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Inquiry into **National Freight**
and **Supply Chain Priorities**



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PROGRAM
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1. Overview

The Australian Government has a well-established Infrastructure Investment Program aimed at improving the productivity of Australia's land transport networks. This includes increasing the capacity of our regions and major cities by connecting people and products to employment and markets more safely and efficiently.

The Infrastructure Investment Program is based on long-term planning, robust project identification and selection processes, and targeted investments to achieve the best outcomes for the Australian economy and regional and urban communities. It is designed to ensure that Australia's national land transport system is increasingly better placed to meet the challenges it faces in the future.

Recognising that many transformational transport infrastructure projects are planned and built over many years, the Government has established a 10-year allocation for funding road and rail investments. This funding, predominantly provided through the Infrastructure Investment Program, is expected to deliver \$75 billion in infrastructure funding and financing from 2017-18 to 2026-27. The funding includes the \$10 billion National Rail Program and equity investment in two of the biggest infrastructure investments in our generation — the Melbourne to Brisbane Inland Rail and Western Sydney Airport.

While the Australian Government contributes significant funding towards infrastructure in Australia, it is not always directly involved in managing the construction of new transport infrastructure or the delivery of public infrastructure services. This reflects the collaborative approaches to investment planning and regulation used in Australia, particularly in regard to road and rail infrastructure.

This allows for the efficient management of the complex operating environment for transport policy and regulation, which stems from federal, state, territory and local governments being responsible for different areas of transport regulation.

The Australian Government typically supports the delivery of transport infrastructure through state and territory governments (the 'states' or 'jurisdictions') who then work closely with their local government counterparts. The Australian Government's role includes:

- identifying and assessing national priorities for investment
- working with the states to ensure assessment processes are robust and the highest priority investments are supported
- providing funding and other support for infrastructure upgrades
- implementing infrastructure related reform initiatives, such as establishing national guidelines to provide governments, the private sector, and the public with transparency and certainty with regard to investment decisions.

Through this role, the Australian Government provides strong leadership in the setting of policy objectives and remains a substantial investor, through both funding and financing, in the provision of land transport infrastructure.



The Infrastructure Investment Program includes the major infrastructure investment component and sub-programs that target specific outcomes (such as safety and improvements to local roads). The sub-programs include:

- Roads to Recovery
- Black Spots Program
- Heavy Vehicle Safety and Productivity Program
- the Bridge Renewal Program
- National Highway Upgrade Program.

Further details about these programs are at [Attachment A](#).



2. Investment reform measures

In 2008, Infrastructure Australia (IA) was established as an independent advisor to governments to eliminate the short-term cycle in project prioritisation and to develop a national view on infrastructure priorities and policies. In 2014, reforms were passed to strengthen the role of IA as an independent, transparent and expert advisory body through a change in its governance structure. These reforms have provided better clarification of IA's core functions and responsibilities. As part of these reforms, the Australian Government tasked IA to assess business cases for nationally significant infrastructure proposals where \$100 million or more in Australian Government funding is sought, with a focus on a project's cost benefit analysis.

In May 2015, IA released Australia's first top-down infrastructure audit (the Audit) which informed the development of IA's *Australian Infrastructure Plan* (the Plan) released in February 2016. The Audit and the Plan continue to inform IA's Infrastructure Priority List, which is updated periodically. IA's work has been central to the Government's investment decision-making framework.

Following the release of the Plan in 2016, the Australian Government has acted on a number of reforms identified by IA, which focus on getting more from infrastructure investment and achieving better integration between transport infrastructure and land use planning. This has seen the Government commit to being a more informed investor and having a greater say on where and how Commonwealth funds are invested. This approach helps ensure the Government is achieving better value for money; while still encouraging those who are best placed and have the skills to invest and deliver the infrastructure, particularly the private sector.

The Australian Government is also looking to be a more informed investor through early involvement in the development of business cases for major projects. This approach recognises that early involvement allows the Government to help shape infrastructure projects to deliver the best economic returns, while also benefitting end users and the wider community and to drive broader policy objectives, such as urban renewal and affordable housing.

