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The AusLink White Paper: an overview

In June 2004, the Government released the AusLink White Paper, which contains its national land transport plan. This Current Issues Brief examines some of the White Paper's proposals.

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Executive Summary

On 7 June 2004, the Government released the AusLink White Paper. It is presented as the Government's 'national land transport plan' for the period 2004–05 to 2008–09. But it might be more appropriately described as a federal land transport infrastructure financing plan. This Current Issues Brief examines some of the plan's features.

The plan comprises:

- Auslink
- local roads grants, and
- the Black Spot program.

AusLink has two components:

- the main one is the National Network, comprising designated corridors, which include road and (where applicable) rail links, and
- the Roads to Recovery program.

The local roads grants, the Black Spot program and the Roads to Recovery program are all pre-existing programs.

The White Paper differs from previous arrangements in several respects:

- it proposes a rolling, five-year plan with a 20 year planning horizon
- the plan identifies the National Network, including links to ports and airports, and is crossmodal; in particular, the plan includes roads and rail lines in the corridors
- the plan sets out strategic directions for the development of the National Network with corridors to be the basis for future funding priorities
- the plan proposes sharing funding of the National Network with the states on the basis of bilateral agreements to be negotiated with state governments
- the plan proposes a possible role for the private sector
- the plan identifies the Government's investment priorities, and
- the plan proposes a project assessment methodology, which includes benefit-cost analysis, to enable projects to be compared in future plans in terms of value for money.

A positive feature of the plan is the inclusion of rail as well as roads in the corridors. This recognises the need to incorporate both modes into land transport planning. In the past, the tendency was to treat the two modes independently for planning and funding purposes. Similarly, the inclusion in the plan of funding for intermodal projects recognises their importance for efficient freight transport.

The White Paper states that the Government will initially give highest priority to preparing strategies for the corridors between Melbourne and Brisbane but will develop corridor strategies for the whole of the National Network.

The roads component of the National Network incorporates the former National Highway and Roads of National Importance elements, although once existing funding commitments for some Roads of National Importance (for example, the Scoresby freeway) are met, those roads will not form part of the AusLink network. Roads will receive 91 per cent (\$10.76 billion) of funding (\$11.8 billion).

The Roads to Recovery program allocates \$1.2 billion over four years beginning 1 July 2005. Of this, \$800 million will be distributed on the same basis as under the current program. One change is that the remaining \$400 million will be paid to local governments to support projects of 'regional economic and social significance'. Projects will be chosen on merit, while funds will be 'fairly distributed' among the states. The proposal seems to be designed to emulate the apparent success of the pooling of funds by several local governments in South Australia and Western Australia. It is not clear how funds will be distributed if there is conflict between the merit of projects and a fair distribution among the states. An implication of this quarantining of a portion of funds for regional projects is that those projects that are seen as yielding wider regional benefits may be supported to the detriment of other projects, which yield greater economic benefits from a national perspective.

A negative feature of the plan is that funding for Black Spots expires in 2005–06. This program targets locations where crashes involving death and serious injury are occurring. Independent evaluations indicate that the program has improved safety at such locations and has a very high benefit-cost ratio. Given the program's success, there is a case not only for continuing it but devoting a larger proportion of funds to it.

It is with respect to the relatively greater importance attached to rail infrastructure that the White Paper differs most markedly from past land transport funding—which has overwhelmingly favoured roads—with nine per cent (\$1.053 billion) of funding (\$11.8 billion) allocated to rail. This amount is additional to the \$872 million that the Commonwealth-owned Australian Rail Track Corporation will spend under its lease agreement with the NSW government. Spending will be concentrated on constructing a dedicated freight line in south-western Sydney and on the track north of Sydney even though track straightening is also needed south of Sydney. The lack of a dedicated freight line through Sydney is the primary impediment to more efficient rail freight movements

between Melbourne and Brisbane. The plan also includes rail links to ports in capital cities.

The White Paper also contains a redirection of rail funding. While the Government's contribution to the Alice Springs to Darwin railway temporarily boosted Commonwealth spending on rail, some have questioned the project's economic merit. Investment in the existing east coast (Melbourne-Sydney-Brisbane) railway, on the other hand, promises to yield considerable economic and other benefits. Such investment has been viewed as long overdue.

The amounts allocated to projects in the White Paper are the Government's conditional funding commitments. This is because whether and when projects proceed depends on the willingness of the states to commit funds to the identified projects and this is a major unknown. The White Paper envisages that joint funding arrangements will be set out in bilateral agreements to be negotiated with state governments. Another unknown is what these agreements will contain. A related issue is how responsibility for funding will be shared between the two tiers of government. The White Paper observes that responsibility for funding across levels of government is blurred. But it could be argued that funding responsibility will be even more blurred under the White Paper's proposals. The White Paper proposes that the states share responsibility for funding that the Commonwealth previously undertook alone, notably on the former National Highway. On the other hand, the states can use Commonwealth maintenance funds for roads other than the former National Highway; previously, the states could spend these funds only on the National Highway.

From 2005–06, the Commonwealth will use a new formula to determine the interstate allocation of maintenance funds (the amounts for 2004–05 have already been agreed). The formula is a compromise between competing considerations, giving equal weight to lane length, total vehicle distance travelled, and the total distances travelled by heavy vehicles. The introduction of the formula is related to shortcomings in the method used in the past to allocate funds among the states. The application of the formula will result in some redistribution among the states.

The White Paper does not discuss what the appropriate balance should be between capital and maintenance spending; this would be an appropriate area for cost-benefit analysis to be applied. While there is a political imperative for Commonwealth (and state) governments to both construct and maintain roads, a bias seems to exist in favour of capital spending over maintenance in Commonwealth funding. This in turn puts pressure on state maintenance budgets and is thus a form of 'cost shifting' onto the states.

The White Paper proposes maintenance funding of \$1.5 billion over five years on maintenance. This is an increase over funding in recent years. But it is below funding levels in the second half of the 1990s. It is also below requirements for the National Highway alone, according to the Department of Transport and Regional Development submission to the House of Representatives road funding inquiry in 1997. Moreover, with

the amount the same in each year, the real level of funding—that is, after taking inflation into account—will fall over time.

