

## Road Reform in Queensland

**Neil Doyle**  
*Director (Roads)*  
*Queensland Transport*

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### Abstract:

In 1993, Queensland Transport embarked on a Road Reform Project which will lead to a revision of the way it undertakes its business. Through this project, it will be in a position to demonstrate value for money in road delivery and contribute better to the economic well being of Queensland through more effective infrastructure investment.

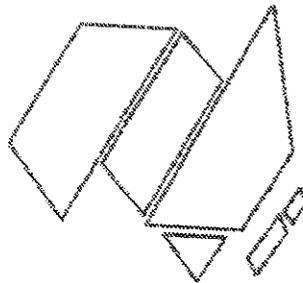
The paper describes the project scope and anticipated benefits. The structure of the project is explained and it is seen that success will depend on close co-operation between key stakeholders including representatives of industry, local government and the commitment of the Department's team. Early achievements of the project are described.

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### Contact Author:

Neil Doyle  
Director (Roads)  
Queensland Transport  
GPO Box 2595  
BRISBANE QLD 4001

Telephone: (07) 224 7632  
Fax: (07) 224 3833



## 1. INTRODUCTION

In mid 1992, Queensland Transport (QT) embarked upon an ambitious Road Reform Project which will lead to a revision of the way it undertakes business in delivering its roads program in Queensland. Through this Project, which will both involve and impact all sectors of the road industry, significant internal savings will result through efficiency gains while the community will benefit through more effective prioritisation of work and utilisation of the road dollar.

This paper describes the background to this project, how it is being undertaken and some initial achievements. Future directions of the project are outlined.

## 2. BACKGROUND

Queensland Transport is responsible for providing safe, efficient and cost-effective transport throughout Australia's second largest State.

Within an area of 1.7 million square kilometres, QT manages more than 34,000 kms of roads - the major traffic-carrying and linking roads, with councils responsible for the balance.

Queensland Transport has a roads' asset base of approximately \$20,000 million. Investment of \$600 - \$700 million is made annually in the construction and maintenance of Queensland's road network.

Initiating Road Reform was seen by QT as a positive response to increasing demands on Queensland's road network and the pressure on government funding.

Prior to commencing the project, a number of research studies based on an analysis of data from recent roadworks clearly indicated the magnitude of potential savings which could be achieved. This experience had a profound influence on the direction adopted for the project.

## 3. WHAT IS ROAD REFORM?

The Road Reform Project was initiated as an integral part of micro-economic reform of Australia's overall transport network in an economic climate when:

- available resources were inadequate to do all of the roadworks which industry demands and the community expects. Savings through efficiency would permit more work;
- Department and community were seeking evidence that work done was on projects with high return and being executed in a most efficient way.

Road Reform is the mechanism for the road industry to determine where it needs to be to support the State and the nation's future growth and economic development, and then make the changes that need to be made to improve our international competitiveness.

Road Reform will provide a more strategic focus to the management and delivery of the road system in Queensland. It is committed to a goal of a 20 percent productivity increase by the end of 1995 or 20 percent more roads for the dollar.

- Based on the record funding level of \$767 million for 1992/93, achievement of 20 percent productivity improvement represents over \$150 million per year, which would result in significant benefits to industry and the community.
- Also focusing on work with high economic return will add over \$100m extra to wealth in Queensland.
- Investment in roads and management of the road system will be done in the context of integrated transport.

The focus of reform is to ensure priority is given to the most important road projects, and that it can be proven that these projects have been carried out in the most efficient way.

In other words, Road Reform is about building the right job in the right place for the right price.

