

The *AusLink* Green Paper

Submission to the Department of Transport and Regional Services



**The
Institution of Engineers,
Australia**

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Executive Summary

The Institution of Engineers, Australia (IEAust) applauds the boldness of the AusLink initiative. An integrated land transport strategy is critical to enabling Australia to achieve its potential and the IEAust is eager to assist in the implementation of it. This submission distilled the key issues down to a number of critical ones. It provides a framework through which an integrated land transport strategy can be practically achieved.

The issues have been grouped under four main headings:

1. *Assessment methodology*: need for clarity as to criteria and process; scope of methodology; support via education and data; and cross-sectoral issues,
2. *Sustainability*; importance; energy; greenhouse gas emissions; economic effects; and pricing and demand management,
3. *Institutional context*: roles of different spheres of government and organisational framework; nature of State Advisory Councils; implementation timetable; and private sector involvement, and
4. *Funding level*: quantum of funding; "earmarking"; pricing reform; and maintenance funding.

Recommendations

The IEAust has made the following recommendations:

1 Assessment methodology

- 1.1 A Taskforce should be established to oversee the development of the assessment methodology and address stakeholder concerns. (This does not preclude the use of BTRE as a technical resource). Whether this role is undertaken by the National Transport Advisory Council would depend on the composition and expertise of that Group (see recommendation 4.1). It will be necessary to (a) select and define the criteria to be used in assessment processes, (b) specify how these are to be measured or estimated and (c) specify how the various measures are to be assessed and evaluated in combination. IEAust considers itself a stakeholder and would welcome the opportunity to suggest candidates with appropriate experience and skill for such a Taskforce.
- 1.2 The Commonwealth Government should assess the skilling needs implicit in the *AusLink* proposals. It should then promote the development of technical courses for professionals to acquire these assessment skills. IEAust is in a position to assist in regard to the training of engineering professionals. The Commonwealth Government should also promote transport awareness courses aimed at senior managers and directors in both public and private sectors.
- 1.3 Regular data collection procedures should reflect the measures used in project assessments. The measures should be independent of mode as far as possible. Post-implementation monitoring of projects should take place and the outcomes placed in the public domain.

IEAust would be pleased to assist in the evolution of appropriate processes.

- 1.4 The forecasts of freight growth should be re-visited with a sustainability orientation, to probe why such high growth rates are expected, what sort of goods are involved and how well demand management alternatives might perform in sustainability terms. In particular, freight pricing policies should reflect the cost of infrastructure provision and externalities. This may result in significant changes to the comparative cost of each transport means. The expertise developed by IEAust through its inquiry into sustainable transport would be of assistance to The Commonwealth Government here.
- 1.5 The Commonwealth Government should reconsider its position in relation to urban public transport. IEAust believes that there is a national benefit to be obtained from better economic, environmental and social performance of urban transport systems and in our largest cities significant investment in public transport is a key step in achieving that. The scale of investment required may be beyond the funding capacity of State governments. The *AusLink* processes should include the possibility of funding urban public transport projects provided that a national benefit for so doing can be demonstrated. It is likely that even modest investments in Public Transport Infrastructure will assist in reducing the 2015 projected urban congestion cost estimate of \$29.7 billion. The Commonwealth (through *AusLink*) should not leave the solution to this unacceptably high cost impost solely to State and Local governments.
- 1.6 The holistic approach envisaged for *AusLink* assessment methodology should include cross-sectoral costs and benefits, for instance in the energy, health and environment sectors.

2 Sustainability

- 2.1 The performance criteria used in project assessments should be sufficient to assess the sustainability of both environmental and economic aspects of the project. IEAust recommends a case study to demonstrate how this might be done.
- 2.2 The energy profile should be adopted as a key tool in assessing options for projects. This should be based on whole-of-life energy consumption for both the infrastructure project and the vehicles using it. There should also be a corresponding statement of the energy “benefits”, which would essentially be the mass-distance of payloads moved. IEAust is not aware of any accepted techniques in practice in the transport sector but would be pleased to participate in their development.
- 2.3 Greenhouse gas emissions are a major sustainability issue and their estimation should be part of any assessment process.