The White Paper suggests that there may be a role for private sector involvement in the National Network. However, state governments rather than the Commonwealth will be primarily responsible for decisions about private sector involvement. So far as roads are concerned, the traffic volumes on most of the National Network are too low to make them attractive to private sector funding and operation without some form of ‘guaranteed’ income such as ‘shadow’ or other tolls. Any private sector funding and operation are therefore likely to be limited to urban areas with heavy traffic volumes.

Critics have pointed to the absence of benefit-cost analysis of the Government’s priority projects. The White Paper proposes a new, nationally-consistent project assessment methodology, which includes benefit-cost analysis. The implication is that only projects with large benefits relative to cost will be funded. But unless the results of the assessments are transparent, there is no certainty that projects will be funded in order of their assessed benefit-cost ratios or that only projects with positive ratios will be funded. The White Paper states only that, in all cases, each project’s evaluation results will be put before ministers.

The proposals in the White Paper continue the recent pattern of the Australian Government favouring spending in regional areas and funding projects which arguably would have low benefit-cost ratios based on conventional economic methodology. In the past, the Australian Government has generally not funded urban arterials and freeways that have high benefit-cost rankings. Rather, 40 per cent of funding has been for local roads that generally have low benefit-cost ratios based on conventional economic methodology.¹ This suggests that there could be net gains to society if funding were redirected from local roads to urban arterial roads and freeways—particularly given the presence of congestion in major cities—although explicit recognition and costing of environmental and other non-pecuniary effects of such urban roads could change the benefit-cost outcomes.

The White Paper states that the Government will fund projects on the National Network that are of national priority and have substantial national as distinct from local benefits. It follows that where the benefits of a project are largely local, state or local government should fund it. Setting aside the problem of how to distinguish national from local benefits, the emphasis on national benefits contrasts with the level of spending on local roads (under the local road grants and Roads to Recovery programs, this amounts to \$4.003 billion or 34 per cent of total funding of \$11.813 billion). Spending on local roads would arguably provide mainly local benefits. The proposed spending on local roads suggests that there has been a trade-off between economic efficiency and equity considerations.

Several commentators have criticised the plan. Much of the criticism focuses on the lack of comprehensiveness of the plan and, in particular, the lack of funding for urban areas. Estimated funding that is identifiably for urban areas amounts to \$3.878 billion. Criticisms

of the plan include: that it does not look at the need for better coordinated planning of urban freight and urban passenger transport; the absence of a mechanism to coordinate and integrate transport planning between Commonwealth, state and local governments; and the view that a land transport plan should include urban as well as interurban routes, and urban public transport as well as freight transport. The White Paper proposes coordinated planning of freight and passenger transport (including in urban areas) through the joint development of strategies for all corridors. This will involve consultation among all three tiers of government. Integration of transport and land use planning is also intended.

Introduction

On 7 June 2004, the Government released the [AusLink White Paper](#). It is presented as the Government's 'national land transport plan' for the period 2004–05 to 2008–09 although it might be more appropriately described as a federal land transport infrastructure financing plan. Features of the plan are:

- an integrated, rolling five-year plan with a 20 year planning horizon
- increased transparency, in that the plan sets out the Government's objectives and priorities, and identifies investment priorities and projects and their proposed funding
- the plan identifies the National Network, including links to ports and airports, and is crossmodal; in particular, the plan includes roads and rail lines in the corridors
- the plan sets out strategic directions for the development of the National Network with corridors to be the basis for future priorities
- the plan proposes sharing funding of the National Network with the states on the basis of bilateral agreements yet to be negotiated²
- a possible role for the private sector, and
- a project assessment methodology, which includes benefit-cost analysis, to enable projects to be compared in future plans in terms of value for money.

The plan comprises:

- Auslink
- local roads grants, and
- the Black Spot program

AusLink has two components:

- the main one is the National Network, comprising designated corridors which include road and (where applicable) rail links, and
- the Roads to Recovery program.

The corridors fall into four categories:

- nine that link the capital cities (for example, Sydney-Melbourne)
- nine intrastate corridors (for example, Brisbane-Cairns)
- multiple links in five capital cities, and
- two Canberra connectors (the Federal and Barton Highways).

The road links in the National Network incorporate the former National Highway and Roads of National Importance (RONIs) although once existing funding commitments for some RONIs (for example, the Scoresby freeway) are met, those roads will not form part of the AusLink network. The rail links incorporate the interstate rail network.

Other features of the plan include:

- changes to the Roads to Recovery program
- a greater emphasis on rail than in the past
 - investment in rail is aimed primarily at improving efficiency of freight movements
- recognition of the importance of intermodal links, with funding for road and rail links to ports, airports and road/rail intermodal terminals
- funding of \$11.8 billion over five years beginning in 2004–05
 - of this, \$9.2 billion is for AusLink (\$7.7 billion is for the National Network and \$1.5 billion for Roads to Recovery)
 - \$2.6 billion is for local road grants, and \$90 million for the Black Spot program
 - the figure of \$11.8 billion includes \$1.5 billion for maintenance of the AusLink road network
- changes to the Roads to Recovery program with one third of funds to be distributed on a ‘competitive basis’
- a new formula for determining the interstate distribution of maintenance funds
- additional funding responsibility for the states

- the states are expected to contribute to funding the former National Highway, which the Commonwealth previously funded completely, and
- explicit exclusion of public transport, which the Government sees as primarily a state responsibility.