#### 4. BENEFITS OF ROAD REFORM

The impacts of Road Reform will be felt across all sectors of the Queensland road industry with an extensive range of benefits. These are summarised below:

- A sound and efficient transport infrastructure which will assist economic development and export industries;
- A more strategic approach to management of the road system, with clear separation of QT's role as "owner" of the network separated from its service delivery or "doer" role;
- An environment where public and private sectors will compete for work in fair and open competition;
- More roadworks for the road users' tax dollar;

- Greater predictability of road funding to ensure efficient work and industry adjustment;
- Achievement of National and International Best Practices in the delivery of road programs;
- A strong argument for appropriate levels of road funding;
- Relief of pressure on infrastructure caused by population expansion; and on the allocation of public money for capital works;
- Greater accountability by local authorities and QT day labour work forces;
- Leadership of a national reform program in the roads sector, recognised as being inevitable;
- Assistance in the development of value-added goods and services;
- More innovative and efficient approaches to project delivery; improved use of technology;
- Increased emphasis on greater professionalism within QT achieved through training and better management information systems;
- Improved job skills and skills recognition for road industry workers;
- Improved work practices and flexibility in the workplace.

**Through Road Reform, when we seek Government or private sector funding, we will be able to clearly demonstrate:**

- it is needed;
- it has high economic value;
- the work will be done at maximum efficiency.

## **5. THE PROJECT STRUCTURE**

### **Steering Committee**

The Project is overseen by a Steering Committee comprising the Director-General of Transport (CEO), key executive managers and Regional Directors representing a regional view.

### Road Reform Project Team

Under the direction of the Steering Committee, a Road Reform Team was set up within Queensland Transport, and attached to Roads Division to implement Road Reform.

The Team, led by a consultant Project Manager, comprises a number of senior Departmental people seconded to the project, a move seen within QT as reflecting QT's strong commitment to Road Reform and an acknowledgement of the significant benefits which will accrue from this initiative.

The right people with the right skills, supported by other consultants with expertise in critical areas, such as change management and workplace reform, act as task leaders in their specific areas of expertise, as well as provide a collective focus on the management and objectives of Road Reform.

The primary tasks of the Team are shown in Figure 1.

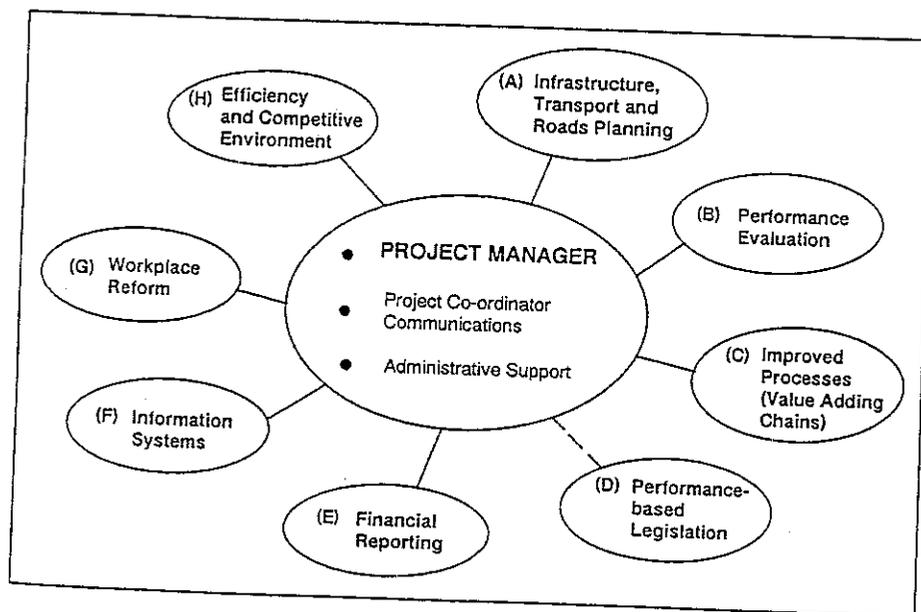


Figure 1. Road Reform Structure and Tasks

### **Industry-wide Involvement**

Road Reform cannot occur solely within Queensland Transport. To succeed, it will require government and industry to sit down together and develop a shared vision for the future of the roads industry.

A Road Industry Reform Peak Council (RIRPC) was established by the Minister for Transport in February 1993 to guide industry-wide change in the roads sector.

The RIRPC has provided an appropriate forum within which this objective can be achieved and, to date, there is clear evidence of enthusiasm and commitment to Road Reform from all participants.

The Peak Council is chaired by Director-General of QT and comprises senior executive level representatives of local government, private contractors and suppliers, major customers and unions.

