



Queensland
Government

**Report on the Service Delivery and Performance
Management Review of the Department of Main
Roads, including RoadTek**

Service Delivery and Performance Commission

March 2008

A Smart State Initiative

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The Honourable Anna Bligh MP
Premier of Queensland
Executive Building
100 George Street
BRISBANE QLD 4000

Dear Premier

In accordance with section 30 of the *Service Delivery and Performance Commission Act 2005*, I hereby provide you with the Commission's report on the Service Delivery and Performance Management Review of the Department of Main Roads, including RoadTek.

This report is the culmination of extensive consultation, research and analysis and makes practical recommendations to improve service delivery and performance management in the department.

I commend this report to you and provide it for subsequent tabling in the Legislative Assembly.

Yours sincerely



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- stakeholders of the department who contributed to the Review
- senior executives, management and staff from the Department of Main Roads
- Commissioners of the Service Delivery and Performance Commission, and
- the Service Delivery and Performance Commission Review Team and support staff.

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List of Abbreviations

Austrroads	Association of Australia and New Zealand Road Transport and Traffic Authorities
BCC	Brisbane City Council
BS&I	Business Solutions and Information
CATS	Cross-Application Time Sheet
CBU	Commercialised Business Unit
CSA	Control Self-Assessment
CS&F	Capability, Strategy and Finance
CSO	Community Service Obligation
DITRDLG	Department of Infrastructure, Transport, Regional Development and Local Government (Commonwealth) (the former DoTARS)
DOM	District Operating Model
DoTARS	Department of Transport and Regional Services (Commonwealth) (now known as DITRDLG)
EDA	Enterprise Development Agreement
GEHS	Government Employee Housing Scheme
ICT	Information and Communications Technology
IRTP SEQ	Integrated Regional Transport Plan South-East Queensland
KPI	Key Performance Indicator
KRA	Key Result Area
LGAQ	Local Government Association of Queensland
LRRS	Local Roads of Regional Significance
MOU	Memorandum of Understanding
MPS	Ministerial Portfolio Statement
Main Roads	Department of Main Roads
OP&SR	Organisational Positioning and Stakeholder Relations
PD&D	Program Development and Delivery
PO	Professional Officer
PPPs	Public Private Partnerships
QRSP	Queensland Road System Performance Plan
RIP	Roads Implementation Program
Roads Alliance	Main Roads/Local Government Roads Alliance
RRAIS	Rural and Remote Area Incentive Scheme
RSM Framework	Road System Manager Framework

RRGs	Regional Roads Groups
SDPC	Service Delivery and Performance Commission
SEQIPP	South-East Queensland Infrastructure Plan and Program
SMG	Senior Management Group
SWP	State-Wide Planning
TICS	Transport Infrastructure Capability Scheme
TO	Technical Officer
WIN	Work Improvement Note

1 Executive Summary and Recommendations

1.1 *Executive Summary*

The purpose of this Review was to improve service delivery and performance management in the Department of Main Roads (Main Roads). The Review also examined whether the department's commercialised business unit (RoadTek) was the most appropriate mechanism for delivering part of the transport infrastructure and related services that the department provides to the community.

The Service Delivery and Performance Management Review was conducted from 15 October 2007 to 7 March 2008.

The Review concluded that Main Roads is generally performing well, has a strong service delivery culture and has continued to deliver a substantial roads program in an environment of increasing complexity and growing demand. Main Roads' commercialised business unit (CBU), RoadTek, is a major supplier of civil construction and maintenance works in Queensland and has demonstrated a high level of capability in efficient and effective service delivery within its market niche. Stakeholders in the main found the department to be open and accountable and spoke highly of how the department engages with them.

Clearly government needs a department with the technical expertise possessed by Main Roads to deliver road infrastructure. However, the roads program is delivered within an integrated transport system, with the other significant government partner within this being Queensland Transport. In the past, the two departments have been separate departments, part of the same department and until recent machinery-of-government changes in September 2007, portfolio partners with both departments reporting to the Minister for Transport and Main Roads. The two departments now report to separate Ministers. This presents significant challenges to them in maintaining a cooperative and productive working relationship around planning, policy and shared services to ensure planned transport priorities and outcomes are achieved for the community. While this Review has considered how well Main Roads is delivering its services as a planner, manager, deliverer, maintainer and operator of road infrastructure, it has not examined whether construction of road infrastructure is the most appropriate mechanism in each instance to address the integrated transport needs of industry and the community. What is required is for the department to review whether its project activity has produced the required transport solution outcomes. In developing transport solutions the department needs to work collaboratively with Queensland Transport and relevant stakeholders to ensure that solutions are the best fit for achieving government priorities and community and industry outcomes.

Over the next five years the department is committed to delivering a \$13.3bn program of road works and supporting services. In the past two years, the department has implemented a significant program of change to position itself to more effectively meet the demands of the challenging service delivery environment facing it, both now and in future years. The change agenda has put in place an organisational structure and systems to provide a consistent state-wide approach to planning and service delivery based on state-wide priorities. Significant resources and effort have been invested by the department in the management of this change. However, it will take some time for it to be embedded. In order to maximise the

collective benefits for the organisation and all people involved in the change, and minimise the risk of failure of implementing the change, the department needs to focus strongly on effective communication and continued support for staff through the current and impending change.

Main Roads' organisational restructure in 2006 has been a positive move forward, although improving role clarity in some areas will assist staff, other stakeholders and the organisation to realise the full benefits of the restructure. Although there are significant challenges facing the department in the future, it has performed well in influencing policy and planning at the local, state and national level. The department's initiative to create a number of state-wide groups has assisted it in achieving this level of positive performance related to road planning. Positioning the Policy and Strategic Advice Division of the department as a direct report to the Director-General will assist in achieving a similar level of high performance in the strategic policy arena.

The department needs to continue to work closely with local government to enable a seamless delivery of road infrastructure to meet community needs. In particular, it is essential that the department works more closely with local government in South-East Queensland in all stages of infrastructure planning, development and delivery. Establishing and maintaining this working relationship at a high level is particularly important with the Brisbane City Council.

To guide the expenditure of funding, Main Roads develops a Roads Implementation Program (RIP) on an annual basis as a clear public statement of intentions over the next five years for planning, building and maintaining the state-controlled road network. Queensland is the only state which provides a five-year rolling program for road infrastructure. The RIP is highly regarded and well received by stakeholders and to some degree viewed enviously by other jurisdictions unable to provide the same level of program intentions to industry and the community. In terms of delivering the published program, Main Roads has been performing well and takes justifiable pride in its ability as a deliverer of road infrastructure. However, the risk to government is not whether the RIP will be delivered but at what cost and by what time.

The department has been subject to some criticism for not being able to provide accurate cost estimates for projects. As a result, the former Commonwealth Government Department of Transport and Regional Services, in cooperation with Main Roads, engaged an external consulting firm to review the estimating procedures of the department. This external review found the escalation of construction costs, driven by a shortage of resources, has been in the order of 15 per cent per annum. The review also found that the Main Roads' policies and procedures were in accordance with best practice and consistent with that used by other large state road authorities in Australia, but that they were not always being rigorously followed. The department has been working to improve its estimating procedures and to implement the external review recommendations. What is required now is for the department to reassess the real financial and time delivery risks to government in delivery of the program and advise government accordingly. This will be of particular importance, and has the potential to create financial risk to the state government if not done well, in the event that the Commonwealth Government takes a decision to limit funding provided under AusLink2 to initial estimated project costs. This approach was mooted by the previous Commonwealth Government; however it is unclear at this stage whether the current government will adopt such a policy.

The availability and capacity of staff both within the department and the sector is a significant risk in terms of delivery of the massive roads program. To date, Main Roads has been innovative in its approaches to both the attraction and retention of staff and the contracting and packaging of work to get the best out of the available capacity within the sector. Main Roads is seen by industry and interstate road agencies as leading in flexible contracting arrangements. However, in view of the skill shortages and external pressures operating within the current environment it is important that the department maintains its commitment in this area. As it is not the sole responsibility of the government to build capacity within industry, it will be necessary for the department to partner with industry to develop and implement strategies to address the skills shortage for the benefit of the sector as a whole.

The department has established a solid regime of performance management demonstrating a maturity level rating of embedded for two of the elements of performance management (governance and leadership and capability) and a maturity level rating of developing competency for the remaining four elements. For two of these elements, planning and strategy and resource management, it was assessed that the department was progressing well and would reach an embedded level within the next one to two years.

To achieve a higher level of performance and consequently better service delivery Main Roads needs to:

- increase its capacity in public policy development and improve the robustness of some aspects of organisational planning
- focus on addressing a number of human resource management issues
- ensure its current review of performance measures produces measures and a reporting framework which allows clear assessment of how well the department is performing in its delivery of services and provides useful information for strategic decision making
- more effectively utilise the systems which are in place to review the achievement of outcomes of projects rather than outputs, expenditure and achievement of deadlines and better communicate these learnings throughout the organisation, and
- build on the current successes in leadership and development of staff capability by improving communication and the management of change.

RoadTek performed well on the assessment against the five principles for a CBU of appropriateness, sustainability, flexibility, accountability and risk. The Review found that positioning RoadTek as a CBU is the appropriate position on the continuum of commercialisation and has allowed the department to obtain efficiencies in the operation of its service arm, to be an informed buyer, deliver on its priorities and ensure delivery of the roads program in areas where there is market failure. Operation as a CBU has also allowed timely responses to matters of public interest such as the capacity to respond effectively to emergencies throughout Queensland. There is still some scope for maximising efficiencies and a need for the department to ensure that all departmental staff understand more fully the operations of a CBU.

It is anticipated that with successful progression of initiatives already underway within the department and the implementation of the Review's recommended improvements, the department will be better positioned to improve its service delivery and reach an embedded level of maturity for all elements of performance management in the next few years.

1.2 Recommendations

Service Delivery (Chapter 5)

1. The Director-General ensure that the current departmental review of performance measures be completed by 31 October 2008 and produces performance measures which clearly reflect the department's level of performance in service delivery, are consistent with national standards where established, and are useful in strategic decision making.
2. The Director-General, by 31 October 2008, revise the department's triennial Strategic Performance Report to ensure that it:
 - a. contains only key performance information which is useful to the Senior Management Group in strategic decision making, and
 - b. includes appropriate information on the strategic performance of RoadTek (excluding commercial performance) as a service deliverer.

Strategic Direction (Chapter 6)

3. The Director-General more clearly articulate to all stakeholders, through a variety of means, further detail on the delineation of roles and accountabilities of positions and functional areas within the new structure, and ensure that delegations appropriately reflect these accountabilities, by 30 September 2008.
4. The Director-General, by 30 June 2008, amend the organisational structure to:
 - a. have the Policy and Strategic Advice Division report directly to the Director-General and rationalise strategic policy roles and resources within the State-Wide Planning Group and the Policy and Strategic Advice Division
 - b. create a General Manager position reporting to the Deputy Director-General to oversee the regions and districts, and
 - c. rationalise roles and resources within those areas of the department undertaking a function related to stakeholder relations.
5. The Director-General implement an approach to work with relevant local governments in South-East Queensland in all stages of infrastructure development and provision, in particular in the early stages of direction setting and project planning, to achieve a coordinated approach and minimise the impact on road users by 30 September 2008.
6. The Director-General consult with central agencies early in the development of new initiative funding bids and ensure meetings are held regularly with these agencies to strengthen strategic relationships, commencing the consultation by 30 June 2008.
7. The Director-General, in collaboration with the Director-General Queensland Transport:
 - a. establish a formal mechanism at a senior level to ensure the effective coordination of infrastructure planning and delivery in South-East Queensland by 30 June 2008
 - b. clarify accountabilities for policy and planning, including whether amendments to the current legislation are required to specify these accountabilities, and negotiate formal agreements by 30 September 2008, and

- c. clarify working arrangements for areas of shared service and shared accommodation to ensure that agreed priorities and outcomes are achieved by 30 August 2008.
8. The Director-General as the chair of Austroads lead the development and reporting of high level strategic performance measures which allow effective comparison of performance across roads jurisdictions by 31 December 2009.

The Impact of Change Management on Service Delivery (Chapter 7)

9. The Director-General provide additional support to staff outside the leadership team (e.g. under AO8 and equivalent) regarding the new organisational structure by 31 December 2008, in the areas of:
 - a. training for administrative and technical staff to operate effectively in a matrix management environment, especially where staff are located in a district office, and
 - b. improved access to designated change managers for staff in district offices and state-wide group staff previously located in regional offices.
10. The Director-General provide further support for the introduction of ICT business systems by 31 December 2008, ensuring that any ICT systems chosen align with organisation and business requirements and state-wide consistency, through:
 - a. ensuring the processes in place to comprehensively identify user needs prior to choosing an ICT solution are based on consultation with a broad cross-section of staff at all levels
 - b. developing protocols for the scope, quality and amount of training which must be delivered to staff prior to and post implementation of new business systems, and
 - c. undertaking additional Cross Application Time Sheet implementation training, focusing specifically on the end-users needs and understanding.
11. The Director-General, by 30 September 2008, engage an independent consultant to identify learnings from the Roll Out implementation for the department to adopt in the communication and change management plans for future organisational change.

Roads Implementation Program (Chapter 8)

12. The Director-General review cost estimates for all approved projects detailed in years one and two of the Roads Implementation Program (RIP) by 31 December 2008, and progressively review cost estimates for projects programmed in three years to five by 30 June 2009, and ensure:
 - a. government is advised of the impact of any cost changes to both individual RIP projects and the program as a whole, and
 - b. appropriate estimate confidence qualifications, consistent with the Evans & Peck report, are attached to project costings which are subject to public announcement.
13. The Director-General finalise the State-Wide Plan and individual element management plans by 30 September 2008.
14. The Director-General complete work on procurement analysis and strategy development, by 31 December 2008, to assist with meeting material supply demands at the district, state and whole-of-government levels.