3 Institutional context

- 3.1 Prior to the establishment of the National Advisory Council (whose establishment IEAust supports), research should be done into the effectiveness of the State Advisory Councils and international experience with various models (including governance structures, appointment method, reporting, staff support). This research should then inform the selection of the model for the Council.
- 3.2 The feasibility of the timetable for implementation of the AusLink proposals should be reviewed prior to the issue of the White Paper, in the light of submissions received, and if appropriate it should be revised.
- 3.3 Guidelines for the public outcomes sought from infrastructure development, and the mechanics of the assessment processes, should be very clearly defined before the private sector is invited to contribute to anything other than the delivery stages of infrastructure projects.
- 3.4 An organisational framework could be established which combines a top-down approach which establishes the appropriate level of funding in relation to need and resources, at a strategic level, and conducts a bottom-up technical analysis of candidate projects – and then matches the two via a needs analysis and some form of optimisation process, supported by appropriate databases and information systems. The result would be a funding allocation and works program committed for an appropriate time period.
- 3.5 Given the long lead time required for planning, design, land acquisition and construction of transport infrastructure projects, the proposed 5 year rolling program should have reasonably firm Treasury funding commitments with the immediate 2 year program fully funded as in the Queensland Main Roads Department's Roads Implementation Program for example.

4 Funding level

- 4.1 The Commonwealth Government should clarify how it intends to identify the quantum of expenditure on transport infrastructure. This might perhaps be bracketed by existing expenditure, at the lower end, and satisfaction of all needs, at the higher end, but there should be some indication of how actual expenditure from year to year will be determined. As a minimum, contributions to transport infrastructure funding from all sources should at least keep pace with increases in demand (if not with the rate of increase in contributions to the tax pool from the transport sector.)
- 4.2 The “earmarking” of funds for specific purposes should not be a feature of the *AusLink* arrangements. Where such earmarking is considered politically necessary, funds should be supplied via a

different program with different objectives. IEAust believes that all *AusLink* candidate projects – including maintenance programs, as in 4.4 – should be assessed in the same way once the *AusLink* assessment processes have been developed to a state which is agreed to truly reflect *AusLink* objectives.

- 4.3 Research into the pricing of infrastructure access should continue. IEAust agrees with the sentiment expressed in the Green Paper that “this issue is equally relevant for road and rail and will require patient and consistent effort to solve”. But it also believes that such effort is both essential and urgent and that pricing should not be consigned to the “too hard” basket. Research should also occur in developing affordable technological solutions and encouraging Australian private sector participation.
- 4.4 The maintenance of existing infrastructure of national importance should be an integral component of the *AusLink* program. IEAust would be strongly opposed to a national infrastructure programming methodology which did not adopt a whole-of-life analysis approach to prioritisation of investment. The definition of what is of national importance should be based on functional rather than geographic criteria and IEAust draws attention to the importance of developing them, recognising that pages 90-92 of the Green Paper offer an initial illustration of their possible nature.

Introduction

The Institution of Engineers Australia (IEAust) is the professional body representing practising engineers in Australia. It is recognised as one of the world's premier engineering bodies.

This submission was prepared under the auspices of David Kilsby, Chairman, National Committee for Transport, with considerable input from other units of the IEAust, including the Public Policy Unit.

The IEAust is pleased to have the opportunity to submit its views on the directions outlined in the *AusLink* Green Paper.

The IEAust is strongly supportive of an integrated approach to land transport planning and funding, and applauds the boldness of the *AusLink* initiative.

IEAust is supportive of these directions and is strongly placed to assist in their implementation because of its professional focus. The planning, delivery and maintenance of transport infrastructure is a key concern of a substantial portion of the membership.

In recent years IEAust has participated in many processes and undertaken many initiatives of its own which are of relevance to the concepts addressed in the *AusLink* Green Paper. In particular we would highlight:

- The *2000 and 2001 Australian Infrastructure Report Card* – a report on the state of the nation's infrastructure.
- *Sustainable Transport: Responding to the Challenges* – a report of the Sustainable Energy Transport Taskforce in 1999.

The *Australian Infrastructure Report Card* shows the state of national transport infrastructure as rated in the 2000 and 2001 exercises. The gradings (A is best, E is worst) are based on asset condition, availability, reliability management and sustainability. The poor performance of rail infrastructure nationally is clear.