### **Involvement of Others**

The importance of developing common understanding and building commitment for this initiative in order to prepare the way for change has been recognised from the outset.

Initially, a clear concept of an achievable but desirable future of:

- Sound justification;
- Proven efficiency;
- Pride in being the best,

was developed and sold to top management and sensitive political areas. Subsequently, key and accountable managers within the Department were involved in developing strategies to get there.

This has been done through:

- involvement of all key stakeholders, both internally and externally, through a process of consultation and negotiation at all stages of the process, together with regular updates on progress;
- developing and implementing strategies and mechanisms for communication and education;

- taking a targeted approach to build confidence and accommodate existing workloads; ie at rates of change with which people could cope;
- conducting planning workshops involving Regional Directors and District Managers, engineers and other key staff;
- encouraging local participation and innovation at Region and District levels to ensure local ownership of Road Reform initiatives;
- developing and implementing a strategy to achieve industry-wide commitment to reform of the roads sector

An essential part of the implementation strategy also involved the establishment of pilot projects in at least one District in four of the five regions, commencing in Gympie and Roma in late 1992.

These pilot projects aimed to examine current work practices and identify opportunities for increased efficiencies. As part of the process of building local commitment and ownership, projects were developed through full consultation and negotiation with District personnel.

Extensive briefing sessions have been delivered to some 4,500 staff involved in Roads Program delivery throughout Queensland. These sessions have ensured that all staff receive a consistent message on the Road Reform initiative. Staff also will have a full appreciation of the Road Reform task in the context of industry-wide reform, why Road Reform is necessary and how it will impact on their daily operations.

In addition there has been extensive, ongoing consultation with the Local Government Association, individual Local Authorities, private contractors, consulting engineers, Local Government engineers, major suppliers and transport industry users on various aspects of Road Reform. All parties have demonstrated a willingness to provide input into the reform process and the Road Reform team has adopted a co-operative approach to resolving issues of concern.

There is no doubt that we will be asking a lot of some areas and the change required will be radical. There is acceptance that we will manage sensitively those difficulties.

There is a clear commitment to achieving the objectives of Road Reform through a co-operative, consultative and competent process involving all sectors of the roads industry.

## 6. ACHIEVEMENTS TO DATE

### District Business Model

In order to demonstrate best value for money, Queensland Transport must distinguish between its role as an 'owner' of the road network, and its role as a 'doer' (or 'service provider'), competing fairly and openly for roadworks contracts.

The development of the District Business Model was a major breakthrough in the implementation of Road Reform. It reflects a major culture change within the Department in a very positive and public way.

This District Business Model, which is shown in Figure 2, meets the basic principles of:

- commercialisation;
- open competition;
- accountability;
- transparency (or separation of the owner/doer role).

The key issue is that the Infrastructure Delivery Manager must select the best value way of delivering work, and not give preference to D/L or LA or contractors. His role will grow, but it is a key to a fully competitive environment.

Under the Model, roadworks activities in Queensland Transport will be restructured into business units, with the 'service provider' units operating on a commercial basis.

Consistent with this Model, District Business structures suiting local needs will be trialled during 1993/94. This will provide an opportunity for staff to "rehearse new behaviours" within a commercial environment and establish essential systems which fit the new business approach before formal restructuring occurs.

Concurrently, commercial systems and practices are being developed in conjunction with the Commercialisation and Finance Units, to support the District Business Model.

### Local Government Commitment

The Local Government Association of Queensland (LGAQ) has been extensively involved in the development of Road Reform and has signalled a joint commitment to achieving efficiency in roadworks delivery.