Aspects of the White Paper: discussion

Corridors

A key feature of AusLink is the concept of land transport corridors (see Appendix 1 for a list of the corridors). A corridor comprises road and, where applicable, rail links and intermodal connections. This recognises the need to incorporate both road and rail into land transport planning. In the past, the tendency was to treat the two modes independently for planning and funding purposes. The White Paper states that the Government will initially give highest priority to preparing strategies for the corridors between Melbourne and Brisbane but will develop corridor strategies for the whole of the National Network.³

Roads

The roads element of AusLink initially continues previous and foreshadowed programs and projects. The road links in the National Network combine the former National Highway and Roads of National Importance although, as noted, some Roads of National Importance may not form part of the AusLink network. The Minister for Transport and Regional Services, the Hon. John Anderson, has stated:

All the existing commitments continue. AusLink projects come in over the top of them and there is a transitional period for two or three years with the existing commitments to the national highway and the Roads of National Importance program. Most of the remaining parts of that were announced in the budget.⁴

The Black Spot program and road grants to local governments also continue previous programs. A negative feature of the plan is that funding for the Black Spot program expires in 2005-06. This program targets locations where crashes involving death and serious injury are occurring. Independent evaluations indicate that the program has improved safety at such locations and has a very high benefit-cost ratio. Given the program's success, there is a case for not only continuing it but devoting a larger proportion of funds to it.⁵

Roads to Recovery

AusLink also continues the Roads to Recovery program. The current [Roads to Recovery](#) program makes \$1.2 billion available for local governments to upgrade roads through to 30 June 2005. Of this, the Government claims that 70 per cent is being spent in regional areas (the White Paper does not define 'regional'). The Commonwealth makes Roads to

Recovery payments directly to local governments. The interstate distribution of grants is based on historical precedents, length of road and population. The intrastate distribution accords with the formulae that the state grants commissions use to distribute Commonwealth financial assistance grants among local governments. The program operates fairly uniformly throughout Australia. However, in South Australia, 15 per cent of funds are pooled across several adjoining local government areas for regional projects, while in Western Australia, seven per cent of funds are pooled for bridge projects and roads serving Aboriginal communities.

The White Paper extends the Roads to Recovery program for a further four years until June 2009 at a cost of \$1.2 billion. Of this, \$800 million will be distributed on the same basis as under the current scheme. The interstate distribution of the \$800 million is shown in Table 1.

Table 1: Roads to Recovery allocation of \$800 million by jurisdiction

State	Amount (\$ million)	Per cent
New South Wales	222.62	27.83
Victoria	162.44	20.31
Queensland	162.40	20.30
Western Australia	116.93	14.62
South Australia	72.40	9.05
Tasmania	25.98	3.25
Northern Territory	23.77	2.97
ACT	12.99	1.62
Indian Ocean Territories	0.47	0.06
Total	800.00	100.00

Source: *AusLink White Paper*, p. 82.

A change to the Roads to Recovery program is that the balance of \$400 million will be paid directly to local governments to:

... support local land transport projects of regional economic and social significance. The objective is to enable regional and outer metropolitan areas in particular to derive a greater benefit than under the existing Roads to Recovery programme from focused investment in regional projects.

The funding will be available to any local council and its project partners on a competitive basis. The Government will not allocate set amounts of funds to States and Territories, but the funds will be fairly distributed ...

Funding will be targeted to local transport links of regional significance that might:

- carry out a connecting function within the regional land transport network or the National Network

- form an important part of the economic development strategies within a region, consistent with existing or developing regional plans
- provide access to export-related transport networks—via rail heads, higher order regional roads, freight depots, intermodal facilities, ports and major airports
- enhance access for regional communities to services and employment.⁶

When the extension of the program was announced on 22 January 2004, an example given was the upgrading of roads to service developing industries such as timber plantations. However, the use of the term ‘land transport’ suggests that local governments could, for example, contribute towards maintaining local grain rail lines.

The proposal that \$400 million be used for projects of regional significance seems to be designed to build on the apparent success of the pooling of funds in South Australia and Western Australia and so could yield benefits greater than might be obtained by investment by individual local governments. The term ‘fairly distributed’ leaves open the question of how funds will be distributed if there is conflict between the merit of projects and a fair distribution of funds among the states. An implication of this quarantining of a portion of funds for regional projects is that those projects that are seen as yielding wider regional benefits may be supported to the detriment of other projects, which yield greater economic benefits from a national perspective.

Rail

It is with respect to the greater importance attached to rail that the White Paper differs most markedly from past land transport funding, which has overwhelmingly favoured roads. It has been estimated that in the 30 years to 2004, Commonwealth governments invested more than \$50 billion (in today’s dollars) in roads but only \$2 billion in interstate rail capital works.⁷ The White Paper acknowledges past under-investment in rail:

It is well-documented that the rail system has been under-funded for a long time and its role in handling the nation’s freight task has been declining relative to road.⁸

In particular, the White Paper recognises that the track access fee earnings of the Commonwealth-owned Australian Rail Track Corporation—which owns or leases all major elements of the interstate track—are not enough to fund the large capital investment which the Government considers essential for rail infrastructure:

The Australian Rail Track Corporation operates in an environment that requires access charges to be set so that they are competitive when compared with charges in the more efficient road sector. It is clear that the access fees the corporation is able to charge are adequate to maintain the existing rail system. However, they do not provide the necessary revenue to undertake the large capital investment that is essential for rail to play its proper role in carrying out Australia’s transport task.⁹

Proposed National Network rail funding is \$1.053 billion. If the \$872 million the Australian Rail Track Corporation will spend under its lease agreement with the NSW government is added (see box below), total rail spending is \$1.9 billion over five years. This is equivalent to 15 per cent of \$12.7 billion (the \$11.8 billion announced in the White Paper plus the \$872 million from Australian Rail Track Corporation funds). Rail spending will be concentrated on constructing a dedicated freight line from Macarthur to Chullora in south-western Sydney, and on the track north of Sydney even though track straightening is also needed south of Sydney.¹⁰ Other items include contributions to the standardisation of the broad-gauge track between Melbourne and Albury-Wodonga and between Geelong and Mildura; the rail linking the Dynon intermodal precinct in Melbourne with the Port of Melbourne; improved signalling between Newcastle and Brisbane; and duplication of part of the track near Maitland in NSW that coal trains use.