Table 1 Assessment of National Transport Infrastructure

Source: Australian Infrastructure Report Card 2001

Infrastructure	2000	2001
Ports	B	n/a
Airports	B	n/a
Telecommunications	B	n/a
Roads – National	C	C
Roads – State	C-	C-
Roads – Local	D	D
Rail	D-	D-

The Sustainable Energy Transport Taskforce made 22 specific recommendations to Government in 1999. These fell into four groups, summarised below. The directions of the *AusLink* Green Paper could be similar to those recommended in the second group if the project assessment methodologies reflected sustainability issues and priorities.

- Taxation and fiscal policy instruments should encourage sustainable transport.
- There is a strong case for increased investment in transport infrastructure that offers the opportunity to develop a transport system that is integrated, more sustainable and less greenhouse gas intensive. The market is the appropriate mechanism to allocate resources between individual transport modes, but where market forces fail to deliver environmental and social objectives governments should intervene.
- More holistic approaches that integrate environmental considerations into transport policy, planning and investment decisions are needed. They should go beyond current Commonwealth and State and Territory environmental impact evaluations in order to examine wider impacts on health, sustainability and greenhouse gas emissions.
- There is a need for industry, innovation, and research and development policies and commitments to support the development of cleaner transport fuels and technologies. Additionally, there is a need for research into transport pricing, economics and demand-management technologies.

IEAust has already developed policy positions on many of the issues raised by the *AusLink* Green paper. These include:

- Support for a National Infrastructure Advisory Council – the Green Paper proposes a National Transport Advisory Council of similar scope
- Support for PPP's (Public-Private Partnerships) as they offer considerable benefits. This is recognised by the creation of PPP guidelines by many States. The Federal Government should also develop guidelines to foster the development of national PPP.
- Support for the augmentation of public sector expertise in relation to infrastructure planning, delivery and maintenance – the Green Paper does not address skilling needs and this is considered an omission that should be remedied
- Support for long-term time horizons for strategic planning – the Green Paper proposes a 20-year time horizon which is certainly a step forward from the shorter timescales usually adopted for infrastructure planning. IEAust believes that 50 years would not be inappropriate for planning the development of national transport infrastructure.
- Consideration of infrastructure bonds as an optional mechanism for infrastructure funding.

- A greater emphasis on the funding of all modes of transport through user charges.

The IEAust has distilled its policy positions and extensively consulted its membership to develop this submission.

Rather than answering all of the considerable number of questions posed in AusLink, this submission distilled the issues down to a number of critical issues. These provide a framework through which an integrated land transport strategy can be practically achieved.

The IEAust would welcome the opportunity to directly address the AusLink review team and expand on the issues in this submission.

If the AusLink review team would like to take up this opportunity, please contact Athol Yates on 6270 6547 to arrange such a meeting.

Findings, Conclusions and Recommendations

1 Assessment methodology

Findings

- Clarity in the identification and measurement of appropriate performance criteria and in the workings of the assessment process is essential for the implementability of the *AusLink* proposals.
- The Green Paper does not provide sufficient clarity.
- The new assessment processes will require specific skills that may not be currently available in the Department.
- The *AusLink* methodology will require support from data collection and performance estimation processes, not only for project assessment but also for post-implementation monitoring.
- The Green Paper inordinately concentrates on interstate non-bulk freight movement and neglects urban transport and interstate passenger transport.
- The Green Paper does not regard urban transport, and in particular urban public transport, as being of national significance.
- Transport demand is affected by a range of Commonwealth policies other than transport, for instance taxation and immigration.

Conclusions

- The definition of performance criteria and the methodology for the assessment of projects must be developed before *AusLink* can be implemented as intended.
- There are two aspects where education will be required. One is in the provision of the technical skills to implement the proposed *AusLink* procedures (which have yet to be developed). The other is the broader requirement to ensure that senior management in all relevant organisations has an adequate appreciation of the changes to be introduced if the *AusLink* proposals are adopted.
- Data gathering processes in Australia are not yet adequate to support the requirements of an *AusLink* process, as indicated by the Australian National Audit Report on *Management of the National Highways System Program*.