In 2016, the Government released the *Principles for Innovative Funding* (the Principles), which set out the Government's goals for investing in land transport infrastructure, including how projects are selected, as well as confirming how technology and alternative funding and financing are being considered as part of the Australian Government's investment strategy. The Principles support a holistic approach to infrastructure investment and have been established to inform the development of state and territory government infrastructure proposals seeking Commonwealth funding support.

In July 2017, the Infrastructure and Project Financing Agency (IPFA) was established to further strengthen the Australian Government's capacity to develop innovative funding and financing opportunities for investment in land transport infrastructure projects. IPFA is engaging with the private sector to support the delivery of major infrastructure projects. The establishment of IPFA further builds on the release of the Principles, as well as further supporting the Australian Government's commitment to being a more informed investor.



3. Governance and legislative framework

The Infrastructure Investment Program is subject to the following governance:

- The [*Federal Financial Relations Act 2009*](#)
 - The Program is the subject to the *National Partnership Agreement on [*Land Transport Infrastructure Projects*](#)* (the NPA) scheduled to terminate on 30 June 2019. The NPA is supported by a series of Schedules, which detail the committed projects in each jurisdiction.
 - The NPAs are in turn supported by the Program [*Notes on Administration*](#) (NOA), which provide clear guidance on the delivery of the program, including guidance as to how projects on the Schedule can be brought forward for funding.
 - The Notes are further supported by the Government's [*Best Practice cost estimation guidelines*](#) and the Benefit Cost Analysis requirements set out in the [*Australian Transport Assessment and Planning*](#) guidelines, amongst other guidance.
- The [*National Land Transport Act 2014*](#) (the Act)
 - This Act is designed to assist regional and national economic and social development through the provision of Australian Government investment in road, rail or inter-modal transfer facilities, that is or will be important for (among other objectives):
 - the development of international, inter-State or inter-regional trade and commerce
 - the facilitation of international, inter-state or inter-regional travel.
- The [*Infrastructure Australia Act 2008*](#)

The key agencies involved in the Australian Government's delivery of infrastructure are:

- The Department of Infrastructure, Regional Development and Cities (the department), which is responsible for:
 - assessing proposals and making recommendations for funding to Ministers
 - managing the program budget and administration
 - developing and implementing project financing arrangements
 - undertaking, in partnership with jurisdictions, project planning and development work
 - recommending payments against completed milestones to Treasury, on behalf of the Minister
 - monitoring and reporting on project delivery.
- Infrastructure Australia (IA), which is responsible for independently assessing project business cases and maintaining an Infrastructure Priority List to inform governments of future investment priorities. Infrastructure Australia does not have a role in assessing or recommending funding or financing structures for specific projects. Instead, IA provides advice to the governments, investors in and owners of infrastructure in relation to a variety of infrastructure matters, including current and future infrastructure needs, pricing and regulatory issues, and impediments to the efficient utilisation of national infrastructure networks.



- The Infrastructure and Project Financing Authority (IPFA), designed to strengthen the Government's capacity to apply alternative funding and financing measures and to assist in the delivery of infrastructure. IPFA's role in the development of major projects is being embedded within existing assessment processes, with a key focus being early engagement with project proponents in consultation with the relevant Australian Government agencies.
- The Treasury, which processes payments between the Australian Government and State Government Treasuries.
- State transport and planning agencies, which develop, procure and deliver the projects and manage program administration at a state level.
- The Australian Rail Track Corporation, which manages most of Australia's interstate rail network including asset management and coordination of capital investment.



4. Overview of the project development life cycle

Planning and identification

Long term planning is critical for prioritising and delivering the maximum benefit from government infrastructure investment. Traditionally, planning happens at a local and state level. Over the past few years, this process has become far more robust, with comprehensive integrated transport and land use planning strategies developed by most of the states and territories.