Departmental Capacity to Deliver Services (Chapter 9)

15. The Director-General review the TICS criteria to ensure it meets original business case objectives and that future contracts meet the set criteria by 30 September 2008.
16. The Director-General clearly communicate to staff the merits, objectives and anticipated outcomes of all employment strategies for the department by 30 June 2008.
17. The Director-General take the position evaluation and related services function back from its shared service provider and establish the expertise within the Attraction and Retention Branch of the Capability, Strategy and Finance Group by 30 June 2008.
18. The Director-General finalise positions related to the recent organisational restructure and reduce the number of officers in acting and temporary positions by 31 December 2008.
19. The Director-General develop and implement, by 30 September 2008, a more structured mentoring arrangement for inexperienced staff to ensure that they develop the necessary capability within a timely manner.

Market Interface and Sector Capability (Chapter 10)

20. The Director-General reassess contractual methods to achieve greater efficiencies by:
 - a. implementing greater use of alternative approaches, rather than traditional competitive tendering, where there is limited capacity, particularly in regional and rural areas of the state, and to increase efficiencies by 31 December 2008, and
 - b. working cooperatively with the Civil Contractors Federation to identify appropriate opportunities, based on market trend analysis, for splitting larger projects or not bundling projects to ensure viability of the three sectors by 30 September 2008.
21. The Director-General, by 31 October 2008, as part of the review of the Regional Road Group boundaries, ensure the composition allows for effective planning and efficiencies in delivering on the Local Roads of Regional Significance program.
22. The Director-General, by 31 December 2008, partner with industry to develop strategies to address the current skills shortage within the sector and negotiate a process to implement these.

Performance Management Assessment (Chapter 11)

23. The Director-General, by 31 December 2008, develop a detailed workforce strategy specifying the actions and timelines for meeting workforce capacity gaps identified through the department's workforce planning process.
24. The Director-General, by 30 September 2008, seek the Minister's endorsement of a departmental submission seeking approval from Governor in Council to streamline the financial approval process of Main Roads, including RoadTek, to mitigate potential delays in program delivery.

25. The Director-General assess the congruence of governance and risk levels annually to ensure practices are not too restrictive and provide an appropriate balance between risk management and innovation in the delivery of quality services, with the first report to be completed by 31 December 2008.
26. The Director-General, by 31 December 2008, strengthen the department's approach to continuous improvement by:
 - a. developing a method to formally incorporate project learnings into ongoing operations, and
 - b. replicating RoadTek's Work Improvement Note system across the department.
27. The Director-General improve the rigour and effectiveness of achievement planning across the department by holding the Directors, Executive Directors and members of the Senior Management Group accountable for completion and management of achievement planning, with a progress report outlining process and achievement by 31 December 2008.
28. The Director-General improve the department's human resource management practices by:
 - a. developing and implementing a Workplace Health and Safety policy which clarifies employee and management requirements for the safe operation of heavy machinery by 30 September 2008
 - b. updating the department's establishment data and implementing processes for its regular review to ensure ongoing accuracy by 31 December 2008
 - c. reducing the department's excess recreation leave balances amongst senior managers at the senior officer level and above by 31 December 2008, and
 - d. implementing strategies to ensure leave balances for all staff are managed within the Queensland public service standards by 30 September 2008.
29. The Director-General, as part of the business planning process, identify departmental work priorities and nominate initiatives which can be ceased or suspended for a set period to reduce organisational workload by 30 November 2008.
30. The Director-General engage an independent reviewer to evaluate on a regular basis the impact of leadership coaching for senior managers to ensure that the current use of a leadership coach is achieving the required outcomes, with the first review to be undertaken by 31 December 2008.

Commercialised Business Unit Assessment (Chapter 12)

31. The Director-General finalise the relevant recommendations from the recent review of the western centres and at a minimum by 31 December 2008 implement:
 - a. an approach which ensures Main Roads meets its community obligations
 - b. a minimum two year rolling program of works, and
 - c. a consistent delivery model.
32. The Director-General implement a state-wide programmed approach to the collection of data on roads and bridges and investigate a similar approach for

other specialised activities delivered through RoadTek or other service providers by 31 December 2008.

33. The Director-General amend all relevant commercialised business unit documentation, by 30 September 2008, to ensure consistency with the departmental policy on cross-subsidisation.

Implementation

34. The Director-General develop and provide to the Chief Executive of the Public Service Commission, an Implementation Plan for the Review's recommendations within one month of the report's public release, including:
 - a. implementation responsibilities within the department and milestones to achieve the Review's recommendations
 - b. a communication strategy for departmental staff and clients/stakeholders
 - c. systems to monitor the progressive implementation of the Review's recommendations, and
 - d. systems to monitor the progressive improvement in performance management against the Performance Management Review Framework.
35. The Director-General provide six-monthly reports to the Chief Executive of the Public Service Commission, on the implementation of the Review's recommendations.
36. The Public Service Commission review the implementation of the Review's recommendations by 31 October 2009.

2 Agency Response



Our ref: DG9317

18 March 2008

Department of Main Roads

Dr Leo Keliher
Chairman, Service Delivery and Performance Commission
PO Box 15335
City East Qld 4002

Dear Dr Keliher

Thank you for the opportunity to respond to the March 2008 report on the review by the Service Delivery and Productivity Commission (SDPC) of the Department of Main Roads.

I am proud that the review concluded that Main Roads is performing well, has a strong service delivery culture and has continued to deliver a substantial roads program in an environment of increasing complexity and growing demand. It was also pleasing to note that our commercial arm – RoadTek – was assessed as performing well against the government's five business principles for a commercial business unit (CBU); ie. appropriateness, sustainability, flexibility, accountability and risk.

The report acknowledges that Main Roads has undergone fundamental change to its organisational and governance structures and processes to establish a state-wide approach to the planning, provision, maintenance, management and operation of the state's \$35.9 billion road asset. The SDPC's recommendations will assist in embedding this major reform of Main Roads' business focus.

I am committed to the implementation of the recommendations set out in the review report. I believe them to be well-founded, and substantiated by the research of the SDPC review team and the evidence provided by our key stakeholders, staff and other related and interested parties to the business of Main Roads - Connecting Queensland.

Importantly, the review findings reaffirm the strategic direction of Main Roads and the commitment and contribution of people throughout our organisation to the delivery of better outcomes to the Queensland community. In conclusion, I am satisfied that the outcomes of the SDPC's review reflect the overall business, achievements and future direction of Main Roads.

I congratulate the SDPC project team on their professionalism and co-operation in the conduct of this review. Further, the contribution and assistance of departmental staff, other state and federal agencies and our key stakeholders in this review are also acknowledged.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Alan Tesch".

Alan Tesch
Director-General

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3 Introduction

3.1 *Service Delivery and Performance Management Reviews*

The role of the Service Delivery and Performance Commission (SDPC) is to independently assess the performance and services delivered by Queensland Government departments and agencies to improve their accountability and to ensure effective performance and reporting frameworks align with both government policy and community service expectations.

Service delivery and performance management reviews:

- identify opportunities to improve the delivery and integration of government services
- identify ways to reduce waste and duplication
- report on service delivery outcomes and standards
- foster and maintain a performance reporting regime
- encourage agencies to manage and monitor their own performance
- assist in the development of a culture of continuous improvement and performance and risk management, and
- ensure that planning and reporting practices are aligned with government policy as well as external service expectations.

All departments will be reviewed during the five-year life of the SDPC. Review reports are provided to the Premier for approval and tabling in Parliament. As a matter of course, the Premier submits SDPC review reports to Cabinet for consideration.

3.2 *Scope of the Review*

This Review is part of the systematic review program undertaken by the SDPC to ensure that all government entities continue to deliver value to the Queensland Community. The former Premier and Minister for Trade, Peter Beattie, approved that this Review form part of the SDPC's 2007-2008 work plan.

The scope of the Review covered service delivery and performance management of the Department of Main Roads (Main Roads) and service delivery by its commercialised business unit (CBU), RoadTek. Major issues affecting the efficiency and effectiveness of the department's (including RoadTek) service delivery were examined. Given the breadth of service delivery, the Review did not examine all aspects of services delivered by the department, but focused on those areas where the SDPC could add most value to improving services to the community.

The objectives of this Review were to:

- undertake a strategic assessment of how well the department is managing its performance
- identify, analyse and report on key issues that affect service delivery and performance management by the department, and make practical recommendations on key areas for improvement, and
- assess whether Main Roads' commercialised business unit (RoadTek) is the most appropriate mechanism for delivering part of the transport infrastructure and related services that Main Roads provides to the community, and make practical recommendations on key areas for improvement.

3.3 Review Methodology

3.3.1 The framework

The SDPC's *Performance Management Review Framework* details how performance management will be assessed. The focus of the framework is to determine how well an agency is positioned to observe and manage its performance. The framework has six elements: planning and strategy; resource management; performance measurement and monitoring; governance; evaluation and continuous improvement; and leadership and capability. Assessment of the level of maturity for each of these elements is made along a continuum of increasing organisational capability. There are four levels of maturity: beginning; developing competency; embedded; and leading. A summary of the components of these elements is at Appendix 1. Further detail on the framework is provided in Chapter 11.

Assessment of the value to government of delivering services through Main Roads – RoadTek as a CBU is made against five principles. The principles, documented within the *Position Paper on Government Commercialised Business Units* are: appropriateness; sustainability; flexibility; accountability; and risk. A summary of the principles is provided at Appendix 2. Further detail is provided in Chapter 12.

3.3.2 Evidence

The SDPC considered a range of evidence to inform the Review of the department's performance against the SDPC's *Performance Management Review Framework*.

Evidence gathering was undertaken through desktop research of departmental documents including publications, plans, policies, procedures, guidelines, committee terms of reference, agenda papers and minutes. Desktop research was also undertaken on various documents provided by stakeholders.

Consultations were held with approximately 400 departmental staff through individual interviews, group meetings and focus groups. Regional visits were made to Townsville, Cloncurry, Emerald, Toowoomba and Nerang. Invitations for submissions to the Review were sent to 55 stakeholder groups with individual meetings held with 27 of these groups including mayors, councillors, the Local Government Association of Queensland (LGAQ) and executives of civil contractors, consultants and infrastructure associations. Roads authorities in other states, the former Commonwealth Department of Transport and Regional Services (DoTARS) and officers from Queensland Government agencies were also consulted. A complete list

of consultations is included at *Appendix 3*. Fifteen written submissions were also received.

A survey was undertaken of senior staff within Main Roads to gauge staff views on the department's performance in relation to a range of activities within the six elements of performance management, the five principles of delivering services through a CBU model, and to provide comments on departmental service delivery. The survey was distributed to 777 senior staff members in Main Roads, however only 23 per cent of these surveys were returned completed to the Review Team. This response rate is not sufficient to provide data for quantifiable analysis, however it provides an indication of general staff opinion regarding the department's performance management and service delivery capability. The themes raised in the survey, both in response to the scaled questions and open-ended comments, provide further justification for the conclusions drawn through other consultations. The survey responses largely mirror the findings of the Review, however there exists some discrepancies with respondents' attitudes to the elements of governance and leadership and capability compared to the Review's assessment. The results of this survey are summarised in *Appendix 4*.

3.3.3 Analysis

The collected evidence was analysed to:

- assess the department against a set of criteria to provide the overall rating of level of maturity for each element of the *Performance Management Review Framework*. An assessment summary which lists the strengths and issues for each review element and identifies the aspects of performance that were evidenced and not evidenced is contained in *Appendix 5*.
- assess whether Main Roads' CBU, RoadTek, is the appropriate mechanism for government service delivery and whether RoadTek is meeting required standards across a range of assessment principles and identify where opportunities for improvement existed, and
- assess the overall capability of the department in terms service delivery.

The analysis was used to inform a set of Issues Papers containing preliminary review findings and a set of draft recommendations. These were provided to the Director-General of the department for consideration and comment. A workshop was held with the senior management group (SMG) to discuss the Review's preliminary findings and recommendations. Timeframes for implementation of recommendations were informed by consultation with the Director-General and SMG.

The SDPC will, as part of its quarterly report to the Premier, include progress reports regarding implementation of the recommendations from this Review. A more comprehensive post-implementation review is planned for 2009.

3.3.4 Governance

The governance arrangements for the Review included a Steering Committee, which comprised the following membership:

- Chairman, SDPC (Chair)
- Director-General, Department of Main Roads

- Executive Director, Department of Main Roads
- Director, Economic Policy, Department of Premier and Cabinet
- Executive Director, SDPC (ex officio member), and
- Manager, SDPC (ex officio member).

The Steering Committee was responsible for influencing the direction of the Review and endorsing the recommendations arising from the Review. In addition, nominated officers from Main Roads participated as part of the Review Team. These officers possessed a high level understanding of the core business of the department at the strategic and operational levels and contributed significantly to all aspects of the Review.

The Terms of Reference for the Review are contained in Appendix 6.

3.3.5 Report structure

The structure of the report has been informed by the service delivery and performance management issues identified during the review process.

Chapter 5 outlines the findings on service delivery and Chapters 6-10 examine the key issues identified as impacting on efficient and effective service delivery by the department. The final two chapters provide the assessment of the department against the Performance Management Review Framework and the principles of a CBU.

4 Organisational Context

4.1 Service Delivery Environment

Main Roads operates in a dynamic environment in Queensland characterised by a resources boom and strong economic and population growth. For more than a decade Queensland's economy has grown faster than the national average and the population continues to grow, reaching four million people in 2005. By June 2006 the estimated resident population of Queensland was 4.09 million, an increase of more than 460 000 people since June 2001. The south-east area of the state is one of the fastest growing regions in Australia, with a projected increase in the population by 2026 of more than one million people to around four million¹.

This strong economic growth and fast growing population, particularly in the south-east corner and provincial cities, is generating, and will continue to generate, demand for new jobs and the associated infrastructure. The demand for infrastructure across the state has never been greater and in response the Queensland Government is progressing a massive infrastructure development agenda. The growth is producing competing demands for infrastructure across road, rail, public transport, water, energy, health and education sectors which is having an effect across all levels of government and private sector industries. Consequently an increased emphasis on coordination of infrastructure for water, gas, electricity, residential and business developments, roads, busways, rail and congestion management has become a high priority.