Agreement between the Australian Rail Track Corporation and New South Wales

In June 2004, the Commonwealth and NSW transport ministers and the [Australian Rail Track Corporation](#) (ARTC) signed an agreement for the lease of the NSW interstate and Hunter Valley assets, which will result in investment of \$872 million in the NSW section of the [interstate rail freight network](#) and the Hunter Valley rail lines. Key features of the agreement include:

- the Commonwealth-owned ARTC will lease for 60 years the section of the interstate network that passes through NSW, and the Hunter Valley track
- the lease will include the lines servicing Sydney's ports, and will allow the ARTC to construct a dedicated access route for freight trains on the south-western outskirts of Sydney. The lack of a dedicated freight line through Sydney is the primary impediment to more efficient rail freight movements between Melbourne and Brisbane¹¹
- the ARTC will manage the remaining non-interstate, non-Hunter Valley country branch rail network on behalf of NSW, which will remain responsible for funding, and
- the ARTC will oversee investment of \$872 million between 2004 and 2008 on the leased track.

The White Paper contains a redirection of rail funding. While the Commonwealth's contribution to the Alice Springs to Darwin railway temporarily boosted Commonwealth spending on rail, some commentators, such as Associate Professor Philip Laird, have questioned the project's economic merit. Investment in the east coast railway promises to yield considerable economic and other benefits, such as lower rail operating costs and reduced freight rates, reduced growth in long distance trucking and so safer roads, lower costs of maintaining interstate highways, and faster travel times.

The magnitude of these benefits was suggested in an [audit](#) of the interstate rail network that the Australian Rail Track Corporation conducted in 2001 at the request of the Minister for Transport and Regional Services.¹² The audit recommended investment of \$507 million to speed up freight trains (the Melbourne–Brisbane average is about 50 kilometres per hour) and transfer two million tonnes of freight annually from road to rail. The audit estimated that the proposed investment on the east coast alone would remove 111,000 long distance truck trips per year from the Hume, Pacific and Newell Highways. The audit estimated a benefit-cost ratio of 3.2 to 1 and identified additional capital works that would allow rail to win an extra one million tonnes of interstate freight. Currently, rail carries

only 15 per cent of freight transported by land between Melbourne and Brisbane and 10 per cent between Melbourne and Sydney. In contrast, rail carries about 80 per cent of non-bulk freight transported by land between Sydney and Perth.¹³

Currently, there is no direct rail link between Melbourne and Brisbane because of the ‘missing link’ between Werris Creek and Brisbane (see map). Consequently, Melbourne-Brisbane rail freight travels through Sydney. Australian Transport and Energy Corridor Pty Ltd has proposed constructing a line—the inland rail proposal—to ‘fill the gap’ (several consortia have also made similar proposals).¹⁴ The White Paper identifies this project as a private sector undertaking. However, the investment in the coastal track in NSW is likely to undercut the viability of the inland railway as the investment will encourage greater use of the coastal track. The main advocate of the inland rail, Mr Everald Compton, has complained that there is nothing for the project in the White Paper.¹⁵

Intermodal links

A positive feature of AusLink is the inclusion of intermodal projects such as the Port Botany rail link, and improved road and rail access to the Dynon terminal and the Port of Melbourne. Investment in intermodal links should improve the efficiency of freight movements. While intermodal projects have featured in previous transport initiatives—notably the Keating Government’s *One Nation* program which included rail links to ports in Brisbane, Fremantle and Adelaide—land transport packages have tended to neglect intermodal links.¹⁶

Funding

Proposed land transport funding amounts to \$11.8 billion. Table 2 shows the composition of this amount.

Table 2: Proposed land transport funding 2004–05 to 2008–09

AusLink	Amount (\$ million)	Per cent
National Network:		
Road	6.666	56
Rail	1.053	9
<i>Total National Network</i>	<i>7.719</i>	<i>65</i>
Roads to Recovery	1.453	12
<i>Total AusLink</i>	<i>9.172</i>	<i>78</i>
Other funding		
Local road grants	2.550	22
Black Spot program	0.090	1
<i>Total other</i>	<i>2.640</i>	<i>22</i>
Total	11.813	100

Source: AusLink [factsheets](#). Amounts may not add due to rounding.

Table 2 shows that of the \$11.8 billion, \$10.76 billion (91 per cent) is for roads and \$1.053 billion (nine per cent) is for rail. In annual average terms, road spending will be \$2.152 billion. This is an increase of 21 per cent on the \$1.785 billion allocated to road funding in the 2003–04 Budget.¹⁷

The available data do not allow a complete breakdown of funding by state. Table 3 sets out the information that is available.

Table 3: Distribution of land transport funding by state 2004–05 to 2008–09 (\$ million)

State	National Network	Roads to Recovery	Total
New South Wales	2505	223	2728
Victoria	1429	162	1591
Queensland	1463	162	1625
Western Australia	462	117	579
South Australia	239	72	311
Tasmania	141	26	167
Northern Territory	92	13	105
ACT	2	24	26
<i>Sub-total</i>	<i>6333</i>	<i>800</i>	<i>7133</i>
Unallocated maintenance			1200
Rail network communications			30
Network-wide investment			155
Unallocated Roads to Recovery			653
Total AusLink			9171
Untied local road grants			2550
Black Spot program			90
Total land transport			11813

Source: *AusLink White Paper*, pp. xv and 82.

Data on funding year-by-year are also not available. However, an indication of proposed road funding on an annual basis may be obtained from superseded figures in the 2004–05 Budget Papers. These figures are shown in Table 4.

Table 4: Components of road transport funding (\$ million)

Category	2005–06	2006–07	2007–08
National Network	1149	1426	1454
Roads to Recovery	300	300	300
Black Spot program	45	-	-
Other	52	51	49
Total	1546	1777	1803

Source: Budget Paper No. 1 2004–05, p. 6–20.

Proposed road funding for 2004–05 is shown in Table 5.