As the owners and managers of transport networks, state and territory transport agencies typically initiate project proposals for consideration through state-based gateway processes. If considered a priority by the jurisdiction a business case will then be undertaken, which provides a design solution to address the identified deficiencies, as well as providing an early cost estimate. Where the proposal is on a road or rail line that forms part of the national network, or the project is considered nationally significant, jurisdictions are able to bring forward the proposal for Australian Government funding consideration.

The department plays an important role in assisting with long-term planning and providing a national focus to the provision, not just funding, of infrastructure projects. To strengthen this role, the department maintains continuous engagement with relevant state and territory agencies to identify future infrastructure priorities. Based on this ongoing engagement and independent analysis, an internal pipeline of projects at the pre-development/development stage is able to be developed. Projects are identified in terms of addressing areas of significant network deficiency, including where there are lower than desired levels of service on transport corridors identified in the network modelling.

IA also works with jurisdictions through the development of project business cases, including the assessment of options to address identified deficiencies in infrastructure networks. While IA typically engages with jurisdictions on projects identified on its Infrastructure Priority List, it is also able to work with private investors and owners of infrastructure to develop new initiatives.

Considering interconnections between economic, environmental and social aspects forms an important part of long-term land-use and transport corridor planning. This also recognises the importance of linking key economic growth hubs to our ports and airports, which act as international gateways. The early identification of land through integrated land-use and transport planning is critical to lowering the cost of developing infrastructure projects within those corridors and ensuring it is fit for purpose. It also ensures delivery of the desired outcome, whether it be to improve connectivity between regions or supporting greater economic development.

Business case development and project selection

The department works collaboratively with jurisdictions to bring forward potential projects that have been identified through long term planning and through rigorous project selection processes (including for new programs that have been announced by the Australian Government, such as the National Rail Program).

The Australian Government is also able to consider future infrastructure investment through Budget processes, including funding the planning of major project initiatives considered to have strategic merit, particularly initiatives that increase productivity on key freight routes or provide better freight access to domestic and international markets. Funding provided for the planning phase helps to



develop the project and allows greater consideration of the optimum funding and financing structure, prior to the Australian Government making an investment decision. This investment in planning also allows broader Australian Government objectives to be considered through to the project delivery phase.

IA and the department undertake evaluations of project proposals on all infrastructure projects that are nationally significant or where funding of more than \$100 million is sought from the Australian Government. This includes IA assessing the proposal's costs and benefits under its established assessment framework. By undertaking this process, it allows the Australian Government to have a strong understanding of the project's strategic fit, economic impacts and deliverability. It also helps support and promote a culture of evidence-based decision-making and ensures that a project represents a productive and proper use of public money. This process is two-way, with IA working collaboratively with project proponents to ensure the proposal and supporting documentation meet the requirements of IA's assessment framework.

Separately, the department will undertake assessment of business cases for projects that have been developed by jurisdictions directly, or for projects that do not require assessment by IA as they fall below \$100 million threshold. The department's initial assessment of project business cases is consistent with IA's assessment requirements for larger projects. Once projects have been through the necessary review process, a recommendation can be then made to Australian Government on the projects suitability for investment.

Negotiations and delivery

Following agreement to proceed with a project, the Australian Government typically provides its funding contribution through the Infrastructure Investment Program. The Infrastructure Investment Program is administered under a National Partnership Agreement (NPA) under five or six year programs.

Under this arrangement, the Australian Government has made commitments to a significant number of projects, across all jurisdictions, prior to commencement of a new program period, with these projects to be planned and delivered over the term of the program. The proponent must submit a Project Proposal Report, as detailed in the *Notes on Administration* to the NPA, to the department to allow for an assessment of each individual projects, before the committed funding can be released.

This must include a Benefit Cost Analysis that complies with IA's guidelines, the *Australian Transport Assessment and Planning* guidelines and a probabilistic Cost Estimation that complies with the *Best Practice Cost Estimation for Publicly Funding Road and Rail* guidelines.