This environment has generated increased traffic and movement of freight on the road network. In Queensland the road freight task is expected to double by 2020², on a road network where most of the infrastructure was built during the past 30-40 years for a different purpose and which is now facing greater demands from vehicles which are larger and heavier and capable of travelling at higher speeds. At the same time there are growing demands for the department to respond to increasing community expectations around environmental issues, planning, cultural heritage, native title, improved road user safety and comfort and community consultation. A key government investment priority is to have the road infrastructure capable of satisfying this growing demand, driving economic growth and meeting community expectations for a safe and reliable road system.

In response to the growing demand for road infrastructure the state government has provided a significant investment in this area with a substantial injection of funding into the Main Roads' capital program over the past five years. The funding has increased from \$610m in 2003-2004 to \$2.4bn in 2008-2009.

¹ Office of Economic and Statistical Research, 2006, *Queensland government population projections to 2051: Queensland and statistical divisions*, 2nd Ed. Queensland Government, Brisbane.

² Roads Facts 2005, An overview of the Australian and New Zealand Roads Systems, Austroads Inc. 2005 Sydney.

4.2 Service Delivery Priorities

Main Roads is the owner and manager of the state-controlled road network (the road network) in Queensland, which comprises 33 500 kilometres of road and has a replacement value of \$34.9bn. This network includes the AusLink national land transport network which is partially funded by the Commonwealth Government. Main Roads also has a strategic interest in the remainder of the road system which is controlled by local governments, including Aboriginal and Torres Strait Islander community councils. Through the Main Roads/Local Government Roads Alliance (Roads Alliance), Main Roads works closely with Regional Roads Groups (RRGs) (chaired by local government Mayors) in managing Local Roads of Regional Significance (LRRS).

The *Transport Infrastructure Act 1994* is the legislation under which the network of state-controlled roads is managed. Main Roads also manages the delivery of other transport related infrastructure on behalf of Queensland Transport (e.g. busways, boat ramps, jetties and rural airstrips).

Main Roads contributes to the following government priorities and community outcomes:

- a strong diversified economy
- safe and secure communities
- a fair, socially cohesive and culturally vibrant society, and
- a clean, liveable and healthy environment.

The department's vision is: *Main Roads – Connecting Queensland.*

Main Roads aims to achieve this vision by:

- connecting with the future by providing a road system that will serve the state well into the future
- connecting with stakeholders by collaborating across government with stakeholders to meet the state's diverse needs
- connecting with communities and factoring the needs of various communities of interest into the department's operations
- connecting with suppliers in ways that are mutually beneficial, and
- connecting with staff through leadership and being alert to staff needs.

The department has developed four strategic priorities for 2008-2013 to:

- improve safety of the road environment
- achieve reliable delivery of the roads program
- preserve the increasing road asset, and
- manage the impact of urban traffic growth.

These strategic priorities are supported by four business priorities to:

- proactively engage stakeholders
- build the capability and capacity of the department's workforce

- effectively plan for the long term, and
- ensure the safety and well-being of the department's people.

The outputs for the Main Roads reported within the *Ministerial Portfolio Statement (MPS) 2007-2008* are:

- Road System Planning – this output improves the planning of the state-controlled road system as a whole through the development of a State-Wide Plan
- Infrastructure Program Development and Delivery – the activities under this output relate to the management of the development, implementation and monitoring of the works program to meet the targets outlined in the State-Wide Plan
- Road Stewardship – this output includes management and operation of the road corridor and includes activities of traffic operations, heavy vehicle management, road safety inspections, third party access and environmental management, and
- Road System Access Funding – this output relates to funding subsidies provided to local government road projects and to assist access to Aboriginal and Torres Strait Islander communities.

Main Roads as the planner, manager, deliverer, maintainer and operator of road infrastructure does so within an integrated transport system. The other major state government stakeholder in this is Queensland Transport which is responsible for transport planning, delivering policy, regulations, licensing, registration and accreditation systems and educational programs that promote and influence a safe, accessible and ecologically sustainable road transport system. Until recently the department was a portfolio partner with Queensland Transport reporting to the Minister for Transport and Main Roads. As a result of machinery-of-government changes in September 2007, the two departments now report to separate Ministers.

4.3 The Department

In 2006 the department undertook a restructure to position itself to more efficiently and effectively meet the challenges of the increasing roads infrastructure program. The magnitude of the new organisational changes can be put in context by considering the department's long history (since the 1960s) of being structured and operating on a regional basis. This regional approach continued through the years of amalgamation (in 1990) into a combined Department of Transport and the de-amalgamation in 1996 and throughout various organisational changes made since then.

The department now has a number of state-wide groups (State-Wide Planning (SWP), Program Development and Delivery (PD&D), Corridor Management and Operations (CM&O) and Major Projects) to ensure that there is consistency in standards and practices across Queensland and that the roads program is delivered on the basis of state-wide priorities. An Engineering and Technology (E&T) Group provides the source of technical knowledge and expertise for road builders in government, local government and the road industry across Queensland.

The Business Solutions and Information (BS&I) Group consolidates information and communications technology (ICT) systems, information management and knowledge management functions across the organisation with the Capability, Strategy and Finance (CS&F) Group providing support to the organisation in policy, finance and

business capability. The department also has an Organisational Positioning and Stakeholder Relations Group (OP&SR) dedicated to improving working relationships with a range of stakeholders. During the review period the department delivered the roads program through 14 districts and reference to this is within the body of the document. However, during the finalisation of the Review Report the Minister for Main Roads and Local Government announced changes to the organisational structure, which included a move to 12 regions and 18 district offices. The changes will be fully implemented by 1 July 2008.

Main Roads has separated the functions of 'owner/purchaser' of the road network from the 'provider' of transport infrastructure construction and maintenance and associated services. As such RoadTek operates in a competitive environment to provide transport infrastructure, civil works and project services throughout Queensland.

The SMG comprising the Director-General, Deputy Director-General, nine General Managers and one Executive Director provides governance of the department. The SMG charter outlines the group's responsibility as providing Main Roads' vision and future thinking while ensuring it is accountable and responsive to community and government priorities.

The overall staffing for the department is outlined in the table below.

Table 1: Main Roads Staffing by Work Group

WORK UNIT	Approved funded full-time equivalents 2007-2008	Actual headcount (permanent & temporary) at 14 March 2008 (1)
Office of Director-General	6	6
Corporate Office (2)	125	100
Office of Deputy Director-General (3)	15	20
Major Projects	198	174
State-Wide Planning	46	44
Program Development and Delivery	95	93
Corridor Management and Operations	62	56
Engineering and Technology	453	392
Business Solutions and Information	222	191
Capability, Strategy and Finance (4)	474	615
Organisational Positioning and Stakeholder Relations	18	17
Districts	2002	1647
RoadTek	1646	1604
Total	5362	5048

Notes:

- (1) The headcount data excludes employees on extended leave, casual staff, vocational students, scholarship holder and the like.
- (2) Variation in approved and actual headcount reflects recent transfer of 23 FTEs to district offices throughout the state. These are included in the district headcount.
- (3) Headcount includes staff working on special project/s.
- (4) Headcount includes 167 graduate positions place throughout the department but accounted for within Capability, Strategy and Finance Group.

Source: Main Roads.

4.4 The Roads Program

The roads within the state network have a variety of requirements all of which need to be taken into account and prioritised in developing the program of road works. Long lengths of road may only carry 50 vehicles per day but have an increasing demand for heavy freight vehicles, while other roads carry more than 140 000 vehicles per day with a growing need for traffic and congestion management.

The key elements that underpin the department's business strategy are:

- to identify and fund the highest priority roadworks which industry and the community value, and
- to improve efficiency in roads program delivery across all road industry sectors.

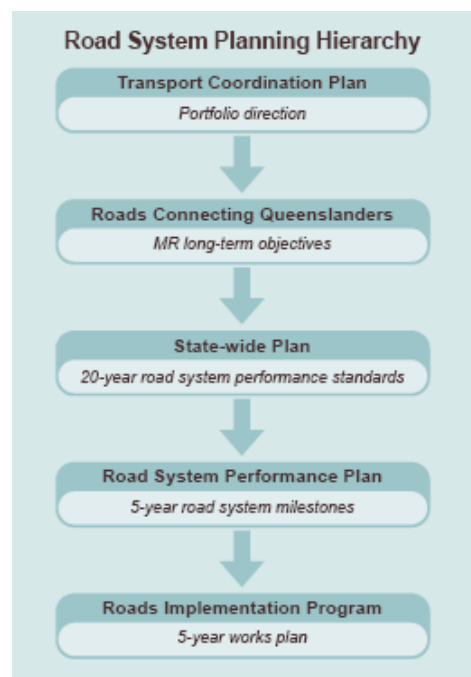
To guide the expenditure of funding, Main Roads develops a Roads Implementation Program (RIP). The RIP is developed annually following confirmation of state and commonwealth government road funding allocations in the respective annual budgets. It is a clear public statement of Main Roads' intentions over the next five years for planning, building and maintaining the state-controlled road network.

The RIP commits firm funding for years one and two with indicative allocations for years three to five for the higher order state-controlled road network. For the state-controlled LRRS, where roadworks are prioritised and jointly managed by RRGs, firm commitments are provided for years one to four, with year five indicative for planning purposes.

Incorporated in the RIP are all state funded road infrastructure commitments to be progressed over the next five years. These include the South-East Queensland Infrastructure Plan and Program (SEQIPP), the Rural and Regional Road Funding Initiative, Accelerated Road Rehabilitation and Regional Bridge Renewal Programs, Safer Roads Sooner Program and the Transport Infrastructure Development Scheme. The RIP also includes Commonwealth Government funding for the National Blackspot Programme and the national network under AusLink for roads, up to 2008-2009. While the Commonwealth Government partially funds work on the AusLink national land transport network (including former national highways), the AusLink road network forms part of the overall state-controlled road network.

The 2007-2008 to 2011-2012 RIP commits the department to a \$13.3bn program of road works and supporting services. This is an increase of \$1.75bn (or 15 per cent) on the previous year's RIP. The \$13.3bn commitment includes \$9.8bn in state funding with a further \$3.4bn Commonwealth Government funding. The current RIP reflects a record program of work and includes approximately 2500 road projects.

The hierarchy of plans that provide strategic direction in the development of the RIP is outlined in Figure 1 below.

Figure 1: Road System Planning Hierarchy

Source: Main Roads.

Under the State-Wide Planning approach the development of the RIP is managed and coordinated by the PD&D Group. The PD&D Group develops program parameters to guide district program development and coordinate district project bids for the various commonwealth and state government funded programs. The SWP Group determines priorities across the state from the link strategies and element management plans. Capital and maintenance, preservation and operation projects are identified by districts within state priorities once available discretionary funding is determined by the PD&D Group.

The State-Wide Plan is currently in draft form and the RSPP has only just been finalised and is going through departmental approval processes.

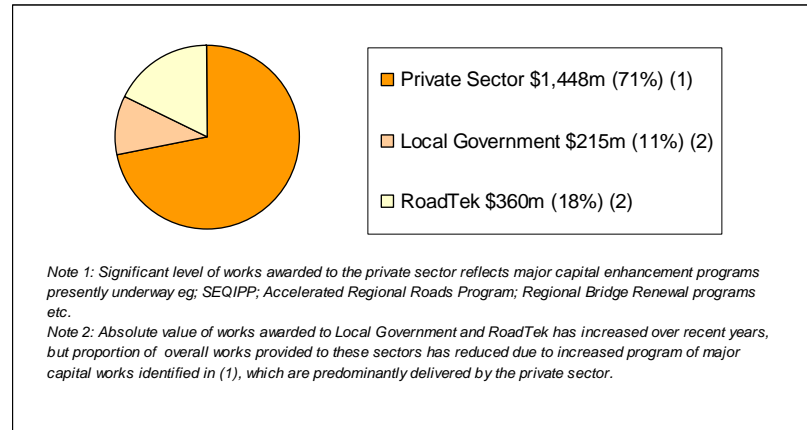
4.5 Delivery of the Roads Program

The 14 Main Roads district offices maintain and deliver the state-controlled network within the RIP funding allocations. Preconstruction and construction activities associated with major infrastructure projects are delivered through the department's Major Projects Office. Local governments and Aboriginal and Torres Strait Islander community councils manage the remaining 147 000 kilometres of public roads throughout the state and are provided subsidies by Main Roads under the Transport Infrastructure Development Scheme for local road upgrades.

In the delivery of road construction and maintenance, Main Roads has a policy of maintaining three viable sectors in the supplier market: the private sector, local government and the state government in the form of RoadTek. The policy, as set out in the department's *Commercialisation Framework 2008*, promotes a level of competition in road construction and is intended to assist the department to gain value for money. However, no sector is supported to grow at the expense of others.

The majority of Main Roads' roads program is delivered by the private sector. In 2006-2007 the private sector was allocated 71 per cent of the approved road works contracts. Figure 2 below depicts the market share for all road works contracts (capital and maintenance) across each of the sectors for contracts approved in 2006-2007.

Figure 2: Comparative value of all road works contracts approved in 2006-2007 (total \$2.022bn)



Source: Main Roads.

4.5 Challenges for Road Infrastructure Delivery

A side-effect of the current strong economic growth in the state is the challenge it presents for industry and planners of road infrastructure. The buoyant construction market is creating a shortage of skills in professional engineering, project management and a number of trades and technical services skills. The tightening of the labour market in the construction industry is also forcing increased costs which are adversely affecting the final project cost and timely delivery of major projects. This is compounded by a global trend towards an increase in core material costs. An independent review undertaken by consultants Evans & Peck estimated that the escalation of construction costs, driven by a shortage of resources, was in the order of 15 per cent per annum.

5 Service Delivery Analysis

The services delivered by Main Roads to improve Queensland's prosperity, quality of life and safety are:

- planning
- providing
- managing, and
- operating an efficient road network, as part of an integrated transport system.

The service delivery priorities of Main Roads reported in the MPS 2007-2008 are to:

- reliably deliver (within agreed scope, time and budget) the government's priority projects
- preserve and maintain the state's largest community asset – the state-controlled road network, and
- improve safety towards national road safety targets.