Table 5: Road transport funding in 2004–05

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT	OTHER	TOTAL
Continuing projects	474.3	252.6	189.3	126.3	60.5	29.0	37.4	2.4	-	1171.8
New projects	-	-	-	-	-	-	-	-	155.3	155.3
Roads to Recovery	70.8	52.1	52.1	37.5	20.8	8.3	5.2	4.2	2.1	253.1
Untied local roads grants	136.7	97.1	88.3	72.0	25.9	25.0	11.0	15.1	-	471.2
Additional funding for SA	-	-	-	-	4.3	-	-	-	-	4.3
Black Spot program	14.3	10.4	8.9	5.0	3.5	1.1	0.7	0.6	0.5	45.0
Murray River bridges	12.0	10.5	-	-	-	-	-	-	-	22.5
Caboollture motorway	-	-	4.7	-	-	-	-	-	-	4.7
AusLink administration and IT	-	-	-	-	-	-	-	-	12.4	12.4
Total per Minister's Budget press release	708.1	422.7	343.3	240.9	114.9	63.3	54.2	22.3	170.3	2140.3
Unspecified additional post-Budget funding	18.0	12.0	72.0	11.0	4.0	0.1	4.0	-	-	121.1
Funding per AusLink factsheets	726.1	434.7	415.3	251.8	118.9	63.4	58.3	22.3	170.3	2261.1
Maintenance included in the above	117.0	35.0	67.0	30.0	26.0	7.0	18.0	0.6	-	300.6

Sources: Minister for Transport and Regional Services Budget media kit 2004–05. AusLink factsheets.

Funding responsibility

The amounts allocated to projects in the White Paper represent the Australian Government's conditional funding commitments. This is because whether and when the projects proceed depends on the willingness of the states to commit funds to the identified projects and this is a major unknown. A related issue, therefore, is how responsibility for funding will be shared between the Commonwealth and state governments. It is clear that the Australian Government expects the states to fund part of the National Network:

The AusLink National Network includes links that were, partially or wholly, State or Territory responsibilities. It is the unambiguous position of the [Australian] Government that such elements of the network should continue to attract funding from States and Territories, at least in proportion to the benefits they obtain.

The Australian Government will invest in those projects on the National Network that are of national priority and have substantial national benefits. The Government has a clear expectation that States and Territories will invest in those projects on the National Network which provide benefits at the State or Territory level. In many cases, this means that projects costs will be shared with State and Territory Governments.¹⁸

The White Paper observes that responsibility for funding across levels of government is blurred.¹⁹ It could be argued that funding responsibility will be even more blurred under the proposed arrangements. The White Paper envisages that joint funding arrangements will be set out in bilateral agreements to be negotiated with state governments. An unknown is what these agreements will contain.

The White Paper proposes that the states share responsibility for funding that the Commonwealth alone undertook, notably on the former National Highway. Previously, the Commonwealth was solely responsible for funding both construction and maintenance of the National Highway. The Commonwealth also contributed to the estimated cost of construction of Roads of National Importance—usually on a 50:50 basis—while the states were responsible for their maintenance. The White Paper, however, proposes a broader role for the Commonwealth in maintenance funding and a role for the states in funding the former National Highway:

... the basis on which the Australian Government provides [maintenance] funding will change. Instead of having funding responsibility for all maintenance on the National Highway, it will now contribute to maintenance on the AusLink Network. This means that it will share maintenance costs with States and Territories—generally the owners of the assets.

This is consistent with the approach taken to the AusLink National Network as a whole. The Australian Government will contribute to the more extensive Network, rather than fully funding the former National Highway section of it. Those sections that are additional to the former National Highway System have until now been funded by the States and Territories.²⁰

Further:

Each State and Territory will be able to apply the Australian Government maintenance funding contribution to the National Network as they judge most appropriate.²¹

These statements indicate that the states can use Commonwealth maintenance funds for roads other than the former National Highway so long as they spend the funds on roads in the National Network. From a state perspective, this adds some flexibility to decisions about where to allocate maintenance funds. On the other hand, the Government expects the states to contribute to the maintenance of the former National Highway. The White Paper makes it clear that the onus is on the states to determine the intrastate allocation of maintenance funds. This is reasonable given that the states own the roads and are better placed than the Commonwealth to determine maintenance priorities.

Maintenance funding formula

From 2005–06, the Commonwealth will use a new formula to determine the interstate allocation of maintenance funds (the amounts for 2004–05 have already been agreed). The formula will give equal weight to lane length, total vehicle distance travelled, and total heavy vehicle distance travelled.²² The introduction of the formula is related to shortcomings in the method used in the past to allocate funds among the states. Past funding has been based on data in state reports on the condition of the National Highway. But the data have not been comparable, making it difficult to calculate an appropriate distribution.²³

The formula will apply only to roads in the National Network. It is a compromise between competing considerations. On the one hand, the inclusion of lane length favours states such as Western Australia and Queensland with long road distances on the National Network. On the other hand, the inclusion of the distance that heavy vehicles travel takes account of the fact that heavy trucks contribute disproportionately to road maintenance costs. The fact that the formula will be phased in over three years from 2005–06 to reduce disruption to state maintenance programs suggests that the Department of Transport and Regional Services expects some redistribution among the states.²⁴

Level of maintenance funding

The White Paper does not discuss what the appropriate balance between capital and maintenance spending would be; this would be an appropriate area for cost-benefit analysis to be applied. While there is a political imperative for Commonwealth (and state) governments to be seen to be both constructing new roads and maintaining them, it could be argued that a bias exists in favour of capital spending over maintenance in Commonwealth funding. This would in turn put pressure on state maintenance budgets and could be seen as a form of ‘cost shifting’ onto the states.

The White Paper proposes funding of \$1.5 billion over five years on maintenance—an annual average of \$300 million—and is for National Network roads only.²⁵ This is an increase in funding in recent years. But it is below funding levels in the second half of the 1990s (see Table 6). It is also below requirements for the National Highway alone according to the Department of Transport and Regional Services submission to the House of Representatives committee road funding inquiry in 1997.²⁶ Further, with the amount the same in nominal terms, the real level of funding—that is, after taking inflation into account—will fall over time.

Table 6: Maintenance spending on the National Highway (\$ million, current dollars)

Year	1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04
Amount	343	325	326	349	281	288	283	293	262

Source: Hon. John Anderson, ‘Roads: National Highway’, answer to question on notice no. 329, House of Representatives, *Hansard*, 4 February 2003, p. 10725.