The Infrastructure Minister must sign a Project Approval Instrument under the Act. This may include specific conditions that must be met. Payments are made to state and territory proponents on the completion of agreed project milestones.



ATTACHMENT A

Infrastructure Investment Program: sub-programs

Heavy Vehicle Safety and Productivity Program

The Heavy Vehicle Safety and Productivity Program is an Australian Government initiative to fund infrastructure projects that improve productivity and safety outcomes of heavy vehicle operations, predominantly on the key freight routes across Australia.

The Australian Government has extended the Heavy Vehicle Safety and Productivity Program and will provide \$40 million per year from 2021-22 onwards, building on the current \$328 million investment from 2013-14 to 2020-21. Under the Heavy Vehicle Safety and Productivity Program, the Australian Government contributes up to 50 per cent of the total project cost.

More details are available at: <http://investment.infrastructure.gov.au/funding/Heavyvehicles/>

Bridges Renewal Program

The aim of the Bridges Renewal Program is to upgrade and repair bridges to facilitate higher productivity vehicle access on freight corridors and enhance access for local communities.

The Australian Government will provide \$275 million from 2015-16 to 2018-19, \$85 million in 2019-20 and \$60 million per year from 2020-21 onwards. Under this program, the Australian Government funds up to 50 per cent of the total project cost.

Further information available at:

<http://investment.infrastructure.gov.au/funding/Bridgesrenewal/Index.aspx>

National Highway Upgrade Program

The National Highway Upgrade Program is designed to deliver better infrastructure and improve productivity for freight operators. The Program was announced as part of the Infrastructure Growth Package in the 2014-15 Budget, with a commitment of \$228.7 million available over five years between 2014-15 and 2018-19.

The Program provides jurisdictions with funding towards priority improvements to Australia's key national highway networks through works such as shoulder and centreline widening, ripple strips and wire rope barriers, overtaking lanes, turning lanes and pavement improvements.

Further details are available at:

<http://investment.infrastructure.gov.au/funding/NationalHighwayUpgrade/index.aspx>

Roads to Recovery

The objective of Roads to Recovery is to contribute to the Infrastructure Investment Program through supporting maintenance of the nation's local road infrastructure asset, which facilitates greater access for Australians and improved safety, economic and social outcomes.

Roads to Recovery allocations for the councils in each jurisdiction (except the ACT as it is a unitary jurisdiction) are determined based on the recommendations of the Local Government Grants Commissions in each state and the Northern Territory for the roads component of the Financial Assistance Grants.



From 2013-14 to 2020-21 the Government will provide \$4.4 billion under the Roads to Recovery program, to be distributed to Australia's local councils, state and territory Governments responsible for local roads in the unincorporated areas (where there are no councils) and the Indian Ocean Territories.

Part 8 of the [National Land Transport Act 2014](#) provides a legislative basis for the Roads to Recovery program. Further information is available at: <http://investment.infrastructure.gov.au/funding/r2r/>

Black Spot Program

The aim of the Black Spot Program is to reduce crashes on Australian roads by targeting road locations where crashes are occurring. It is designed to improve road safety and productivity. The Black Spot Program makes an important contribution in reducing the national road toll under the National Road Safety Strategy and Action Plan. Eligible funding measures include traffic signals and roundabouts at dangerous locations.

Funding is mainly available for the treatment of Black Spot sites, or road lengths, with a proven history of crashes. Project proposals should be able to demonstrate a benefit to cost ratio of at least 2:1. For individual sites such as intersections, mid-block or short road sections, there should be a history of at least three casualty crashes over a five-year period. For lengths of road, there should be an average of 0.2 casualty crashes per kilometre per annum over the length in question over five years.

The Australian Government has committed \$500 million to the Black Spot Program from 2014-15 to 2018-19, which includes an additional \$200 million over two years from 2015-16 and \$60 million per annum from 2019-20.