5.1 Assessment of Service Delivery Performance against Targets

5.1.1 Planning the road network

In planning the road network Main Roads aims to meet the needs of stakeholders through policy development and planning for a sustainable road system that balances investment choices between increasing capacity, efficient use of existing infrastructure and long term preservation of the road network on a whole-of-life basis.

The measures in the table below are listed within the road system planning output.

Table 2: Road system planning output measures

Quantity	Quality	Cost
<ul style="list-style-type: none"> • Road length • Percentage of lane kilometres unsealed • Number of bridges (timber) • Number of bridges (other) 	<ul style="list-style-type: none"> • Road system seal age • Road system condition • Road ride quality 	<ul style="list-style-type: none"> • Replacement value of the state-road controlled network • Value of properties held for future works as a percentage of the replacement value of the state-controlled road network

Source: Main Roads - MPS 2007-2008.

Whilst these measures are useful inputs to the planning process they do little to measure how well the department is performing in relation to planning the road network.

The key performance indicators (KPIs) listed within the *Strategic Plan 2006-2011* relating to planning the road network are:

- investment allocation to Main Roads outcomes
- level of service of state-controlled road network

- condition of state-controlled road network, and
- stakeholder satisfaction with state-wide system planning.

Measurement of the department's performance against these indicators is outlined in the *Annual Report 2006-07*. The table below shows the department's achievement.

Table 3: Achievement against indicators on planning

KPI	Description	Target	Achievement	Comment
Investment allocation to Main Roads outcomes	This measure indicates investment allocation to Main Roads outcome of providing efficient and effective transport.	95%	92%	Target not achieved This target is being revised to reflect a greater focus on safety outcomes
Level of service of state-controlled road network	This measure indicates the percentage of state-controlled road length that meets a level of service of 'stable flow', as defined by Austroads methodology. Factors affecting levels of service include road width, traffic volume and mix, terrain, geometric alignment, design speed, type of facility and lateral clearance.	Level of service maintained	Urban 42% Rural 84% The results are the same as for 2005-2006	Target achieved
Condition of state-controlled road network	The proportion of travel undertaken each year on rural and urban state-controlled roads with condition better than the specified benchmark of 140 NRM, a nationally-accepted benchmark used by Austroads.	Urban 98% Rural 95%	98% of all traffic travelling on roads meeting the Austroads benchmark	Target achieved
Stakeholder satisfaction with state-wide system planning	This measure indicates stakeholder perceptions of Main Roads state-wide system planning. It uses data collected from the 2007 Attitudinal Survey of Businesses and Residents conducted by external consultants.	No target determined	Residents 5.6 Business 5.1 This rating is on a scale of 1-10 with 1 being the lowest rating and 10 the highest	The data within the <i>Strategic Performance Report 2006-2007 Quarter 4</i> indicates a decline since 2003-2004 when the results were 5.9 and 5.7 respectively

Source: *Main Roads - Annual Report 2006-07*

On the basis of the performance measures reported in relation to planning the road network the department had mixed results in achieving planned targets. It is not clear how useful these measures are in a good assessment of performance in relation to this area of service delivery. In addition, Main Roads' performance against that of other jurisdictions such as New South Wales or Victoria is not easily compared from publicly reported data as the jurisdictions do not report against the same performance measures.

The department has amended its key performance measures for the *Strategic Plan 2007-2012* removing the stakeholder satisfaction measure and enhancing the first measure to 'Investment aligned with priorities and outcomes'. This latter measure will provide more useful information in relation to whether planning is focusing on meeting the key priorities and outcomes for the department. The removal of the stakeholder satisfaction measure for planning the road network is also appropriate as there is some doubt regarding its usefulness given that respondents to the currently utilised survey may not be clear as to where responsibility for delivery of a particular

piece of road infrastructure lies, that is with local government, Main Roads or through Commonwealth Government funding. However, the *Strategic Plan 2007-2012* does have a key result area of effective relationships where stakeholder satisfaction is a key result indicator. It will be important for the department to ensure that any survey undertaken in relation to this is well designed to collect useful and appropriate information which actually measures performance in this area.

5.1.2 Providing the road network

In providing the road network the department is responsible for designing, funding and delivering road infrastructure. This includes managing the delivery of the RIP through the 14 districts, with delivery undertaken by three viable sectors, within budget, to the planned quality and scope and on time. This aspect of service delivery is about ensuring that funds are allocated and spent on projects and activities which achieve government objectives and match the priorities in the Main Roads' *draft State-Wide Plan*.

The MPS lists a number of measures within the infrastructure development and delivery output. These are outlined in the table below.

Table 4: Infrastructure development and delivery output

Quantity	Timeliness	Location	Cost
<ul style="list-style-type: none"> Number of lane kilometres rehabilitated Roads resealed/resurfaced Number of timber bridges replaced with structure designed to current design standards Total number of timber bridges remaining on Higher Mass Limit (HML) routes 	<ul style="list-style-type: none"> % of major construction projects for which construction commenced no later than four months after programmed commencement date % of major construction projects completed no more than 10% outside the programmed construction period 	<ul style="list-style-type: none"> Number of crashes by road users at and around road project worksites 	<ul style="list-style-type: none"> % of major construction projects costing less than 10% over programmed estimate Expenditure on road maintenance and rehabilitation

Source: Main Roads - MPS 2007-08

The timeliness and cost measures reported in the MPS are the more useful of these measures for assessing performance rather than assessing inputs or activity, although reporting expenditure on road maintenance and rehabilitation as a proportion of total road asset value may give a better picture of the focus on this area of road network delivery.

The KPIs listed within the *Strategic Plan 2006-2011* relating to providing the road network are:

- reliability of road project delivery (commencement, completion and cost)
- stakeholder satisfaction with program development and delivery, and
- delivery of the SEQIPP on time and within budget.

The department's measurement of performance against these indicators is provided in the *Annual Report 2006-07* and outlined in the table below.

Table 5: Achievement against indicators on providing the road network

KPI	Description	Target	Achievement	Comment
Reliability of road project delivery:				
• Commencement	• % of major construction projects (costing > \$1m) where construction started no later than four months after programmed commencement date	90%	83%	Not achieved
• Completion	• % of major construction projects (costing > \$1m) where construction completed no more than 10% outside the construction period	90%	78%	Not achieved
• Cost	• % of major construction projects (costing > \$1m) that cost less than 10% over the programmed estimate	90%	87.2%	Not achieved
Stakeholder satisfaction with program development and delivery	This measure indicates stakeholder perceptions of Main Roads program development and delivery. It uses data collected from the 2007 Attitudinal Survey of Businesses and Residents conducted by external consultants.	No target determined	Residents 5.8 Business 5.3	The data within the <i>Strategic Performance Report 2006-2007 Quarter 4</i> indicates a decline since 2003-2004 when the results were 6.0 and 5.9 respectively
Delivery of the SEQIPP on time and within budget	This is a new measure to gauge the effective delivery of the government's transport infrastructure commitments for South-East Queensland.	No target determined	93% of projects commenced within four months of the date project scheduled to start	This response is higher than the achievement for total RIP major projects (83%)

Source: Main Roads - Annual Report 2006-07.

On the basis of the performance measures reported in relation to providing the road network the department has not achieved planned targets for this area of service delivery, except for a satisfactory response to commencement of the SEQIPP projects. As with the previous service delivery area, comparison against the performance of other jurisdictions undertaking similar infrastructure programs is not easily achieved because of reporting inconsistencies.

One measure where a cursory comparison can be made with other jurisdictions is in the completion of construction projects. The table below provides an outline of performance in completion of construction projects for the 2006-2007 financial year for Queensland, New South Wales and Victoria.

Table 6: Comparison of jurisdictions measures on providing the road network

Jurisdiction	Measure	Achievement
Queensland	% of major construction projects (costing > \$1m) where construction completed no more than 10% outside the construction period	78%
New South Wales	Major works completed within planned duration or within 10% over planned duration	75.3%
Victoria	<ul style="list-style-type: none"> • Proportion of local roads projects completed against planned target • Proportion of arterial roads improvement projects completed against planned target • Proportion of local roads and arterial roads improvement projects completed against planned target 	<p>90%</p> <p>79%</p> <p>85.7%</p>

Source: Data sourced from Annual Reports 2006-07.

This comparison suggests that Main Roads is attaining a relatively similar level of performance achievement in relation to completion of construction projects within target time frames as the other two jurisdictions. Clearly the comparison is indicative only as different measures are being reported.

The key performance measures for this area of service delivery have been amended for the *Strategic Plan 2007-2012* to remove the stakeholder satisfaction measure and include a measure on effective technical governance. As discussed previously the removal of the stakeholder satisfaction measure specifically for this area of service delivery is also appropriate in view of the potential lack of understanding around responsibilities, but it will be important for the department to continue to measure stakeholder satisfaction with its service delivery more broadly with a well designed survey instrument.

5.1.3 Managing the road network

This area of service delivery includes preserving and maintaining the road asset. This involves ensuring that the asset is maintained to get optimal use out of the asset before replacement becomes essential. The increased growth in population and freight usage of the road network has the potential to significantly negatively impact on pavement condition if this aspect of management of the road network is not addressed. Managing the road network also involves management of corridor land through management of roadside vegetation and pest control, third party access for water, power, gas and telecommunication linkages which are located in the road corridor and management of the impact of adjacent property and development.

The MPS lists two quantity measures related to this area of service delivery which are listed within the road stewardship output:

- percentage of completed road corridor environmental assessments, and
- percentage of RIP projects with environmental assessments undertaken.

There are also two quality measures relevant to this area of service delivery which are listed within the road system planning output of the MPS:

- road system seal age, and
- road system condition.

The KPIs listed within the *Strategic Plan 2006-2011* relating to managing the road network are:

- condition of state-controlled road network (this KPI and performance against the target has been assessed in 5.1.1 planning the road network)
- level of environmental management within road corridors
- stakeholder satisfaction with corridor land management, and
- stakeholder satisfaction with Main Roads processes for managing access to state-controlled road corridors.

The department's measurement of performance against these indicators is provided in the *Annual Report 2006-07* and outlined in the table below.

Table 7: Achievement against indicators on managing the road network

KPI	Description	Target	Achievement	Comment
Level of environmental management within road corridors	This measure indicates the proportion of projects that fully satisfy all corporate requirements for Environmental Impact Assessments and Environmental Certification and the % of projects that satisfy corporate requirements for Environmental Management Plans.	100% to have EIA and EC before detailed design commences	85%	Not achieved
		100% to have EMP before construction commences	92%	Not achieved
Stakeholder satisfaction with corridor land management	This measure indicates stakeholder perceptions of Main Roads corridor land management. It uses data collected from the 2007 Attitudinal Survey of Businesses and Residents conducted by external consultants.	No target set	Residents 6.2 Business 6.0 This rating is on a scale of 1-10 with 1 being the lowest rating and 10 the highest	The data within the <i>Strategic Performance Report 2006-2007 Quarter 4</i> indicates a decline since 2003-2004 when the results were 6.4 and 6.5 respectively
Stakeholder satisfaction with Main Roads processes for managing access to state-controlled road corridors	N/A	N/A	N/A	Not reported in the Annual Report nor the <i>Strategic Performance Report 2006-07 Quarter 4</i>

Source: *Main Roads - Annual Report 2006-07*.

On the basis of the performance measures reported in relation to managing the road network the department has not achieved planned targets for this area of service delivery. There does not appear to be any publicly reported performance measurement relating to aspects of corridor management such as access to the road corridor, particularly by other service providers. While contributions by developers to the impact of development on the road asset is provided in the RIP, the department does not report this within its annual report.

The key performance measures for this area of service delivery have been amended for the *Strategic Plan 2007-2012* to be road corridor environmental values and sustainable road corridor use. The road corridor environmental values indicator measures the same information and is merely a name change whereas the sustainable road corridor use indicator is still being developed by the department.

5.1.4 Operating the road network

This area of service delivery relates to achieving safe travel for all road users, efficient heavy vehicle operations and travel efficiency and reliability on the road network. The focus is on the network meeting the needs of industry and the wider community and includes heavy vehicle access, optimising road safety, traffic management and incident control to optimise traffic flow and freight planning and network performance. Managing heavy vehicle usage of the road system is designed to improve industry productivity whilst minimising the impact on the road asset and optimising whole of life performance.

The table below identifies the measures listed in the MPS within the road stewardship output that are relevant to this service delivery area.

Table 8: Road stewardship output

Quantity	Quality
Network availability to increased capacity heavy vehicles	<ul style="list-style-type: none"> • Number of fatalities on state-controlled roads per 100 000 population • Number of fatal crashes on state-controlled roads per 100 million vehicle kilometres travelled • Number of serious injury (hospitalisation) crashes on state-controlled roads per 100 million vehicle kilometres travelled by identified crash type • Congestion indicator • Percentage of state-controlled road network with an acceptable 'Level of Service' consistent with Austroads methodology

Source: *Main Roads - Annual Report 2006-07*.

The KPIs listed within the *Strategic Plan 2006-2011* relating to operating the road network are:

- level of safety of the state-controlled road network
- level of congestion on the state-controlled road network, and
- network availability for freight efficient vehicles.

These measures are appropriate measures for giving an indication of performance in achieving the key service delivery priorities for the department around safety, traffic congestion and improving the reliability of service to industry and the community.

The department's measurement of performance against these indicators is provided in the *Annual Report 2006-07* and outlined in the table below.

Table 9: Achievement against indicators on operating the road network

KPI	Description	Target	Achievement	Comment
Level of safety of the state-controlled road network	Number of fatalities on state-controlled roads per 100,000 population	≤ 4.49	4.82	Not achieved
Level of congestion on the state-controlled road network	This measure indicates the difference between achievable travel speed and the actual travel speed on a representative sample of arterial roads and freeways in the Brisbane urban metropolitan area. (<i>This indicator will grow as congestion increases.</i>)	AM peak 31.9 km/hr PM peak 26.9 km/hr Off peak 17.6 km/hr All day 25.2 km/hr	32.2 km/hr 23.6 km/hr 17.6 km/hr 23.9 km/hr	Not achieved Achieved Achieved Achieved Congestion has improved from 2005-2006 but the trend has been increasing over time

Source: Main Roads - Annual Report 2006-07 and MPS 2007-08.

