. Each Board would comprise representatives from peak technical and user groups with a mandate to provide independent advice to the Minister in relation to network service level requirements and project priorities as a basis for establishing and enabling the necessary agency funding.
5. Summary

Most members of the community take our roads for granted, not realising the important social and economic role they play. Roads are constructed and maintained at considerable cost and among the most important public assets we have. Roads connect communities and are a catalyst for an improved quality of life.

Consideration must be given to maintaining our existing road network and the State Government cannot overlook the fact that every new road constructed adds future road maintenance requirements, but there is rarely adequate provision in the forward estimates to ensure the new road is maintained at an acceptable standard. Therefore, a sustainable funding model for road maintenance must be explored and implemented. Road transport economists advise that for every $1 spent to keep a road in good condition, avoids $6 to $15 needed later to reconstruct the same road that has deteriorated significantly.

We would welcome the opportunity to present in person to the Committee and trust this submission will assist determining the appropriate “way forward” to deliver and maintain an improved regional road network in Victoria.

Yours sincerely

Victorian Civil Construction Industry Alliance

John Kilgour
President

Att: List of current VCCIA 2017 members

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