- The predictions of a massive increase in the national freight task should not be accepted without consideration of more sustainable alternatives. There is an implication in the Green Paper that because such demand is forecast, it must be catered for. This was roughly the position of the urban passenger transport sector in our larger cities 25 years ago. Demand management is now commonly accepted for urban passenger transport but does not appear to be on the radar yet for the management of freight, and in particular long-distance non-bulk freight.
- The specific issue of non-bulk freight is only one component of the national transport task. Arguably intrastrate freight is more critical to national performance, and the most critical issues of passenger transport occur in the urban areas where most Australians live.
- It is not possible to address transport issues in complete isolation from policy areas which have a major effect on them, such as pricing (taxation) and national settlement, or from outcome areas where transport has major effects (eg health, environment).
- Tolling on major roads in urban areas is a form of demand management which needs to be considered. The imposition of tolls can be difficult from a political perspective but governments need to consider more the long-term national interests.

Recommendations

- 1.1 A Taskforce should be established to oversee the development of the assessment methodology and address stakeholder concerns. (This does not preclude the use of BTRE as a technical resource). Whether this role is undertaken by the National Transport Advisory Council would depend on the composition and expertise of that Group (see recommendation 4.1). It will be necessary to (a) select and define the criteria to be used in assessment processes, (b) specify how these are to be measured or estimated and (c) specify how the various measures are to be assessed and evaluated in combination. IEAust considers itself a stakeholder and would welcome the opportunity to suggest candidates with appropriate experience and skill for such a Taskforce.
- 1.2 The Commonwealth Government should assess the skilling needs implicit in the *AusLink* proposals. It should then promote the development of technical courses for professionals to acquire these assessment skills. IEAust is in a position to assist in regard to the training of engineering professionals. The Commonwealth Government should also promote transport awareness courses aimed at senior managers and directors in both public and private sectors.
- 1.3 Regular data collection procedures should reflect the measures used in project assessments. The measures should be independent of mode as far as possible. Post-implementation monitoring of projects

should take place and the outcomes placed in the public domain. IEAust would be pleased to assist in the evolution of appropriate processes.

- 1.4 The forecasts of freight growth should be re-visited with a sustainability orientation, to probe why such high growth rates are expected, what sort of goods are involved and how well demand management alternatives might perform in sustainability terms. In particular, freight pricing policies should reflect the cost of infrastructure provision and externalities. This may result in significant changes to the comparative cost of each transport means. The expertise developed by IEAust through its inquiry into sustainable transport would be of assistance to The Commonwealth Government here.
- 1.5 The Commonwealth Government should reconsider its position in relation to urban public transport. IEAust believes that there is a national benefit to be obtained from better economic, environmental and social performance of urban transport systems and in our largest cities significant investment in public transport is a key step in achieving that. The scale of investment required may be beyond the funding capacity of State governments. The *AusLink* processes should include the possibility of funding urban public transport projects provided that a national benefit for so doing can be demonstrated. It is likely that even modest investments in Public Transport Infrastructure will assist in reducing the 2015 projected urban congestion cost estimate of \$29.7 billion. The Commonwealth (through AusLink) should not leave the solution to this unacceptably high cost impost solely to State and Local governments.
- 1.6 The holistic approach envisaged for AusLink assessment methodology should include cross-sectoral costs and benefits, for instance in the energy, health and environment sectors.

2 Sustainability

Findings

- Sustainability is identified as one of twelve key principles behind the *AusLink* proposals. It is mentioned several times in the Green Paper, but without any degree of rigour in its definition or depth of explanation as to its significance.

Conclusions

- Many respondents felt that a stronger commitment to the concept of sustainability would be appropriate.

- While the importance of sustainability is well understood at a strategic level, the managerial tools to implement sustainability concepts are still embryonic. This suggests that the development of such tools is of extremely high importance, because an assessment methodology that cannot assess the relative sustainability of project options would be significantly deficient given the *AusLink* objectives.
- For transport infrastructure, a key indicator of sustainability is energy use. This should encompass not only operational energy but also the energy required in construction, maintenance and possibly eventual disposal of the infrastructure. The infrastructure itself also represents embodied energy, which assessment methods should account for.
- The most common indicator of environmental sustainability is the quantity of greenhouse gas emissions. Greenhouse gas emissions are of course closely related to energy use.