Network availability for freight efficient vehicles	The percentage of the Type 2 road train network available to increased capacity AAB-Quad, BAB-Quad and ABB-Quad heavy vehicles.	>30% access for AAB type vehicles	29% access for AAB type vehicles	Not achieved
		> 60% access for BAB type vehicles	59% access for BAB type vehicles	Not achieved
		> 30% access for ABB type vehicles	23% access for ABB type vehicles	Not achieved
		These targets represent the level of access requested by industry		

On the basis of the performance measures reported in relation to operating the road network the department had mixed results in achieving planned targets. While the target in relation to road safety was not met, Main Roads can only influence the achievement of this target by good road design, operation and management of the road corridor. It is a good high level outcome measure but is not truly indicative of Main Roads achievements in relation to road safety. In the absence of more specific measures being developed it may be appropriate for Main Roads to report specific initiatives that they have implemented that have improved road safety outcomes. The department's use within its annual report of an approach which is to essentially 'tell the story' about particular aspects of performance, rather than trying to quantify precise achievement, is supported.

Similarly the level of congestion is a measure which is not totally within the control of the department and negative performance is not solely attributable to strategies implemented by Main Roads. Development and delivery of road infrastructure is but one response to traffic congestion issues – this is a broader issue affected by other factors such as the availability and quality of public transport options. Despite this it is still a measure that the department should monitor and report against. Performance in relation to it will provide the department with an indication of the growing issue of traffic congestion and the need for alternative responses to be developed.

This indicator has been modified in the *Strategic Plan 2007-2012* to be travel efficiency and reliability on the state-controlled road network.

In relation to the network availability for freight efficient vehicles, while the achievement has failed to meet the set target the performance trend in relation to increasing access has been positive over the past five years.

5.2 Findings

The department has achieved mixed results in terms of realising planned targets for each of the services it delivers when this performance is assessed against its publicly reported performance measures and set targets. However, it is also apparent that the measures currently used by Main Roads to publicly present performance achievement are not particularly useful in conveying a clear picture of how it is performing in delivering services to the community and industry. As a consequence an assessment against these measures cannot give a truly accurate assessment of how well the department is performing in service delivery. This clearly needs to be addressed. The department's capability in performance measurement and monitoring is discussed in more detail in Chapter 11.

Comparison of performance against achievements with other jurisdictions is not possible from published data due to reporting inconsistencies. It would be beneficial for Main Roads, through the Association of Australia and New Zealand road transport and traffic authorities (Austroads), to work with other jurisdictions responsible for roads programs to publish high level strategic performance measures which would allow comparison of performance across jurisdictions. This is discussed in Chapter 6.

These results on first assessment appear inadequate. However, they need to be considered in the context of the inadequacy of the performance measures used by Main Roads, the environment within which the department is operating and the challenges presented by the requirement to deliver a significantly increased roads program.

5.3 Recommendations

1. The Director-General ensure that the current departmental review of performance measures be completed by 31 October 2008 and produces performance measures which clearly reflect the department's level of performance in service delivery, are consistent with national standards where established, and are useful in strategic decision making.
2. The Director-General, by 31 October 2008, revise the department's quarterly Strategic Performance Report to ensure that it:
 - a. contains only key performance information which is useful to the Senior Management Group in strategic decision making, and
 - b. includes appropriate information on the strategic performance of RoadTek (excluding commercial performance) as a service deliverer.

6 Strategic Direction

Main Roads takes great pride in its ability as a deliverer of road infrastructure. In recent years the operating environment for Main Roads has moved radically, becoming more complex with core business involving more than just determining the best way to construct a technically correct, high quality road. It involves consideration of the environmental impact, community expectations, road operation including road safety, corridor management and the interaction with other service providers accessing the road corridor, and maintenance of the asset. It also involves consideration of the broader context within which the building of roads infrastructure fits with other government priorities and community needs. The department's performance in this area is also affected by its ability to influence the external environment, within government, industry and the community.

6.2 Organisational Restructure

Prior to 2006 the department operated on a regional model for planning, development and delivery of the RIP. While the department was committed to consistency in terms of standards and service delivery, progress in this area was limited. In order to position itself better to meet the emergent demands, both now and in the foreseeable future, the organisation undertook a number of reviews. One of the outputs of these was a new organisational structure which was announced on 20 February 2006 and implemented from 1 July 2006. Associated with this was the introduction of a District Operating Model (DOM), based on a program and project management approach, to ensure consistency and a high quality of service delivery within the 14 districts.

The restructure involved a major change initiative with some 200 staff from throughout the department working together for a week to develop recommendations to address a number of problem domains. After endorsement, work teams were established to progress the recommendations to the deliverable stage.

The change was designed to achieve the outcomes of:

- maintaining the strength of community-based district delivery while improving state-wide focus in line with the vision of Connecting Queensland
- being sure business systems were consistent and integrated, and accountabilities were clear and simple so that the department could deliver, and
- ensuring a strong focus on enhancing career paths for staff, especially engineering and related technical staff.

The structure established four state-wide groups to ensure consistency in standards and practices across Queensland and to ensure that the roads program was delivered on the basis of state-wide priorities.

As relationships with stakeholders had not always been a major focus for the department the OP&SR Group was established to improve these relationships. It has now implemented an account manager approach where SMG members as account managers are assigned as the primary contact for key stakeholders to achieve clarity in reporting and communication.

The BS&I Group was established to address the number of legacy and inconsistent systems operating within the previous regions by consolidating ICT systems, information management and knowledge management functions across the department. The importance of this area was demonstrated by having it report to a General Manager on the SMG.

A Policy and Strategic Advice Division was created within the CS&F Group to maintain strategic policy capability. Its primary role was to provide strategic thinking and policy support to the Director-General, the Deputy Director-General and the SMG with a focus on identifying strategic risk, economic analysis, developing key policy and coordinating policy.

The 14 districts continued to operate at a local level in delivering the RIP. As part of the restructure the Director-General and state-wide GM's, in collaboration with District Directors, formed the Roads Business Group to provide a means of resolving state-wide roads business issues, ensuring consistent state-wide program performance, developing innovative state-wide solutions for planning, providing and managing the road network and implementing consistent business systems, policies and processes.

The conceptual basis for the restructure is well-founded and the new structure provides a valuable means of ensuring the RIP is delivered in a consistent way. The restructure has been a significant move forward for the department and has assisted in achieving a cultural shift in the way that the roads program is planned, developed and delivered. The approach is also generally well accepted within the department as the way forward.

While the organisational change is a positive move it has been, and continues to be, implemented during a period of significant infrastructure development and delivery which is placing increasing demands on all areas of the organisation but particularly on the service delivery areas of the department, the state-wide groups and the districts. While this creates some pressures the changed approach is needed if the department is to be well positioned to effectively and efficiently deliver the large roads program now, and into the future.

During the review consultation it became apparent that even after 18 months there is not a clear understanding, by both staff (at a range of levels) and external stakeholders, of the new roles and responsibilities of positions within the revised organisational structure. In addition, the DOM has not as yet been implemented across all districts and is not well understood below district management level. There were also some issues raised by staff in relation to the placement of the state-wide General Manager positions and their staff in regional locations. In the final stages of the Review the Minister for Main Roads and Local Government announced changes to the Main Roads organisational structure, which established 12 regions and 18 district offices.

The previous Regional Executive Director positions provided a quality assurance role over service delivery within the districts. While this role is now provided by the state-wide General Managers for their specific areas of responsibility there may be benefit to the organisation in having a General Manager, Business Operations responsible for overseeing the new regions and 18 district offices. This would allow enhanced quality control over business operations and the position could be the source of expert advice in terms of what is occurring within regional areas of the state. It would

also reduce the number of direct reports to the Deputy Director-General. This is currently 19 with all 14 District Directors, the state-wide General Manager positions and the Director State-Wide Business Operations reporting to the Deputy Director-General.

The lack of clarity around roles in the new structure is highlighted through the distribution of strategic policy type functions in different parts of the structure. The current structure has two groups with a major strategic policy focus: the SWP Group and the CS&F Group. The role statements of the two General Managers responsible for these areas contain similar accountabilities for strategic policy advice. The General Manager, SWP also leads negotiations with the Commonwealth Government on the bilateral agreement for 2004-2005 to 2008-2009 between the two jurisdictions on the *Implementation of the Auslink National Land Transport Plan*. However, a key divisional priority for the Policy and Strategy Advice Division, within the CS&F Group, is to influence the national policy agenda on road and transport issues through strategic input into Main Road's engagement with the Commonwealth Government. This confusion is compounded by the location of the Policy and Strategic Advice Division with the support or enabler type functions of finance and facilities and corporate capability.

The department has significant policy challenges facing it in the coming years and needs to be well positioned, with suitably skilled and focused staff, to deliver on that agenda. It would assist the department in achieving this if it were to consolidate its policy capability, provide a single departmental focus on whole-of-agency policy development and position the area where it can more effectively 'provide strategic thinking and policy support to the Director-General, the Deputy Director-General and the SMG'. This could be achieved by repositioning the Policy and Strategic Advice Division, under the leadership of the Executive Director, to report directly to the Director-General. At the same time resources and roles within the SWP Group and the Policy and Strategic Advice Division should be rationalised to achieve economies of scale where appropriate. In doing this, there is scope for savings, which will need to be quantified in the process of rationalisation. The SDPC may be involved at key stages to assist in identifying savings.

One negative aspect of moving the Policy and Strategic Advice Division to report directly to the Director-General is the subsequent increase in the number of direct reports to that position. While this is not unmanageable there would be scope in the near future, when other priorities around external communication have been satisfactorily addressed, to consider moving the Corporate Office, or branches within it, to align with the capability and finance functions of the department. At the same time it would be an ideal opportunity to move the Corporate Planning and Performance Branch to join the Policy and Strategic Advice Division. With the placement of the corporate planning function away from the policy and strategy development activities of the organisation there is a risk that it will be compliance focused rather than raising the focus to a more strategic level which is a useful basis for strategic decision making. The need to raise the strategic focus and usefulness of performance information has already been identified as an area for improvement by the Review.

The area of stakeholder relationship functions is another area of potential duplication within the department and requires closer consideration. The Community Relations Branch in Corporate Office has a role in external stakeholder relationships which is also included in the role statement for the Stakeholder Relationships Branch in the OP&SR Group. Also, there are some similarities in the roles of the Trade and

Industry Relations Unit in Corporate Office, Industry Capacity Branch of the OP&SR Group and those sections of the E&T Group that are responsible for contractor prequalification and delivery systems. The potential overlap of roles could lead to conflicting objectives and needs to be carefully managed. There is potential for the organisation to rationalise both the roles and possible staffing of these areas to achieve greater efficiency and effectiveness in the approach to stakeholder relationships.

The proposed enhancements to the structure would allow the Director-General and the Deputy Director-General to have more flexibility to focus on embedding and consolidating change and to manage the strategic agenda, particularly the management of external relations, which is both time consuming and a significant challenge in the current complex environment.

6.3 Capacity of the Organisation to Influence the Local Agenda

Main Roads' districts work closely with the community, industry and local governments in their areas. Stakeholder feedback indicates that the department has been successful in influencing at this level. It successfully established a partnership with local government known as the Roads Alliance which is a unique form of governance where, within agreed parameters, local government and Main Roads jointly prioritise in the order of \$3bn of joint road investment over a five year period.

The partnership also jointly manages the LRRS which has a total length of 31 431 kilometres. These roads, of which 42 per cent (or 13 235 km) are state-owned, are of a lower strategic function for the state but are of high regional significance to communities. The Roads Alliance has effectively transferred decision making on these roads to local government. The Roads Alliance is governed through RRGs consisting of Main Roads staff and elected mayors or a nominated local government councillor. Local government membership of RRGs is voluntary and all councils in Queensland except one are members.

Main Roads is actively addressing the issue of local government reforms and has established a project specifically to ensure districts are ready to do business with the new local governments immediately following the March 2008 elections. It is planned that future alignment of districts will take into consideration local government and RRG boundaries and those of other relevant state government agencies that share similar interests. The LGAQ and local governments are aware of the project and feedback has been positive about the approach being taken.

The one area of potential conflict at this level is the relationship with the Brisbane City Council (BCC). The size, scope and political environment of BCC are unique to Queensland. Other jurisdictions have a larger number of smaller councils operating within their capital cities. This relationship is affected by the significant amount of infrastructure activity occurring within, and driven by, this council area and it is clear that there is a need for strong cooperation and constructive sharing of information in the early stages of direction setting and project planning. In 2004, Campbell Newman was elected Lord Mayor of Brisbane and announced a program of transport network initiatives under the banner of TransApex. TransApex consisted of five projects to improve cross-city travel in Brisbane by providing new river crossings and connecting

existing motorways and major arterial roads. The projects included the North-South Bypass Tunnel, AirportLink, the Hale Street Link, Northern Link and East-West Link.

The pre-feasibility study of the five projects was undertaken in 2004 with BCC taking full carriage and responsibility. Main Roads' role was as a major stakeholder with an important role of responding to and facilitating the process. The Queensland Government has since signed a Memorandum of Understanding (MOU) for the North-South Bypass Tunnel and has assumed overall responsibility via the Department of Infrastructure and Planning for AirportLink. An MOU for the Northern Link is currently being drafted. The coordination of state action on these projects occurred through the TransApex state representatives with Main Roads being represented by the Deputy Director-General. The impact these projects will have on the state-controlled roads that they connect with, and feed onto, is an area which needs to be planned and carefully managed.

The Review consultation findings indicate that the relationship between BCC and the department has improved in the past couple of years. One example is the joint Brisbane Metropolitan Transport Management Centre which, since opening in May 2007, now integrates traffic management across the city's network. Previously this was provided separately by Main Roads and BCC. It is essential that this level of cooperation continues to ensure that there is not duplication of effort and that the impact of development projects is planned to have the least impact on each other and the community. The department would benefit from having in place a more formal strategic arrangement with BCC around this to ensure that input and responses are not driven by officer level negotiations. Greater cooperation between local government and the department in the coordination and sequencing of projects is needed to ensure that road works and development activity does not impact too adversely on traffic management, particularly traffic congestion, in the south-east of the state where there is significant infrastructure activity being undertaken.

