

# MEDIA STATEMENT



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## **AUDITOR GENERAL FINDS THE STATE ROAD NETWORK HAS DETERIORATED AND WILL COST \$800 MILLION TO FIX**

In a report tabled in Parliament today, Auditor General Colin Murphy said inadequate levels of planned maintenance have caused the condition of the state road network to deteriorate and increased levels of overdue maintenance.

The cost of eliminating this overdue maintenance is estimated at \$800 million.

The report, 'Maintaining the State Road Network', said that levels of planned maintenance had declined over the last 10 years – resurfacing by 30 per cent and rebuilding by 80 per cent.

This has left over a quarter of the road network overdue for needing resurfacing and nearly a third of WA's road network reaching the end of its design life.

"With the planned maintenance program falling behind, the state's roads are at higher risk of failing, and the cost of restoring them will be far greater," Mr Murphy said.

"The road network is designed to be resurfaced every 15 years and rebuilt every 40, At current rates it will take 25 years to resurface the network and 250 years to rebuild it."

Nearly a decade ago, Main Roads WA became the first Australian jurisdiction to contract out the maintenance of the state road network, establishing eight contracts valued at \$796 million.

Expenditure under the contracts is likely to exceed that amount by \$467 million, or 59 per cent, bringing the total estimated cost to \$1.3 billion.

A 407 per cent increase in input costs (mainly oil), as well as a 44 per cent increase in the cost maintenance under of the schedule of rates contracts, have been contributing factors behind the higher costs of the contracts.

A number of weaknesses in the contracts meant that the department could not adequately ensure the contractors met all agreed outcomes.

Some of the measures used in the contracts proved unreliable or unusable, resulting in Main Roads not getting the mix of reactive and planned maintenance they expected.

Inadequacies in the dispute resolution mechanisms and the payment and incentivisation provisions have further hampered Main Roads in achieving their desired outcomes.

Main Roads had to change the basis of four of the contracts to resolve disputes and seek better outcomes.

Mr Murphy said that, although the original intention of the contracts was to achieve cost savings, Main Roads had not been able to quantify the savings, nor did the department receive the services levels it had expected would be delivered.

“The cost of addressing the overdue work is compounded by the lack of information about the condition of the roads, and the maintenance work done on the network, making it difficult to know what maintenance to perform, and where,” Mr Murphy said.

Responding to the Auditor General’s report, Main Roads said that it will carefully consider all of the recommendations in the development of new maintenance systems.

Main Roads had conducted a number of lessons learned exercises and is also taking steps to improve its in-house technical capacity.

“The report shows that maintenance contracts can be high risk and have long term and expensive impacts, so it is vital that Main Roads apply the lessons from this experience to the replacement round of contracts,” Mr Murphy said.

**ENDS**