Private sector funding

The White Paper identifies a role for private sector funding of the National Network. With respect to private funding and investment, to date, aside from company railways used to transport ores and several rail passenger links to airports and ski resorts, most private involvement has been in urban toll roads.²⁷ Currently, the only section of the National Network that the private sector is funding is the [Westlink](#) (M7) project in Sydney. With respect to rail, Australia’s largest private freight operator company, Pacific National, has undertaken to invest up to \$50 million on the east-west and north-south corridors after completion of the lease of the interstate rail network in NSW to the Australian Rail Track

Corporation. Pacific National has also pledged \$500 million towards an inland rail route between Melbourne and Brisbane.²⁸

In addition to an inland rail route, the White Paper identifies two areas for possible private sector involvement, namely, a new alignment between the F3 and the New England Highway, and urban road links in Brisbane. So far as roads are concerned, the traffic volumes on most sections of the National Network are too low to make them attractive to private sector funding without some form of 'guaranteed' income such as 'shadow' or other tolls.²⁹ In any event, it will be primarily up to the states to determine whether a project will involve private funding.

Project selection

On the issue of project selection, the White Paper makes it clear that the Commonwealth will not fund a project simply by virtue of it being located on the National Network. Rather:

Only projects of high national priority that meet Australian Government requirements will be considered.

Further, the project must have substantial national benefits and have 'high national priority'.³⁰

Regarding the method of project selection and evaluation, the White Paper states that:

A new, nationally consistent project assessment methodology will be adopted.³¹

The methodology encompasses benefit-cost analysis.

The implication is that only projects with large benefits relative to cost will be funded. But unless the results of the assessments are transparent, there is no certainty that projects will be funded in order of their assessed benefit-cost ratios or that only projects with positive ratios will be funded. The White Paper states only that, in all cases, each project's evaluation results will be put before Australian government ministers.

Critics have pointed to the absence of benefit-cost analysis of the Government's priority projects and to the fact that the methodology will be phased in:

The Howard government should be able to show us, now, project analysis that has been done by state and federal authorities and which have been used in determining investment priorities, including the \$1.5 billion worth of regional investment.

Where the economic analysis has not been done, or does not justify the investment, the government should give a detailed explanation of its decision.³²

The proposals in the White Paper continue the pattern evident since late in the 1990s of the Australian Government favouring spending in regional areas and funding projects with low benefit-cost ratios. As discussed elsewhere, the Commonwealth generally has not funded urban arterials and freeways, which have been shown to have high benefit-cost rankings.³³ Rather, 40 per cent of funding has been for local roads that generally have low benefit-cost ratios based on conventional economic methodology. This suggests that there could be net gains to society if funding were redirected from local roads to urban arterial roads and freeways, particularly given the presence of congestion in major cities. However, the social costs associated with the future expansion of urban road infrastructure would also have to be taken into account. The Howard Government's view seems to be that state governments are primarily responsible for funding urban arterial roads and freeways.³⁴

The White Paper states that the Government will fund projects on the National Network that are of national priority and have substantial national as distinct from local benefits. It follows that where the benefits of a project are largely local, state or local governments should fund it. Setting aside the problem of how to distinguish national from local benefits, the emphasis on national benefits contrasts with the level of spending on local roads (under the local road grants and Roads to Recovery programs, this amounts to \$4.003 billion or 34 per cent of total funding of \$11.813 billion). Spending on local roads would arguably provide mainly local benefits. The proposed spending on local roads suggests that there has been a trade-off between economic efficiency and equity considerations.

Concluding comments

Several commentators have criticised the scope of the land transport plan. Much of the criticism focuses on the lack of comprehensiveness of the plan and, in particular, the lack of funding for urban areas. Funding that is identifiably 'urban' is shown in Table 7.

Table 7: Identifiably urban funding (estimated)

Category	Regional and urban funding (\$ million)	Per cent urban	Urban (\$ million)
National Network	6219.0	40	2498.0
Black Spots	90.0	50	45.0
Roads to Recovery	1453.0	34	493.0
Local road grants	2550.0	33	841.5
Total	10312	38	3877.5

Notes: (a) National Network: funding of \$6.219 billion is AusLink network investment (\$7.719 billion) less maintenance (\$1.5 billion). Urban amount: personal communication with Department of Transport and Regional Services.

(b) Roads to Recovery: regional amount estimated at 70 per cent of \$800 million (\$560 million) plus \$400 million (strategic regional component); total regional: \$960 million.

(c) Regional percentages for Black Spots, Roads to Recovery and local road grants based on existing schemes.

Respected transport economist and former senior railway executive, Professor Fred Affleck has said that a weakness of AusLink is that it does not address the need for better coordinated planning of urban freight and urban public transport. Professor Affleck said that there needs to be a new approach for priorities in spending on passenger and freight transport in urban areas and that this may need a separate program.³⁵ Professor Affleck also said that AusLink does not put in place a mechanism to coordinate and integrate transport planning between Commonwealth, state and local governments. The White Paper proposes coordinated planning of freight and passenger transport through the joint development of strategies for all corridors involving all three tiers of government.

The director of the Sustainable Transport in Sustainable Cities project at the [Warren Centre](#) at the University of Sydney, Mr Ken Dobinson, has echoed Professor Affleck's criticisms. In Mr Dobinson's view, a land transport plan should include urban as well as interurban routes, and passenger as well as freight transport. Mr Dobinson is reported as saying that improving urban rail would benefit rail freight which competes for space on city networks with passenger transport.³⁶

There will be some positive spin offs for passenger services from the investment in rail freight lines, notably in NSW, in so far as the line capacity available to passenger services will also improve. These benefits will, however, be incidental.

Endnotes

1. Richard Webb, 'Commonwealth Road Funding Since 1990', *Research Paper*, no. 7, Parliamentary Library, Canberra, 2003–04, pp. 18–20.
2. States should be read as including the territories.
3. Department of Transport and Regional Services, *AusLink White Paper*, June 2004, p. 65.
4. Senate Rural and Regional Affairs and Transport Legislation Committee, *Budget estimates 2004–05*, June 2004, p. 21.
5. Bureau of Transport and Communications Economics, *Evaluation of the Black Spot Program*, Report 90, AGPS, 1995.
6. *AusLink White Paper*, op. cit., p. 83.
7. Philip Laird, 'Finally, money to smooth the railway curves', *Sydney Morning Herald*, 11 June 2004, p. 15.
8. *AusLink White Paper*, op. cit., p. 62.
9. *ibid.*, p. 63.
10. Philip Laird, op. cit.