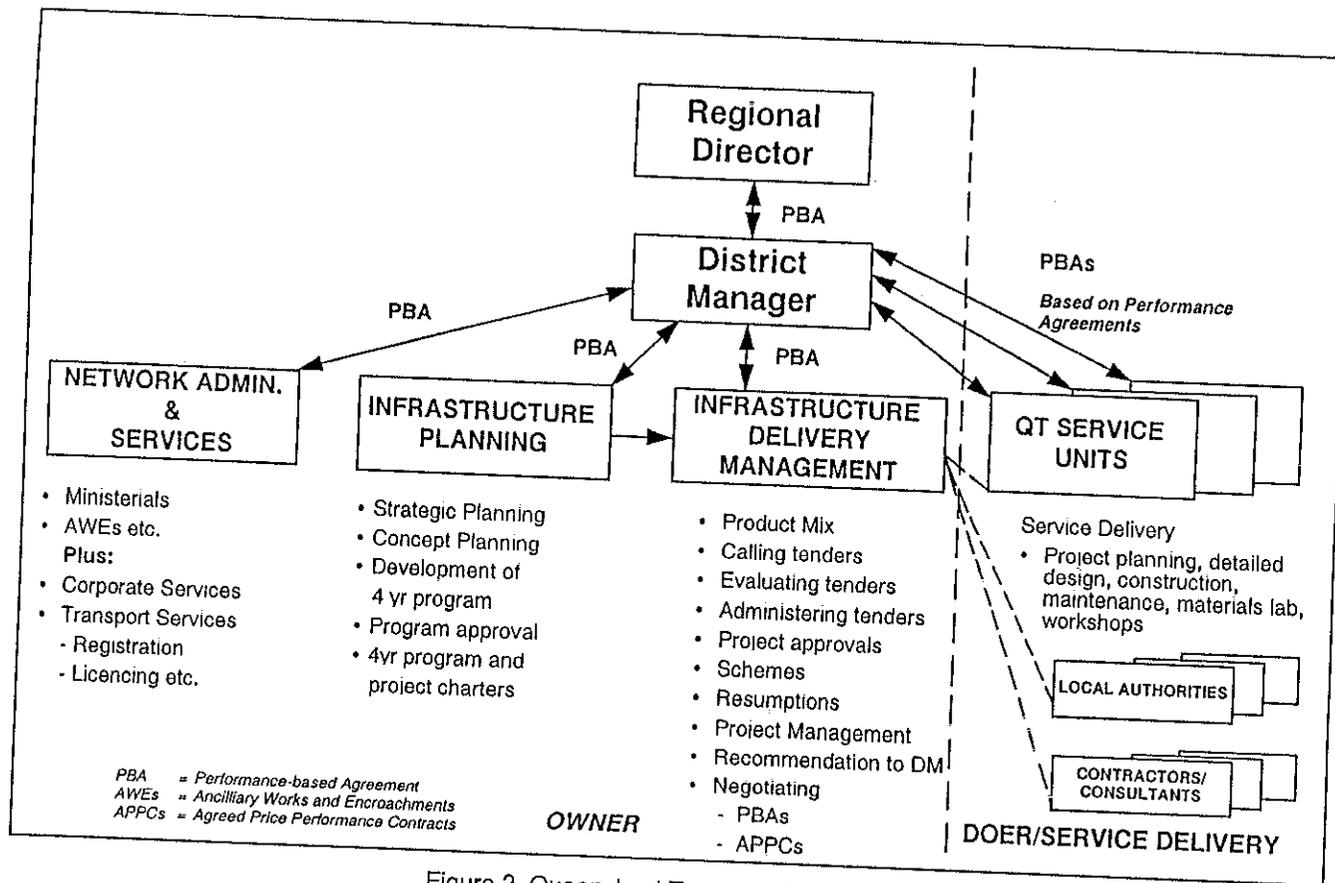


Figure 2. Queensland Transport District Business Model

Councils are major road authorities in their own right and have a unique and valued role in undertaking roadworks for Queensland Transport. They share Queensland Transport's interest in pursuing maximum value for money.

However, Local Authorities too will need to make changes to prepare for this new era of competition.

Where Councils depend on Queensland Transport work for the financial viability of their communities, there will be safeguards. These Councils will remain as preferred suppliers, subject to Agreed Price Performance Contracts and productivity targets.

The LGAQ has endorsed the Department's move towards:

- Direct competition in cities and larger communities;
- Preferred supplier arrangements in small, dependent communities;
- A shift from July 1, 1993, from an agency to a price preferred contract relationship between councils and QT for works other than routine maintenance.

#### Works Programming

In developing future Works Programs, Regional Directors and District Managers will take account of key initiatives of Road Reform.