Part 7 of the [National Land Transport Act 2014](#) provides a legislative basis for the Black Spot Program. Further information is available at: <http://investment.infrastructure.gov.au/funding/blackspots/>



Infrastructure Investment Program: Freight Strategy Narrative

The Australian Government has committed more than \$75 billion towards transport infrastructure from 2017-18 to 2026-27, using a combination of grant funding, loans and equity investments. This investment will deliver significant productivity and safety improvements along key road and freight rail corridors across Australia.

Key road projects supporting freight movements

Pacific Highway (NSW) – The project is expected to reduce travel times by up to 2.5 hours for heavy vehicles travelling the length of the upgraded highway between Hexham, near Newcastle, and the Queensland border. The project will increase freight transport efficiency and reduce operating costs for the transport industry. The Australian Government is contributing \$5.64 billion from 2013-14 onwards to the project.

NorthConnex (NSW) – The project is expected to reduce travel times by up to 15 minutes and bypass up to 2 traffic lights. Once completed traffic will be able to travel between Melbourne and Newcastle without encountering a single set of traffic lights. The project will increase freight efficiency and reduce operating costs. The Australian Government is contributing \$412.3 million to the \$3 billion project.

Western Highway – Ballarat to Stawell Duplication (Vic) – The project will complete planning for the 110 kilometres from Ballarat to Stawell and duplicate 68.4 kilometres from Ballarat to Ararat. It is expected to enhance the efficiency of road freight movements, making the transportation of goods between farms, terminals and ports more cost-effective. The upgrade will improve the reliability of truck journeys, and will also improve road safety in the region. The Australian Government has committed \$499 million to this \$660 million project.

Bruce Highway Upgrade Program (Qld) – The Bruce Highway Upgrade Program will deliver significant benefits to the road users including reduced travel time and improved freight efficiency. The 10-year program (2013-14 to 2022-23) is aimed at improving safety, flood resilience and capacity along the length and breadth of the Bruce Highway between Brisbane and Cairns. The Program supports regional economic growth and boosts employment opportunities in Queensland. The Australian Government is contributing \$6.7 billion towards the \$8.5 billion Bruce Highway Upgrade Program.

Toowoomba Second Range Crossing (Qld) – The project will provide an alternative crossing of the Toowoomba Range for all classes of heavy and super heavy vehicles to improve freight efficiency and driver safety. The project is expected to reduce travel times by up to 40 minutes and will bypass up to 18 traffic lights. The project will also assist in managing increasing traffic volumes, particularly heavy vehicle movements from the developing resources region in the Surat Basin. The Australian Government is contributing \$1.167 billion towards the \$1.6 billion project.

Great Northern Highway – Muchea to Wubin (WA) – The project will improve productivity by enhancing the highway and improving safety and travel times. Completion of this project will allow for the eventual introduction of road trains (i.e. 53.5 metre long vehicles) to travel further south to Muchea, as they are currently restricted to Wubin, which is 282 kilometres north of Perth. When road trains can travel further south to Muchea, they will be able to stop and break down, or assemble their freight loads at a location that is only 66 kilometres north of Perth. This would deliver additional productivity benefits by enabling operators to carry the same volume of freight close, using fewer vehicles. The Australian Government is contributing \$275.8 million to this \$344.8 million project.



Northlink – Northern, Central and Southern sections (WA) – The project will improve WA freight efficiency by introducing an alternative north-south freight route, relieving pressure on the Great Northern Highway through the Swan Valley. With the upgrades connecting to the Tonkin Highway, the project will also increase the strategic importance of the Tonkin Highway as an intra-regional and inter-regional freight route. The Tonkin Highway grade separations will also reduce costs for heavy vehicle operators, companies and commuters as a result of reduced travel times due to the upgrade of this section of the highway. The Australian Government is contributing \$820.9 million to the \$1,024.9 million project.

Northern Connector (SA) – The project is expected to significantly reduce heavy vehicle travel times (saving up to eight minutes) and lower operating costs for the transport industry. The Australian Government is contributing \$708 million to the \$885 million project.