Recommendations

- 2.1 The performance criteria used in project assessments should be sufficient to assess the sustainability of both environmental and economic aspects of the project. IEAust recommends a case study to demonstrate how this might be done.
- 2.2 The energy profile should be adopted as a key tool in assessing options for projects. This should be based on whole-of-life energy consumption for both the infrastructure project and the vehicles using it. There should also be a corresponding statement of the energy “benefits”, which would essentially be the mass-distance of payloads moved. IEAust is not aware of any accepted techniques in practice in the transport sector but would be pleased to participate in their development.
- 2.3 Greenhouse gas emissions are a major sustainability issue and their estimation should be part of any assessment process.

3 Institutional context

Findings

- The composition and role of the National Transport Advisory Council will be a critical factor in determining the acceptability of the approach proposed in the Green Paper.
- The timetable for the introduction of the *AusLink* measures is aggressive and welcome. However it may be optimistic.

- The opportunities for private sector investment in public infrastructure will depend on the expected commercial returns, which in turn is bound up with issues of risk allocation.
- The private sector is a source of ideas for public infrastructure and their input should be encouraged.
- There is a need for a national organisational framework (including processes) for formulating a nationally integrated Transport Strategic Plan.
- The States, Territory and Local governments are well positioned to determine State, Territory and regional priorities.

Conclusions

- Any model of a National Infrastructure Advisory Council needs to be considered only after research has been done on the effectiveness of the State Advisory Councils and international experience with various models (including governance structures, appointment method, reporting, staff support).
- It will be important to have all players in general agreement about the directions for reform. If there is conflict between achieving this agreement and adhering to the timetable laid down in the Green Paper, it is the timetable that should be adjusted.
- The limitations of public/private partnerships should be recognised, especially in regard to private sector involvement in the planning rather than the delivery of infrastructure.
- An appropriate national framework appears to call for a combination of top-down and bottom-up processes. The proposed approach is rather a mixture of present-forward (a managerial approach under which present programs evolve slowly) and future-backward (an aspirational approach under which broad objectives are achieved by as-yet-unspecified methods).

Recommendations

- 3.1 Prior to the establishment of the National Advisory Council (whose establishment IEAust supports), research should be done into the effectiveness of the State Advisory Councils and international experience with various models (including governance structures, appointment method, reporting, staff support). This research should then inform the selection of the model for the Council.
- 3.2 The feasibility of the timetable for implementation of the AusLink proposals should be reviewed prior to the issue of the White Paper, in

the light of submissions received, and if appropriate it should be revised.

- 3.3 Guidelines for the public outcomes sought from infrastructure development, and the mechanics of the assessment processes, should be very clearly defined before the private sector is invited to contribute to anything other than the delivery stages of infrastructure projects.
- 3.4 An organisational framework could be established which combines a top-down approach which establishes the appropriate level of funding in relation to need and resources, at a strategic level, and conducts a bottom-up technical analysis of candidate projects – and then matches the two via a needs analysis and some form of optimisation process, supported by appropriate databases and information systems. The result would be a funding allocation and works program committed for an appropriate time period.
- 3.5 Given the long lead time required for planning, design, land acquisition and construction of transport infrastructure projects, the proposed 5 year rolling program should have reasonably firm Treasury funding commitments with the immediate 2 year program fully funded as in the Queensland Main Roads Department's Roads Implementation Program for example.

4 Funding level

Findings

- The lack of guidance about the quantum of future federal spending on transport infrastructure, or even how that quantum will be determined, is seen as a major omission in the Green Paper. Strong reservations were expressed by many respondents about the apparent absence of any intent to change the amount of infrastructure funding to be provided by the Commonwealth despite the considerable increase over recent years in the contribution made to the Commonwealth funding pool from the transport sector.
- Federal spending should in theory be directed towards national objectives, State spending towards State objectives, and private sector spending towards commercial objectives. Concern has been expressed from the smaller States (eg Tasmania) as to the difficulty of separating national and local issues.
- Appropriate pricing of access to infrastructure is widely recognised - including by the Green Paper – as a key ingredient in a sustainable transport system. If *AusLink* is successful in establishing the infrastructure for a sustainable national system, government

intervention and operational funding will still be required if inappropriate pricing distorts the use of the infrastructure.