11. Australian Rail Track Corporation, *Annual Report 1999*, p. 17.
12. Australian Rail Track Corporation, 'Rail Audit Shows \$500m Investment Needed', *news release*, 1 May 2001, at http://www.artc.com.au/press_releases/1st_may_2001.htm
13. Hon. John Anderson (Minister for Transport and Regional Services), *Transcript of the Acting Prime Minister Media Conference, 7 June 2004*, media release, 7 June 2004.
14. Patrick Corporation has pledged spending of \$500 million on an inland rail link. See Tansy Harcourt, 'Corrigan pledges \$500m for rail link', *Australian Financial Review*, 22 July 2004, p. 3.
15. John Breusch, 'Making tracks to Darwin still the goal', *Australian Financial Review*, 10 June 2004, p. 9.
16. *One Nation*. Statement by the Prime Minister, the Hon. Paul Keating, 26 February 1992, p. 98.
17. Hon. John Anderson, (Minister for Transport and Regional Services), *Federal Road Funding 2003–04*, 2003–04 Budget press release.
18. *AusLink White Paper*, op. cit., p. 23.
19. *ibid.*, p. 13.
20. *ibid.*, p. 65.
21. *ibid.*
22. *ibid.*, p. 93.
23. The Department of Transport and Regional Services commissioned two studies to examine how maintenance funds should be distributed among the states. But both studies were inconclusive on the relative distribution of funds to each state due to difficulties in comparing data for the different states. See Department of Transport and Regional Services, *Australian Land Transport Development Programme. Progress Report 2001–02*, p. 14.
24. *AusLink White Paper*, op. cit., p. xv.
25. *AusLink White Paper*, op. cit., p. 66.
26. House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform, *Planning not Patching. An Inquiry into Federal Road Funding*, October 1997, pp. 72–3.
27. The Brisbane airport link is being privately financed, while the Queensland Government is considering private finance of the Gateway bridge and motorway duplication.
28. Tansy Harcourt, op. cit.
29. Shadow tolls entail the government paying the road owner an amount based on usage. Road users themselves do not pay the toll.
30. *AusLink White Paper*, op. cit., p. 23.
31. *ibid.*, p. 97.

32. Alan Mitchell, 'Politics in the driver's seat', *Australian Financial Review*, 9 June 2004, p. 62.
33. Richard Webb, *op. cit.*
34. Urban links have formed part of the National Highway and funded as such since 1994.
35. Philip Hopkins, 'Auslink at a crossroad', *The Age*, 19 June 2004.
36. John Breusch, 'Government bypasses urban dwellers' needs', *Australian Financial Review*, 8 June 2004, p. 9.

Map of the AusLink National Network



Source: AusLink White Paper, p. 18.

Appendix 1: AusLink National Network

Corridors	Links
Sydney–Brisbane	<ul style="list-style-type: none"> • Pacific Highway between Newcastle and Brisbane • New England Highway to the Cunningham Highway and the Cunningham Highway from the New England Highway to the Ipswich Motorway • F3 Sydney to Newcastle • Sydney–Brisbane (Acacia Ridge) railway
Sydney–Melbourne	<ul style="list-style-type: none"> • Hume Highway and Hume Freeway • Princes Highway and Southern Freeway from Sydney to Northern Distributor intersection at Wollongong • Sydney–Melbourne railway, including Moss Vale to Port Kembla link
Melbourne–Adelaide	<ul style="list-style-type: none"> • Western and Dukes Highways, South Eastern Freeway and Mt Barker Road • Princes Freeway from Melbourne to Broderick Road intersection at Corio • Melbourne–Adelaide railway via Geelong
Melbourne–Brisbane inland corridor	<ul style="list-style-type: none"> • Hume Highway from the Western Ring Road to the Goulburn Valley Highway, the Goulburn Valley Highway from the Hume Highway to the Murray Valley Highway, the Murray Valley Highway between the Goulburn and Newell Highways, the Newell Highway, the Leichardt Highway between the Newell and the Gore highways, Gore Highway from Goondiwindi to Toowoomba and Warrego Highway from Toowoomba to Ipswich • Proposed inland railway: Melbourne–Albury–Parkes–Dubbo–Hunter Valley Rail Network and proposed rail links from Werris Creek–Moree–Toowoomba–Brisbane
Sydney–Adelaide	<ul style="list-style-type: none"> • Gawler Bypass from Main Road North to Sturt Highway, Sturt Highway from Adelaide to the Hume Highway and Hume Highway to Sydney • Adelaide–Sydney railway via Broken Hill, Parkes and Cootamundra
Perth–Adelaide	<ul style="list-style-type: none"> • Great Eastern Highway from Roe Highway interchange to Coolgardie, Coolgardie Esperance Highway between Coolgardie and Norseman, Eyre Highway, and the Princes Highway between Port Augusta and Adelaide • Perth–Adelaide railway, including Port Augusta–Whyalla link
Adelaide–Darwin	<ul style="list-style-type: none"> • Princes Highway between Adelaide and Port Augusta, Stuart Highway to Tiger Brennan Drive, Tiger Brennan Drive from Stuart Highway to Berrimah Road and Berrimah Road from Tiger Brennan Drive to East Arm Port • Adelaide–Darwin railway
Perth–Darwin	<ul style="list-style-type: none"> • Great Northern Highway from Roe Highway interchange to Victoria Highway, the Victoria Highway and the Stuart Highway from Katherine to Darwin
Brisbane–Darwin	<ul style="list-style-type: none"> • Warrego Highway to the Landsborough Highway, Landsborough, Flinders and Barkly Highways and the Stuart Highway from Three Ways to Darwin
Brisbane–Cairns	<ul style="list-style-type: none"> • Bruce Highway, including Caboolture Motorway and the connection from the Bruce Highway to the Port of Gladstone • The North Coast Line System from Brisbane to Townsville and the proposed inland railway Toowoomba–Gladstone link
Melbourne–Sale	<ul style="list-style-type: none"> • Monash Freeway, Princes Freeway to Traralgon and Princes Highway from Traralgon to Sale