6.4 Capacity of the Organisation to Influence the State Agenda

6.4.1 Planning

The massive infrastructure program in Queensland is particularly complex in the south-east corner of the state. The multiple major transport infrastructure interests in particular, have links and impacts across a number of government agencies. The need to successfully meet objectives could, if not managed carefully, mean that roles and priorities conflict. Therefore, the need for effective integrated transport planning has never been greater.

In 2005, the Office of Urban Management published a *South-East Queensland Regional Plan* to guide the preferred pattern of development across South-East Queensland and with it the *2005-2026 SEQIPP*. The SEQIPP established priorities for significant infrastructure over the next ten years, with a 20 year planning timeframe. Main Roads provided input into the SEQIPP by submitting its top 100 projects, 70 of which were included in the final plan. Main Roads was well positioned to provide this information as a result of having the RIP. However, the short turnaround time for determining cost estimates for the SEQIPP has left some residual issues regarding the accuracy of the project costings and the subsequent ability to deliver the program within the available funding. This is addressed in more detail in Chapter 8.

The *Integrated Regional Transport Plan for SEQ* (IRTP SEQ), published in 1997, was a joint document between the department and Queensland Transport and provided an overall strategic framework for transport planning, mapping out a 25 year solution for a more suitable transport system. This document was developed more as a listing of projects that needed to be done rather than taking into account the likelihood of obtaining funding or the delivery priorities. In April 2001, *Transport 2007* was released as a companion to the IRTP SEQ and provided a detailed action plan to address identified emerging transport issues facing South-East Queensland. This document was linked to expected transport funding and provided a more realistic picture of transport investment.

Stakeholder feedback to the Review suggests that Main Roads is contributing well and is fully involved in cross-government planning. However, as evidenced above, planning can easily become fragmented when there are a number of agencies at various levels, with a variety of agendas seeking outcomes which should be linked. Apart from the SEQIPP which provides a program of investment between transport modes there does not appear to be an updated vision document since *Transport 2007*. This may have contributed to the initial absence of state government influence on the TransApex projects. While Queensland Transport and Main Roads work closely together, Queensland Transport is the responsible agency for planning and managing the transport system. This does not however imply that Main Roads should not put significant effort into influencing this area. This has become more of an issue with the current reporting arrangements for the two departments.

6.4.2 Policy

With a substantial infrastructure program also comes a requirement for quality policy development to ensure consistent, efficient and effective decision making.

There are significant policy issues facing government which will require input from the department. For example, there is the possibility within the next couple of years of multiple tollway companies operating across Brisbane following the completion of projects within TransApex. Currently there is only one tollway operator, Queensland Motorways Limited, which is a company owned by Main Roads. The policy implications in relation to this relate to which state agency will take the lead in policy development around this issue and the role to be played by Main Roads. With the current change in portfolio arrangements the relevant legislation, the *Transport Infrastructure Act 1994*, does not give immediate clarity as to responsibility. The department needs to work with Queensland Transport to determine whether amendment to the legislation is required to clarify this issue.

There is also the significant issue of traffic congestion. This problem is a complex one which is unlikely to be resolved solely by building additional infrastructure. The department will need to work with other government agencies in examining the feasibility of alternative strategies such as congestion charging, road pricing, charging users of the network, improving the use of intelligent transport mechanisms in the future for monitoring heavy vehicle access or number plate recognition and increasing access to efficient public transport systems.

While it was evident through the review consultation that the department is working closely with other infrastructure agencies including the Department of Infrastructure and Planning, particularly the Office of Urban Management, and Queensland Transport, and is involved in both operational and strategic cooperation with them, there is a weakness at the strategic policy level with central agencies. Main Roads

could benefit from bringing a broader strategic focus to the relationship. The department needs to have a greater appreciation of the importance of developing robust relationships with these agencies to ensure that there is a clear understanding of its business and the complexities it faces. At the strategic level the department has recognised the need for organisational positioning and management of key stakeholder relationships. As such the department has allocated an SMG member as the account manager for Queensland Treasury and Department of Premier and Cabinet. However, the review consultation indicated that this model does not appear to be having the desired effect at this stage. In addition, the department needs to establish and maintain relationships at other levels so that officer level discussions can be more effective. The review consultation indicated that the coordination and quality of business cases was an area which needed to be enhanced. It was not immediately evident to the Review that the department's Policy and Strategic Advice Division had sufficient capability in this area at present to influence the strategic policy agenda.

Under the previous arrangements where Main Roads was a portfolio partner with Queensland Transport there was regular cooperation and coordination on policy issues. This was a strength of that arrangement. However, operating as separate departments within different portfolios provides some level of risk to government of not achieving the same outcomes. During the Review it was apparent that some confusion existed regarding the current delineation in role between Queensland Transport and Main Roads in terms of policy setting. While it presents a challenge for both departments, it is not unachievable. There are related risks in relation to effective working relationships between the two departments where there are shared services or shared accommodation arrangements in place. What is required is a concerted effort to ensure that processes are put in place, based on effective collaboration, to achieve required outcomes and ensure that they are not reliant on personalities or past agreements.

6.5 Capacity of the Organisation to Influence the National Agenda

There are a number of national committees and cooperative arrangements between jurisdictions where Main Roads is well positioned to influence the national agenda. Queensland is represented by Main Roads on a number of these and the Director-General is the chair of the National Transport Committee Performance Based Standards Committee and chair of Austroads. In this capacity the department has positioned itself well to drive the national agenda particularly around priority projects and research. Interstate jurisdictions report favourably on the department's ability to lead and participate in this arena.

The current inability to make comparisons from published data of strategic performance between jurisdictions, due to reporting inconsistencies, is an area where Main Roads could exert some influence. Clearly it would be beneficial for Main Roads, and other state roads authorities, for Austroads to develop and report against high level strategic performance measures so as to allow more effective comparison of outcome performance across jurisdictions. In view of its current role on Austroads, Main Roads is in a prime position to lead the policy setting and delivery in this area.

Queensland receives funding from the Commonwealth Government for roads under the AusLink network. In negotiating this funding Main Roads is competing against

other states and territories for road infrastructure as well as competing against rail priorities. The Commonwealth Government approach links transport performance outcomes to projected economic growth and development for funding major road and rail systems infrastructure. This approach required the development of long term corridor strategies to form the basis of the future development of the AusLink network. Each corridor strategy provides the basis for determining national investment priorities across the AusLink network.

There are 24 corridor strategies across the nation with six being in Queensland. These are: Brisbane – Cairns; Brisbane Urban; Brisbane – Darwin; Sydney – Brisbane; Melbourne – Brisbane; and Mt Isa – Townsville. The commitments for funding the corridor between Brisbane and Cairns during the recent federal election highlight the importance of these corridor strategies.

The corridor strategies were developed jointly between the states and the Commonwealth Government. Feedback from the former Commonwealth Government Department of Transport and Regional Services (DoTARS) during the review consultation indicated that Main Roads was a cooperative and capable participant in the development of the corridor strategies.

There is scope for a better definition of roles and responsibilities between the two levels of government around the AusLink network. Under AusLink, the Commonwealth Government shares maintenance costs on the more extensive AusLink network with states and territories, the owners of the road assets. The Commonwealth Government's maintenance funding is apportioned between the states and territories using a formula which assumes that the condition of roads across the country is at the same level. Main Roads reports that Queensland is at a disadvantage in this arrangement in that the current standard of roads in Queensland is at a significantly lower standard than that for the rest of the states. Main Roads has unsuccessfully raised the issue of insufficient maintenance funding for the AusLink network with the Commonwealth Government on several occasions and has suggested that it is now at a stage that it cannot guarantee the reliability of the network on some sections. There are pavements greater than 30 years of age which were originally designed for a 20 year life while carrying truck masses significantly lower than they are today.

As a result Main Roads needs to build its capacity to influence the outcomes of negotiations with the Commonwealth Government and work on obtaining a more collaborative approach. During the review consultation it was established that the recent organisational restructure in Main Roads has assisted in improving the relationship with Department of Infrastructure, Transport, Regional Development and Local Government (DITRD LG) with a more open relationship resulting in a greater understanding by DITRD LG of the state of AusLink corridors within Queensland.

6.6 Findings

The recent organisational restructure has been a positive move in assisting the department to be better positioned to meet the challenges of its sizeable roads program. Improving role clarity in some areas will assist the department in realising the full benefits of the new structure. In particular, the department needs to consolidate its strategic policy capability, provide a single departmental focus on whole-of-agency policy development and position the area to report directly to the Director-General so that it can be more effective in providing high quality strategic

advice to the Director-General and the SMG. There also appears to be some duplication of roles in the area of stakeholder relations. There is potential for the organisation to rationalise both the roles and possible staffing of those areas of the department undertaking a function in this area to achieve greater efficiency and effectiveness in the approach to stakeholder relationships. The relevant areas include the Community and Industry Relations Branch in Corporate Office, the Stakeholder Relationships Branch and Industry Capacity Branch within the OP&SR Group and those sections of the E&T Group that are responsible for contractor prequalification and delivery systems.

The creation of a General Manager, Business Operations would also be an opportunity to reduce the number of direct reports to the Deputy Director-General and allow a source of expert advice on regional issues across districts.

The proposed minor adjustments to the organisational structure would allow the Director-General and the Deputy Director-General to have more opportunity to focus on embedding and consolidating change and concentrating on the people issues associated with implementing such comprehensive change initiatives. At the same time it would assist in the management of the strategic agenda, particularly the management of external relations, which is both time consuming and a significant challenge in the current complex environment.

In terms of the department's ability to influence policy and planning at the local, state and national level it has been performing well but has some ongoing challenges facing it to ensure that a more holistic approach is taken to infrastructure policy and planning and that capital expenditure on new road infrastructure is not the first response to emerging transport issues.

6.7 Recommendations

3. The Director-General more clearly articulate to all stakeholders, through a variety of means, further detail on the delineation of roles and accountabilities of positions and functional areas within the new structure, and ensure that delegations appropriately reflect these accountabilities, by 30 September 2008.
4. The Director-General, by 30 June 2008, amend the organisational structure to:
 - a. have the Policy and Strategic Advice Division report directly to the Director-General and rationalise strategic policy roles and resources within the State-Wide Planning Group and the Policy and Strategic Advice Division
 - b. create a General Manager position reporting to the Deputy Director-General to oversee the regions and districts, and
 - c. rationalise roles and resources within those areas of the department undertaking a function related to stakeholder relations.
5. The Director-General implement an approach to work with relevant local governments in South-East Queensland in all stages of infrastructure development and provision, in particular in the early stages of direction setting and project planning, to achieve a coordinated approach and minimise the impact on road users by 30 September 2008.
6. The Director-General consult with central agencies early in the development of new initiative funding bids and ensure meetings are held regularly with these

agencies to strengthen strategic relationships, commencing the consultation by 30 June 2008.

7. The Director-General, in collaboration with the Director-General Queensland Transport:
 - a. establish a formal mechanism at a senior level to ensure the effective coordination of infrastructure planning and delivery in South-East Queensland by 30 June 2008
 - b. clarify accountabilities for policy and planning, including whether amendments to the current legislation are required to specify these accountabilities, and negotiate formal agreements by 30 September 2008, and
 - c. clarify working arrangements for areas of shared service and shared accommodation to ensure that agreed priorities and outcomes are achieved by 30 August 2008.
8. The Director-General as the chair of Austroads lead the development and reporting of high level strategic performance measures which allow effective comparison of performance across roads jurisdictions by 31 December 2009.

7 The Impact of Change Management on Service Delivery

The department has been subject to a sustained period of change over two years as it responds to challenging internal and external drivers. This change is occurring during a period of high workload and pressure to deliver on a record program of works. If change is not managed well it has the potential to have a significant impact on service delivery by the department. This chapter considers the department's performance in managing three current change processes:

- July 2006 organisational restructure
- introduction of new ICT business systems, and
- local government amalgamations.

The combined impact of these changes has been significant in the context that they have occurred after a long period of comparative stability in the internal and external operating environment of the department.

7.1 *Organisational Restructure*

The new organisational structure implemented in July 2006 involved major change which affected most people within the organisation. While much of the change was rolled out progressively, changes to district offices have only recently been implemented, so the change process has been ongoing for some time.

The department invested heavily in change management support, with change managers and other change support staff placed across the organisation including:

- four change managers linked to state-wide General Manager functions/projects
- two change advisors linked to specific ICT projects, and
- three organisational development coaches supporting the implementation of the District Operations Project.

The key components of successful change management include having a comprehensive change implementation plan, effective communication and providing effective support to staff as they deal with the change.

The change implementation plan should be simple and map out the whole change effort including actions, responsibilities, timelines with key milestones and key deliverables. It should also be flexible enough to respond to emerging issues or changing timelines. The Review found that the department did not always provide sufficient signposts for staff to help them navigate through the change, and that the change process became drawn out with no clear finish line. This problem may be exacerbated by a new round of structural changes at the district level in response to the amalgamation of local governments. This is discussed in more detail later in this chapter.

Communication to support a change process needs to be simple and ongoing. It should specify the nature of the change, explain why the change is occurring, explain the scope of the change including any bad news, use a diverse set of communication

styles appropriate to the audience and make communication a two-way proposition with a variety of mechanisms for feedback. Overall, the review consultation found that there is a sense of change fatigue amongst staff and a desire to be able to take stock and embed changes in a more orderly way, prior to new change processes commencing. The effect on communication effectiveness as a result of constant change was one of the key findings in a consultancy report on organisational communication commissioned by the department. The recommendations from the consultancy report are being implemented over a three year period in consultation with work areas.