- Existing infrastructure is, in some cases, in a disturbing state, especially rail and local roads (as per Table 1). The emphasis in the Green Paper is on the development of new projects but existing investment in infrastructure, and overall system performance, needs to be safeguarded as well. For instance, on an individual link basis, there are still sections of the National Highway network in appalling condition and deferment of plans to upgrade these in line with National standards should not be countenanced.

Conclusions

- By implication, the quantum of funding will remain at approximately today's levels and therefore the proposals are more about changing the distribution of funding. This further implies that there will be winners and losers from the process. Failure to identify the likely losers at this stage may be beneficial in postponing active political opposition but it also increases the amount of precautionary opposition that uncertainty will generate. Unless infrastructure funding is increased, the immediate losers are likely to be those whose interests are bound up with regional sections of the National Highway System. A secondary effect will be an increase in road accidents arising from an increase in the proportion of the National Highway network which fails to meet minimum standards. In the longer term, the losers will be the Australian community through higher freight, congestion and accident costs.
- For the smaller States and regional areas, the viability of local professional expertise may be dependent on the injection of external funding for infrastructure. The "ear-marking" of some funds for local infrastructure development is a political intervention measure to mitigate the likely outcomes of "pure" *AusLink*. To some extent the proposal to " earmark" funds for regional purposes would reduce political pressures from those whose funding might otherwise be in jeopardy, but if the total amount of funding is unlikely to vary significantly then earmarking also reduces the flexibility to direct available funds towards the most effective projects, as intended by the *AusLink* proposals. If the project assessment processes were to truly reflect national priorities, then earmarking funds in this way would be not only unnecessary but also contrary to the transparent and accountable aspirations of *AusLink*. Any funding for the purpose of maintaining local expertise should be separate from *AusLink* funding.
- In addition, the cost impost arising from the bureaucratic processes involved in Commonwealth decision making imposed at a local government level will be high. There are many excellent examples of local governments cooperating at a regional level without the necessity for Commonwealth "assistance" in deciding how to prioritise expenditure of funds available from all sources.

- Reform of infrastructure funding without corresponding reform of infrastructure pricing is incomplete reform. However pricing principles are as yet insufficiently understood or agreed.
- Calls for increased funding for infrastructure must recognise that funds are finite. The choices are therefore to spend less on some aspects of infrastructure in order to increase spending on others – implicitly this is the *AusLink* approach; or to spend more on transport infrastructure at the expense of some non-transport spending (an approach likely to be vigorously opposed by non-transport interest groups); or to increase the available funds for transport by increasing transport revenues, ie through pricing reform. Two conclusions emerging are (a) that more spending on transport infrastructure is needed and (b) pricing reform is a key step towards sustainable transport.
- There should be a balancing proposal to address infrastructure maintenance as well as infrastructure development.

Recommendations

- 4.1 The Commonwealth Government should clarify how it intends to identify the quantum of expenditure on transport infrastructure. This might perhaps be bracketed by existing expenditure, at the lower end, and satisfaction of all needs, at the higher end, but there should be some indication of how actual expenditure from year to year will be determined. As a minimum, contributions to transport infrastructure funding from all sources should at least keep pace with increases in demand (if not with the rate of increase in contributions to the tax pool from the transport sector.)
- 4.2 The “earmarking” of funds for specific purposes should not be a feature of the *AusLink* arrangements. Where such earmarking is considered politically necessary, funds should be supplied via a different program with different objectives. IEAust believes that all *AusLink* candidate projects – including maintenance programs, as in 4.4 – should be assessed in the same way once the *AusLink* assessment processes have been developed to a state which is agreed to truly reflect *AusLink* objectives.
- 4.3 Research into the pricing of infrastructure access should continue. IEAust agrees with the sentiment expressed in the Green Paper that “this issue is equally relevant for road and rail and will require patient and consistent effort to solve”. But it also believes that such effort is both essential and urgent and that pricing should not be consigned to the “too hard” basket. Research should also occur in developing affordable technological solutions and encouraging Australian private sector participation.

- 4.4 The maintenance of existing infrastructure of national importance should be an integral component of the *AusLink* program. IEAust would be strongly opposed to a national infrastructure programming methodology which did not adopt a whole-of-life analysis approach to prioritisation of investment. The definition of what is of national importance should be based on functional rather than geographic criteria and IEAust draws attention to the importance of developing them, recognising that pages 90-92 of the Green Paper offer an initial illustration of their possible nature.