Corridors	Links
Perth–Bunbury	<ul style="list-style-type: none"> • South West Railway from Mundijong to Bunbury • Kwinana Freeway from Leach Highway to Safety Bay Road, Safety Bay Road from the end of Kwinana Freeway to Mandurah Road, Mandurah Road from Safety Bay Road to the Perth- Bunbury Highway and Perth-Bunbury Highway from Mandurah Road—Peel Deviation will replace Safety Bay and Mandurah Roads and part of Perth–Bunbury Highway when constructed
Hobart–Burnie	<ul style="list-style-type: none"> • Midland Highway from Granton to Launceston and Bass Highway from Launceston to Burnie • East Tamar Highway from Launceston to Bell Bay Road and Bell Bay Road to the Port of Launceston at Bell Bay • Railway from Hobart to Burnie, via Launceston and including the link to Bell Bay
Melbourne–Mildura	<ul style="list-style-type: none"> • Calder Freeway and Highway from the Western Ring Road and the Sturt Highway to Mildura • Melbourne to Mildura rail line via Geelong and Ballarat
Sydney–Dubbo	<ul style="list-style-type: none"> • Western Motorway (M4) from the intersection with Westlink (M7) to Leonay • Great Western Highway from Leonay to Bathurst • Mitchell Highway from Bathurst to Dubbo • Sydney to Dubbo railway via Parkes and Bathurst
Townsville–Mt Isa	<ul style="list-style-type: none"> • Flinders and Barkly Highways from Townsville to Mt Isa • Great Northern Railway
Canberra Connectors	<ul style="list-style-type: none"> • Federal Highway • Barton Highway
Sydney–Wollongong	<ul style="list-style-type: none"> • Princes Highway and Southern Freeway from Sydney to Northern Distributor intersection at Wollongong
Melbourne–Geelong	<ul style="list-style-type: none"> • Princes Freeway from Melbourne to Geelong, including the proposed Geelong western bypass from Corio to the Princes Highway at Waurn Park. • Melbourne–Geelong standard gauge railway
Sydney urban links	<ul style="list-style-type: none"> • Cumberland Highway from the Hume Highway junction along Pennant Hills Road to the F3 at Hornsby—the Westlink (M7) will replace the Cumberland Highway when constructed • The South Western Motorway (M5), General Holmes Drive between South Western Motorway and Foreshore Road and Foreshore Road to Port Botany • Roberts Road and King Georges Road from the Hume Highway to Princes Highway • The interstate railway from Hornsby to Campbelltown via Chullora/Enfield intermodal terminal • Rail links from Chullora to Port Botany and from Chullora to St Marys
Melbourne urban links	<ul style="list-style-type: none"> • Hume Freeway to the Western Ring Road and new Hume Freeway link from Donnybrook to Metropolitan Ring Road—Craigieburn Bypass will replace the equivalent section of the existing Hume Freeway when constructed • Metropolitan and Western Ring Roads between the new Hume Freeway and Princes Freeway • Links to Port of Melbourne and Dynon intermodal terminal via the

Corridors	Links
	<p>Westgate Freeway, Western Link Tollway to Footscray Road, Footscray and Dynon Roads to the entrance of Dynon intermodal facility and Todd Road from Westgate Freeway to Williamstown Road</p> <ul style="list-style-type: none"> • Southern Link Tollway and Monash Freeway • Tullamarine Freeway from Western Ring Road to Melbourne Airport and Airport Drive • The interstate railway from Craigieburn to Laverton via Sunshine • The standard gauge railway from Sunshine to Dynon intermodal terminal and links to West Swanson and Appleton Docks
Brisbane urban links	<ul style="list-style-type: none"> • Ipswich Motorway • Granard, Riawena, Kessels and Mt Gravatt–Capalaba Roads • Gateway Motorway and Gateway Bridge • Pacific Highway • Interstate railway via the intermodal facility at Acacia Ridge connecting to the narrow gauge North Coast rail line and linking to the dual gauge rail to Port of Brisbane at Fisherman Islands • Port of Brisbane Motorway • Logan Motorway (possible future route).
Adelaide urban links	<ul style="list-style-type: none"> • Portrush Road, Lower Portrush Road, Ascot Avenue, Taunton Road, Hampstead Road, Grand Junction Road between Hampstead and South Roads, Port Wakefield Road between Grand Junction and Montague Roads, Montague Road between Port Wakefield and Main North Roads and Main North Road from Montague Road to Sturt Highway • Salisbury Highway/South Road Connector, Port Wakefield Road and future Sturt Highway extension from Port Wakefield Road to Gawler Bypass in the vicinity of Angle Vale and Heaslip Roads—to replace Main North Road when constructed • South Road to Sir Donald Bradman Drive and Sir Donald Bradman Drive to Adelaide Airport entrance • Interstate railway from Two Wells to Bridgewater via Dry Creek and Islington intermodal terminals • Rail link from Dry Creek to Port Adelaide and Outer Harbour • Port River Expressway from Salisbury Highway/South Road Connector, including a new road and rail bridge
Perth urban links	<ul style="list-style-type: none"> • Roe Highway, via Kwinana Freeway to possible Fremantle Eastern Bypass, Tonkin Highway between Roe and Leach Highways via Kewdale, Leach Highway, Stirling Highway between High Street and Tydeman Road, Tydeman Road, Port Beach Road from Tydeman Road to Fremantle Port (North Quay) • Canning Highway between Stirling Highway and Queen Victoria Street, Queen Victoria Street between Canning Highway and the proposed link with Beach Street, including this proposed link and the section of Beach Street between this proposed link and Gate Three at Fremantle Port (Victoria Quay) • Kwinana Freeway, from Leach Highway to Safety Bay Road • Interstate railway from Midland to Fremantle Port Inner Harbour via Kewdale intermodal terminal and Yangebup • Rail link from Yangebup to Mundijong via Kwinana (Outer Harbour)

Source: *AusLink White Paper*, pp. 69–71.