These initiatives include:

- packaging construction and maintenance works into larger jobs to achieve greater economies of scale;
- creating an environment of genuine competition;
- introduction of Agreed Price Performance Contracts, subject to productivity targets and performance (particularly where local government employment is a major factor in community viability);
- introduction of design/construct contracts;
- co-operative projects involving neighbouring councils, as well as private and public sectors;
- revised tendering arrangements in which quality standards and past performance, as well as price, are considered;

- allocation of scarce resources to areas of greatest need in order to promote economic and regional development;
- flexibility in standards and specifications to allow projects to be tailored to meet the needs of their environment to achieve maximum value for money.

### **Productivity Gains**

Under the Road Reform process, productivity gains amounting to some \$55 million have been identified for 1992/93. Significant savings were realised through bulking-up works into larger scale projects; other examples include re-organisation of field operations to provide greater flexibility across construction and maintenance operations, improved work practices and better use of technology.

### **Road Network Strategy**

The Road Network Strategy (RNS) focuses on the key outcomes sought by the Government from its investment in the road network, ie. economic, trade and regional development. It integrates the planning, maintenance and the development of the road network with road use management and intermodal transport issues.

It will guide investment and management activities on Queensland's road system for the next 10 years and beyond.

RNS is the outcome focus which will ensure that Road Reform effectiveness goals are achieved and which will provide the basis for identification of priority roadworks projects.

Development of RNS under Road Reform has involved State-wide studies and consultation in key areas such as agriculture, mining, manufacturing and tourism. RNS is already impacting upon the 1993/94 Roadworks Program and influencing the forward program of works for the next four years.

Further work is proceeding on the development of tools to implement the strategy, particularly in the area of quantifying the effect of the performance of the road network on the State's economy. This is the major focus of work for 1993/94.

### **Performance Evaluation**

Evaluation of performance is a key factor in measuring the success of Road Reform.

To date, significant progress has been made in the development of a basic set of efficiency indicators to allow comparisons in roadworks delivery between Queensland Transport Districts, road industry sectors and other State Road Authorities.

Performance Indicators (PIs) for efficiency will be implemented in all Districts from July 1993.

Simply, we want to be able to demonstrate value for money and economic benefits of our roads program.

Following an assessment of Australian Best Practice for effectiveness, a project also is underway to identify casual links between transport efficiency, industry and business growth and development, and macro-economic outcomes. Effectiveness PIs to guide road investment in Queensland also will be developed.

## 7. FUTURE DIRECTIONS

Past efforts have made substantial progress in strategy but focussed mainly on means to achieve efficiency in roadworks delivery. Processes and changes have been established which will lead to sustained benefits. A challenge in the future will be to provide support to those areas which must undertake change and install and implement new practices and procedures.

Increase attention will be directed externally as we seek to ensure that funds are directed towards applications which will reap most favourable economic returns. There is little evidence of guidance elsewhere in this regard and it is anticipated that it will be a slow and challenging process. However, there is encouraging work in Scandinavia and the United States of America. Initially, attempts will be made to establish causal relationships between infrastructure investment and economic returns. It will then be necessary to demonstrate benefits through appropriate performance indicators.

## 8. CONCLUSIONS

Road Reform has the support of Local Government, industry bodies and unions. It is an example of government and private enterprise working together to provide significant gains in community benefits, improved productivity and efficiency, and a strengthened infrastructure for economic growth in Queensland.

Through achievement of World Best Practices in all facets of road infrastructure delivery, the benefits emerging from the Road Reform initiative will be significant. Such benefits also will flow to other areas of Queensland Transport, as well as those public sector agencies involved in infrastructure management and delivery.

The potential savings to Queensland Transport through efficiency gains are enormous and are estimated to be of the order of \$100m per annum by 1995. Even greater benefits will accrue to the Queensland economy through more effective investment in infrastructure.

Australia needs to change and is addressing it. Road Reform is a major challenge but is committed to:

- Best jobs
- Best efficiency
- Appropriate investment

in managing Roads as a Business.

#### 9. ACKNOWLEDGEMENTS

This paper summarises progress in the implementation of Road Reform in Queensland. The contribution by those involved in Road Reform activities is acknowledged.