Supporting staff through the change process is also critical. This includes training to foster a better understanding of the new direction and if necessary in developing the skills to cope with the change. Wherever possible staff should be directly involved in the change process itself. The Review found that despite the investment in dedicated change management resources, staff below the leadership team level were dissatisfied with the level of communication between senior management and staff and the support available to them after implementation of the change. Information collected during the Review indicates the change management process:

- focused on developing the skills of senior managers and leadership teams, with inadequate attention paid to supporting the change process at lower levels of the organisation
- did not provide staff with sufficient, timely and useful information to prepare for the proposed change and its implications for individual staff
- had insufficient staff input regarding delivery of the change prior to implementation
- did not provide sufficient training and support to administrative and technical staff on working in the new state-wide matrix structure, and
- did not provide sufficient support to staff after the initiative had been implemented.

Implementation of the restructure occurred at a time when staff were already under pressure to deliver individually and as a group on the core business of the department. A concern was raised to the Review by some staff that individuals in key senior management positions are at risk of burn out because of the workload associated with the roads program and the requirements of the new matrix structure. The department has discussed providing additional support to selected senior staff to manage workload issues and the demands of constant travel, however this is yet to be progressed. While this may assist with the present situation, in future years when the current incumbents vacate these positions, it will be important for the department to move these positions and their support staff, into the central office of the organisation. Ongoing support for staff generally will be essential until the change is properly embedded.

7.2 *Managing the Introduction of New ICT Business Systems*

The Review found that there is dissatisfaction amongst staff across the organisation regarding the introduction of new ICT business systems. Concerns focused mainly on change management issues relating to the timing and level of training provided to support new systems and its implications for efficient and effective service delivery.

The implementation of new business systems must be considered in the context of the Queensland Government's Shared Service Initiative, and the aim of government to achieve cost savings and cross-agency system compatibility through the use of common ICT platforms. Departmental business planning documents emphasise the importance and benefits of moving from localised applications to enterprise-wide solutions and standards. However, the move towards uniformity has met with resistance in some of the more specialised areas of the department and may have been initially counterproductive in terms of efficiency and service quality. Staff reported to the Review that they have had to apply work-around solutions to deliver services locally when new enterprise-wide systems have not met their specific business needs. This may simply reflect a refusal by some staff to accept change or it may be indicative of a need to ensure that the systems being implemented meet user needs more adequately.

The main concern of staff related to the introduction of the Cross-Application Time Sheet (CATS), a new integrated time and attendance, time-dissection, cost-allocation and reporting system solution. Implemented on 1 July 2007, CATS complements the whole-of-government SAP offering and is expected to provide consistent state-wide costings, reduce the need for manual journal entries and provide better quality information to inform performance management and resource allocation. The department estimates that CATS will generate annual savings of \$0.54m through the retirement of legacy systems and additional savings to the Shared Services Agency through reduction in the large volume of roadworks costing journals.

The implementation of CATS was the first major change initiative for an enterprise-wide system undertaken in the department for some time, and was expected to be demanding in terms of both staff delivering and accepting the change. To manage these concerns, the change process was supported by a number of documents, including a change strategy and schedule, a change plan for each of the 20 district and business areas, training documents and manuals, a series of formal communications to staff and steering committee oversight of the change approach. CATS was piloted in one area for a period of 12 months prior to being implemented department wide.

Despite the anticipated benefits and structured support process, the implementation of CATS experienced a number of change management difficulties which affected service delivery outcomes. Specifically, staff reported that:

- they were not sufficiently trained to be confident and competent in the use of CATS prior to its introduction
- the product was not sufficiently tested prior to implementation in terms of its functionality and ease of use
- the inaccuracy of some of the coded data being entered will reduce the reliability of reporting
- the amount of data entry required has meant that valid performance data has not been available for some months, and
- CATS does not meet the specific needs of some specialised business areas.

ICT staff have been embedded in district offices and other work teams to support the delivery of ICT services. The decision to embed these staff has merit, but these and other support mechanisms have been insufficient to identify and address all implementation issues.

7.3 Impact of Local Government Amalgamations

New local government boundaries will take effect from March 2008. The department identified the need to review its district boundaries as a result of the local government reform and has commenced a two phase review process.

The phase 1 'Ready for Business' project has reviewed the department's structure, with an announcement of new districts and a regional structure made in early March 2008. This structural change has been necessary to align and undertake business with the new local governments post the election in mid March 2008, as well as to align with other government departments and key stakeholders to better manage high growth areas in South-East Queensland and better position the department into the future. Further changes to existing departmental systems to reflect the new regional structure will be implemented by 1 July 2008.

The phase 2 'Doing Business Better' project will review regional operations from a state-wide perspective ensuring strategic and business priorities are embedded in the new structure. It is anticipated that this work will be undertaken by an independent party. Proposals for change are due for approval by the end of 2009, with changes commencing on 1 July 2010. Consultations with key stakeholders with an interest in departmental operations in regional areas, including industry and local government have been undertaken in phase 1 and will also be undertaken to inform phase 2.

It is critical that the review involve and manage the concerns of staff at all times. The experience of the Roll Out change management process remains at the forefront for some staff, and given that the second phase of the review may result in even more significant changes for district and former regional office staff, the need for the department to identify and apply learnings from the July 2006 restructure change management process is vital. There is a real risk that if the change management process is not dealt with openly and sensitively, and if staff are not provided with the right level of ongoing support, the department will suffer a pre-emptive loss of talented staff, especially in areas where there are other well remunerated employment options available. It is important that the department in managing future change processes reinforce guarantees regarding employment security set out in the department's Enterprise Development Agreement (EDA).

7.4 Findings

Main Roads has experienced, and will continue to experience, significant change that if not well managed could impede service delivery. Over the past two years the department has been undergoing significant change and it is likely that there will shortly be further change as the department responds to the amalgamation of local governments. A sense of change fatigue and a desire for a period of consolidation was presented to the Review from staff and managers at a range of levels. Throughout the recent change the department has recognised the need to invest in a change management process to assist in the implementation of change and while this investment has been of benefit to some areas of the organisation the approach has not been fully embraced or felt throughout the department. This is not to say that the approach has not been appropriate. However, management of current and future change could be enhanced by the department focusing additional attention on improved communication and staff support, both leading up to and for some time after implementation of the change.

7.5 Recommendations

9. The Director-General provide additional support to staff outside the leadership team (e.g. under AO8 and equivalent) regarding the new organisational structure by 31 December 2008, in the areas of:
 - a. training for administrative and technical staff to operate effectively in a matrix management environment, especially where staff are located in a district office, and
 - b. improved access to designated change managers for staff in district offices and state-wide group staff previously located in regional offices.
10. The Director-General provide further support for the introduction of ICT business systems by 31 December 2008, ensuring that any ICT systems chosen align with organisation and business requirements and support state-wide consistency, through:
 - a. ensuring the processes in place to comprehensively identify user needs prior to choosing an ICT solution are based on consultation with a broad cross-section of staff at all levels
 - b. developing protocols for the scope, quality and amount of training which must be delivered to staff prior to and post implementation of new business systems, and
 - c. undertaking additional Cross Application Time Sheeting implementation training, focusing specifically on the end-users needs and understanding.
11. The Director-General, by 30 September 2008, engage an independent consultant to identify learnings from the Roll Out implementation for the department to adopt in the communication and change management plans for future organisational change.

8 Roads Implementation Program (RIP)

Queensland is the only state which provides a five-year rolling program for road infrastructure. However, development of the RIP is becoming increasingly complex for Main Roads due to funding pressures, government commitments and industry and community expectations. The increased focus on State-Wide Planning aims to provide a more transparent process for consistently addressing priorities and funding requirements and has changed the development of the RIP from a decentralised planning response occurring essentially in the districts to a State-Wide Planning and prioritisation process. Previously priorities were set across the four departmental regions which reportedly resulted in inconsistent application of funds to priorities and network deficiencies.

The Road System Manager (RSM) Framework has been developed to assist with State-Wide Planning and has been adopted as the Main Roads business model. Refer to Appendix 7.

The RSM Framework requires that the department:

- identifies and understands the government's expectations and external drivers of what roads and the broader transport system must provide
- interprets this understanding of broader objectives in the context of transport/road outcomes and performance criteria
- aligns the best mix of services needed to produce these outcomes at a road corridor and link level and in a way that represents value for money
- determines the priority and scheduling of specific projects along with preliminary planning and cost estimation
- develops and implements detailed project plans as roads projects get closer to delivery so as to achieve timely and efficient delivery of those projects, consistent with the agreed scope
- reviews the program and ensures works are audited to make sure that what was outlined to be delivered was delivered, within time and on budget, and
- evaluates effectiveness of the program in achieving planned outcomes.

8.1 *Discretionary Funding within the RIP*

A significant challenge facing Main Roads in developing the RIP to address state-wide needs is that while funding is now allocated on a priority basis across the state, this can only occur within the discretionary funding available. There are various government commitments which have specific funding already allocated including:

- federal government funded programs (AusLink, Strategic Roads to Recovery Program and Black Spot Programme), and
- state government funded programs (Safer Roads Sooner, Regional Bridge Renewal Program, LRRS, SEQIPP, Transport Infrastructure Development Scheme and election commitments).

The available discretionary funding comprises the department's appropriation and own-sourced revenue, less debt-servicing and specific government commitments.

While the planned funding for discretionary enhancements is approximately \$940m over five years, it is anticipated that the cost of committed projects in the current RIP will escalate to consume a significant portion of this funding, leaving limited if any funds for investment in major new enhancements.

8.2 Cost Estimation

The department has been criticised in some arenas for not being able to provide accurate cost estimates for projects. This has caused particular difficulties in funding negotiations with DoTARS and state government central agencies. More specifically, there is potential for embarrassment when large cost overruns occur on projects. Project justification also becomes contentious when final costs are significantly more than those used in the cost-benefit analyses supporting approval of the funding.

In March 2007, DoTARS in cooperation with Main Roads engaged an external consulting firm, Evans & Peck, to review the estimating procedures of the department. The review considered three projects that had demonstrated large cost variation between the project cost estimate and the awarded contract price. The underestimates for these three projects were in the order of \$245m in total. The Evans & Peck report made a number of recommendations for both the Commonwealth Government department and Main Roads regarding improvement of the estimation process. Main Roads agreed with the findings and has established an 'Estimate Improvement Project' to fully track and implement the report's recommendations.

The department has a number of documents that set out the policy and comprehensive procedures for preparing a project cost estimate. These documents include:

- Project Cost Estimating Manual Second Edition 2004
- Preconstruction Processes Manual (June 2005 version)
- Project Manager's Risk Management Guidelines (October 2004 version)
- PDO Estimating Business Rules, (EBR) first edition March 2006, and
- Road Infrastructure Project Proposal, R1001, May 2004.

The two major issues identified in the Evans & Peck review were the allowances made in the Main Roads estimations for contingency and input cost escalation.

Contingency allowances are made in estimates to account for missed, unmeasured and unknown items that may eventuate as the project development progresses to more advanced stages. The allowances made by Main Roads were approximately half of what would be required by a cost estimate that had a 90 per cent probability of not being exceeded (referred to as a 'P90 estimate'). This lower allowance reflects 'optimism bias', a common estimating occurrence described by Flyvberg³, an international expert commissioned by the British Department of Transport to advise on this issue.

In recent years the shortage of resources in the construction sector has dramatically increased input costs. The cost escalation factor used to estimate future project costs

³ Flyvberg, B in association with COWI. *The British Department for Transport Procedures for Dealing with Optimism Bias in Transport Planning, Guidance Document*, June 2004.

previously had a low range of between two and three per cent prior to 2005. This was increased to a cost escalation factor of four to five per cent which was applied to funding allocations and project budgets across the forward estimates period since budget 2005. This contrasts with current experience where cost escalation is running at around 15 to 20 per cent per annum across the sector. Main Roads has not had robust systems in place to monitor and predict these increases, but has now tasked the Strategic Procurement Branch to develop a means of determining greater confidence in forecasting cost escalation.

It was evident during the review consultation that most other state jurisdictions have experienced similar problems with providing adequate project cost estimates and it would appear that some are having much more difficulty than Queensland. While this does not justify inadequate estimating, it does attest to the difficulty of the issue.

Importantly, the Evans & Peck review found that the Main Roads policies and procedures were in accordance with best practice and consistent with that used by other large state road authorities in Australia. The issue was that they were not always being rigorously followed. Their recommendations in relation to more thorough induction and training of staff and external service providers on adherence to the policies and procedures are fully endorsed by this Review.

The other source of cost variance, which is not a reflection of poor estimating but which also needs to be closely controlled, is scope change. This is where what is actually going to be delivered changes during the course of the project for example, as a result of community consultation or environmental need.

One of the greatest difficulties the department faces in relation to project cost estimates is how the information is used and people's understanding of what the estimate entails. There is often pressure to publicly announce coming projects at pre-concept and concept stages. At this stage the project has not necessarily been fully scoped and the estimate may not be as robust as it would be when the project has been designed in detail.

An important consequence of the cost estimation issue is the impact that it has on relationships with key funding agencies such as DITRD LG and Queensland Treasury. Negotiation of funding from these agencies requires confidence in the cost estimates of proposals to ensure that correct priorities are set and there is effective allocation of scarce resources. Building a trusting open relationship that supports a free exchange of information is conducive to understanding respective needs and achieving positive outcomes. The Review consultation found that the relationship with DITRD LG has improved. There is a similar need to ensure that the relationship with Queensland Treasury is open, productive and involving at the right stages of initiative development.

8.3 Impact of Cost Escalation on Current RIP

The department has been working to improve its estimating procedures and indicates that it is close to releasing an updated *Project Cost Estimation Manual*. Since the majority of the projects on the current RIP would have been estimated prior to these updates, there is a need to consider what implications this may have for the program and whether any of the earlier estimates need to be revised. While the first two years are committed there is an expectation that the outer years will also be delivered. The use of funding nominally allocated to the outer years projects to fund the

underestimated projects in the earlier years will impede the department's ability to deliver the RIP in its entirety.

The Annual Report 2006-07 states that 87 per cent of projects are delivered less than 10 per cent variance above approved funding. A brief analysis of the projects detailed above this variance shows that 42 per cent (\$261m) of the aggregated variance was contributed to by four projects.