Midland Highway Upgrade Program (Tas) – The upgrade is being undertaken as a package of road work projects over 10 years from 2014-15 and is expected to greatly improve road safety, including the achievement of a minimum 3 Star AusRAP Safety Rating when completed, reduce travel times for freight movements and boost the State's economic growth. The Australian Government has committed \$400 million to the \$500 million upgrade program.

Key rail projects supporting freight movements

Melbourne to Brisbane Inland Rail – The Melbourne to Brisbane Inland Rail enhances the National Land Transport Network by creating a new rail linkage between Parkes in New South Wales and Brisbane and a major upgrade of the existing Melbourne to Parkes line. Inland Rail will deliver more productive, reliable and competitive rail services between Melbourne and Brisbane, as well as increase capacity for freight and passenger services by reducing congestion along the busy coastal route and allow for growth in passenger services. The Australian Government has committed an additional \$8.4 billion in new equity funding for the Australian Rail Track Corporation to deliver the Melbourne to Brisbane Inland Rail. This investment builds on the Government's prior commitment of \$893.7 million to bring the project to construction readiness.

Moorebank Intermodal Terminal (NSW) – The Australian Government is facilitating the delivery of a major intermodal facility in south-west Sydney to provide a rail 'port shuttle' between Port Botany and the Moorebank precinct. The terminal will boost productivity and improve transport links in Australia's biggest city enabling import-export freight travelling through Sydney to and from Port Botany to be transported on rail instead of the road network, providing cheaper and more efficient freight transportation. The Australian Government is contributing up to \$370 million in equity towards the project.

Murray Basin Freight Rail Project (Vic) – The project will enable industry in the Murray Basin region to deliver exports more efficiently to the ports of Melbourne, Geelong and Portland by standardising and upgrading the Mildura, Manangatang, Murrayville and Sea Lake rail lines in western Victoria. The Australian Government has committed \$240.2 million to this \$440 million project.

Goodwood and Torrens Junctions Project (SA) – The project will grade separate the interstate freight line from the metropolitan rail network at Torrens junction, building on the already completed grade separation at Goodwood. The project will deliver freight productivity improvements by enabling 1,800 metre trains to operate from Adelaide to Melbourne without a severe negative impact on the arterial road network. The Australian Government is contributing \$189.4 million towards this \$357.6 million project.



Freight Rail Revitalisation Program (Tas) – This program is expected to raise the quality of the major lines on the Tasmanian rail network through selective re-sleepering and track replacement resulting in increased productivity through the Hobart to Burnie rail freight corridor, and thereby improve Tasmania's freight transport linkages to key domestic and export markets. The Australian Government has committed a total of \$119.6 million to the \$239.2 million program across two tranches of works.

The Australian Government's infrastructure Investment sub-programs

The Australian Government is continuing to fund the **Black Spot Programme** with \$684.5 million from 2013-14 to 2020-21 so it can continue to deliver road safety improvements, such as safety barriers and street lighting to sections of dangerous road that have a crash history.

Commitment to the **Roads to Recovery Programme** has been maintained with \$4.4 billion from 2013-14 to 2020-21 for the construction, repair and upgrade of local roads to support the freight industry.

Heavy Vehicle Safety and Productivity Programme – The Heavy Vehicle Safety and Productivity Program (HVSPP) is an Australian Government initiative to transport infrastructure projects that improve productivity and safety outcomes of heavy vehicle operations across Australia. The Australian Government has extended the HVSPP and will provide \$40 million per year from the 2021-2022 financial year onwards. This commitment builds on the current \$328 million investment from the 2013-2014 financial year to the 2020-2021 financial year.

Bridges Renewal Program – The Australian Government will provide \$420 million from the 2015-2016 financial year to the 2020-2021 financial year, with an on-going commitment of \$60 million each year following to upgrade and replace bridges to enhance access for local communities and facilitate higher productivity vehicle access.