Of particular concern are the projects within the SEQIPP, which are the government's priority infrastructure projects for South-East Queensland. The current RIP contains 83 projects – 68 state funded and 15 federally funded projects with a budget of \$1.4bn to be expended in 2007-2008. Main Roads prioritised these projects in consultation with the Office of Urban Management in 2005. While it was acknowledged during the Review consultation that it was possibly unreasonable for Main Roads to adequately cost projects four, ten and 20 years out, it was also noted that the department needed to regularly review and revise costs and timeframes.

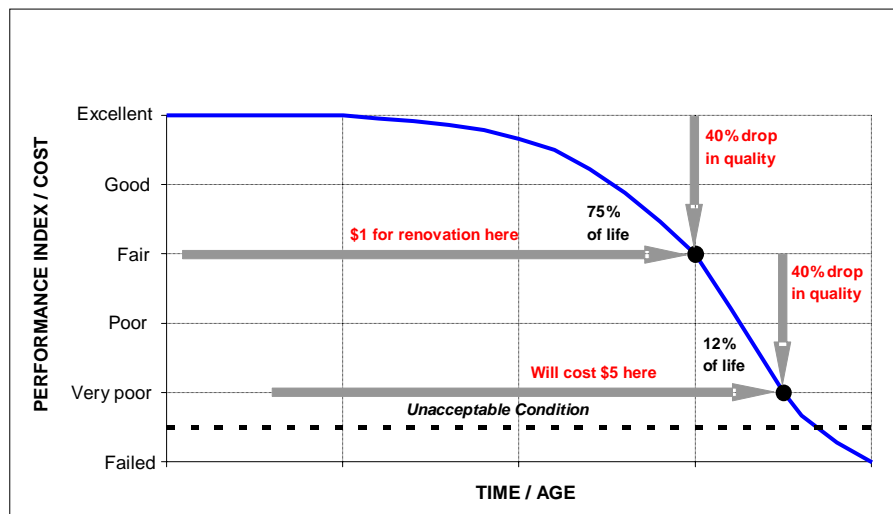
The Department of Infrastructure and Planning is currently undertaking a review of all projects within the SEQIPP and Main Roads now has a prime opportunity to revise the original SEQIPP projects. Main Roads advises that they are currently undertaking this review and a likely outcome will be the re-sequencing and/or deferral of some existing SEQIPP commitments to allow funds to be diverted to highest priority projects.

8.4 Maintenance, Preservation and Operation

A significant challenge for Main Roads is in not only building new roads to cater for population growth but in maintaining these roads once they are built, while at the same time maintaining the rest of the asset which in the main is ageing.

Research indicates that there are financial benefits in maintaining the network. This research concludes that for every dollar spent on earlier intervention in pavement rehabilitation and preservation, four to five dollars is saved on future roadworks (see Figure 3 below). These studies were based on pavement life-cycle costing theory⁴, which is widely considered to be the most appropriate method for optimising, costing and monitoring pavement conditions.

⁴ Hicks, R.G., Seeds, S.B., and Peshkin D.G. (2000), *Selecting a Preventive Maintenance Treatment for Flexible Pavements*. Research Report FHWA-IF-00-027, Federal Highway Administration, Washington, D.C., pp 34.

Figure 3: The financial benefits of accelerated roads programs

Source: Hicks, R.G. et al (2000), *Selecting a Preventive Maintenance Treatment for Flexible Pavements*.

At present Main Roads does not have a documented method for allocating funds between capital and maintenance works. Unlike capital works there is no benefit cost ratio undertaken for maintenance works. In addition, there does not appear to be a clear mechanism to easily show maximum value for money is being achieved in the allocation between capital and maintenance of funding across the state. In response to increased traffic demands and community access needs, funding has previously been, and continues to be, allocated to the high-benefit capital projects to service the state's growth. Limited funding has been allocated to meet the maintenance needs of servicing the larger asset base.

The current RIP has committed an extra \$130m over five years, redirected from capital enhancement works, to preserving and maintaining the road network. This allocation is based on the minimum amount that Main Roads believes could be invested, without affecting capital works too negatively. While this is a positive step, projected MPO expenditure is still a relatively small proportion of the overall road program budget. The estimated split for road works funded by the state for the next five years is approximately 70 per cent for capital and approximately 30 per cent for MPO.

The funding split for capital and MPO have been informed by the recently developed Queensland Road System Performance Plan (QRSP) which provides Main Roads with better information on current and emerging deficiencies of the state-controlled network. The plan provides maintenance, preservation and operation allocations over a five year time frame to achieve a level of performance rather than a benefit cost ratio. It anticipates changes in transport demand and network condition, and prioritises likely available funding allocations to predicted likely deficiencies. These deficiencies have been determined for each element by network level analysis documented in the relevant element management plans. An element is a work activity, responsibility or system management issue driving the need for delivery of network enhancement, maintenance and preservation works and road system operations (refer to Appendix 8 for a list of the elements). There is still much work to be undertaken in this area, with only a small number of element management plans completed with sufficient detail to effectively undertake an analysis of costs. Until these plans are completed, it is not possible to comment on whether current funding

allocated to maintenance, preservation and operations will result in an appropriate performance outcome.

8.5 Impact of State-Wide versus Local Requirements

Under the state-wide approach funding is allocated on the basis of state priorities. With the limited discretionary funding available to allocate across the state, and across the elements, under this model districts may not be allocated the amount of funding that they had received in previous years as it is now being directed to other priorities. For example, for the element bridge and culvert rehabilitation data are collected on the condition of all bridges. This is then analysed and the bridges are listed in priority order from those in the worst condition to the best condition. The worst bridge in one district might be number ten on the state-wide list and as a result may not get funding allocated to remedy its deficiencies as there are nine other bridges in worse condition and at a higher priority for receiving available funding. The impact of this is that districts may have to implement other initiatives, such as lowering speed limits and putting load limits on bridges and culverts, to ensure the network is safe.

While the state-wide structure has been in place now for approximately 18 months, it does not appear to have been fully embraced by all staff within the department. Limited appreciation of prioritising on a state-wide needs basis is causing concern in districts regarding not being able to meet community expectations or to provide work for local government and/or RoadTek. In addition, it would appear that element managers, located in the department's E&T Group, have limited knowledge or understanding of the amount of funding available for allocation across the competing priorities.

Where savings in the program are realised, Main Roads states that they are reinvested into safety and road asset rehabilitation and renewal works. However, the Review found that it is not clear where or how these savings are redirected. Some districts appear resistant to the reallocation of resources on a state-wide basis. This creates some challenges for the department in ensuring that savings are still achieved even when districts cannot redirect the funds for priorities within their own district. There is still some way to go for the department to have a culture of a state-wide approach to funding and prioritisation.

8.6 Delivery of the Program

Main Roads has a proud track record of delivery of the roads program and while there is obvious pressure placed on the department due to the large increase in funding, the shortage of core technical staff and the recent organisational change, the department appears to be meeting its delivery commitments.

Actual capital works expenditure on state and federally funded projects to the end of January 2008 was \$1.26bn (57% of the \$2.19bn allocation for 2007-2008). Total capital and recurrent expenditure on state and federal projects to the end of January 2008 was \$1.53bn (59% of the \$2.58bn allocation). This expenditure indicates that Main Roads is on track for the full delivery of its program by the end of the financial year.

The combination of the large program of state government, industry and mining infrastructure projects is also affecting the demand for and supply of materials. This in turn affects Main Roads' ability to deliver projects. Main Roads has commenced work on gaining an understanding of the needs of individual districts and the market's capability and capacity in the supply of core road materials. The missing critical factor at the moment is a robust analysis of this work and the development of procurement strategies, at the local, cluster (a grouping of districts in the same geographical area) and state level to address the identified issues. Finalising this work is essential if the benefits are to be realised at district level. The Review consultation confirmed that the inability to purchase core materials is a growing risk for the delivery of the RIP and that districts and RoadTek are struggling with this issue.

While Main Roads has taken steps to improve management and monitoring of the program by implementing a scheduling tool (Primavera) across the 14 districts, there does not appear to be any consistent mechanism for ensuring that quality outcomes and value for money is being achieved. With regard to maintenance and rehabilitation works in particular, consultation feedback suggested that there is no consequence for not finishing the job, or obtaining the best outcome with a minor change to job design. The main aim and indicator of success appears to be that the allocated funding was spent. This lack of robust review activity is discussed in Chapter 11. Consultation also confirmed that policy espoused centrally is applied to varying degrees from one district to another and there does not as yet appear to be full accountability for consistency or quality.

8.7 Findings

The RIP is highly regarded and well received by stakeholders. Its development is well documented and generally well managed. However some documents and plans, which are critical to the new RSM framework and espoused as essential in developing the RIP are yet to be finalised. Completion of these plans will assist the department in providing evidence for maintenance needs of the network and funding allocations.

In terms of delivering the published program, Main Roads has been performing well. However, the risk to government is not whether the RIP will be delivered but at what cost and by what time. In the current market the department faces the real issue of not being able to deliver all the projects within planned funding and rescheduling and/or delaying projects and/or increased project costs to deliver on time will be a reality. While a lot of work is undertaken on monitoring and reviewing physical and financial performance, focus also needs to be put on demonstrating both value for money and effectiveness for all projects. The department needs to reassess, through more effective estimation of the costs of current projects on the RIP, the real financial and time delivery risks to government in delivery of the program and advise government accordingly.

8.8 Recommendations

12. The Director-General review cost estimates for all approved projects detailed in years one and two of the Roads Implementation Program (RIP) by 31 December 2008, and progressively review cost estimates for projects programmed in years three to five by 30 June 2009, and ensure:
 - a. government is advised of the impact of any cost changes to both individual RIP projects and the program as a whole, and
 - b. appropriate estimate confidence qualifications, consistent with the Evans & Peck report, are attached to project costings which are subject to public announcement.
13. The Director-General finalise the State-Wide Plan and individual element management plans by 30 September 2008.
14. The Director-General complete work on procurement analysis and strategy development, by 31 December 2008, to assist with meeting material supply demands at the district, state and whole-of-government levels.

9 Departmental Capacity to Deliver Services

The significant investment in the industry at a state and national level over the past three to five years has resulted in critical skills shortages for government and industry. Main Roads is competing for professional and technical staff with mining, building, electricity generation and pipeline construction industries and as a result is facing significant challenges. The attraction and retention of experienced staff is one of the biggest risks to Main Roads delivering the RIP and was one of the most topical issues discussed throughout the review consultation.

The highly-in-demand skills needed by Main Roads, which predominately reside in the professional officer (PO) and technical officer (TO) streams include:

- engineering – civil, structural, environmental, mechanical
- surveying
- town/land use planning
- scientific/technical expertise in material testing and pavement design
- infrastructure program and project management
- technical expertise in traffic electrical operations, maintenance and installation, and
- technical diesel mechanical services.

The significant increase in the works program, combined with an exodus of staff from the public sector to private industry in these fields, has put great pressure on existing staff in the department. The challenge for Main Roads is to increase the number of staff with highly-in-demand skills to a level that will successfully deliver the large works program.

9.1 Staff Turnover

Staff numbers in the department have grown from 3707 in June 2004, 3770 in June 2005, 4166 in June 2006 to 4688 as at 7 December 2007. While the staffing levels have increased the additional staff employed have not predominantly been in the highly-in-demand occupation groups. Over the period January 2005 to October 2007 there were approximately 7200 appointments to positions within Main Roads. Approximately 4500 of these were internal appointments, many relating to appointments as a result of the organisational restructure, and the majority of the remaining 2700 external appointments being to positions not classified as requiring highly-in-demand skills. However, approximately 250 administrative staff appointments are included in this number. These staff were recruited as a result of the redesign of professional and technical roles to enable these positions to concentrate on work requiring their specialist skills.

Over the past three to four years Main Roads has lost a large number of experienced professional and technical staff to the private sector, particularly the mining industry and through retirements. The department has informed the Review that approximately 1625 staff exited the department between January 2005 to December 2007. The turnover rate for this period was 13.3 per cent in 2005, 14.3 per cent in 2006 and for the period January 2007 to December 2007 was 11.2 per cent. In

comparison, the Queensland Public Service turnover rate, which is calculated on permanent employees only, unlike Main Roads which calculates turnover including permanent, temporary, secondments and other than public service employees, was 6.61 per cent in 2006 and 6.45 per cent in 2007.

The majority of staff leaving were from core service delivery areas and included professional, technical and operational officers. These departures came at a time when the capital works program was experiencing significant increases in funding, from \$610m in 2003-2004 to \$2.4bn in 2008-2009.

It is anticipated that over the next few years the pressure on the department will be exacerbated by issues around the department's ageing workforce. Further staff turnovers are likely due to retirement as 16 per cent of the workforce is aged 55 years or older, with six per cent aged 60 years or older. Of particular concern to the department is that more than 60 per cent of senior executive officers and 26 per cent of managers (Senior Officer, PO5-06 and TO5-06 officers) are over the age of 55 years.

9.2 Recruitment

The need to address staff turnover and to recruit the additional staff necessary to deliver on the increased roads program has seen the establishment of a Strategic Recruitment Unit within the CS&F Group of the department. This unit sources candidates at the national and international level, as well as managing recruitment for those positions classified as highly-in-demand by the department. In November 2007, the team was working on filling 324 vacancies for highly-in-demand positions. Recruitment for all other departmental positions is undertaken by the department's shared service provider, the Shared Services Agency.

While it was acknowledged to the Review that it is hard to recruit in the current competitive climate, managers and staff reported frustrations with the human resource process being overly complex, slow and restrictive. Long delays in the process by the shared service provider was a common frustration and business units reported that they were employing agency and contract staff rather than permanent staff as it was quicker and easier. A lack of understanding by the Strategic Recruitment Unit and shared service provider of district business and the current competition facing districts due to the mining industry was also a concern. Employees situated in mining areas spoke of slow appointments by both the Strategic Recruitment Unit and the shared service provider as one of the reasons for losing potential staff to the mines.

A significant contributor to this frustration is a lack of understanding of the recruitment process along with an unclear understanding of the respective responsibilities of managers and staff seeking to fill new positions compared to those within the Strategic Recruitment Unit and shared service provider. The process of establishing new positions and developing position descriptions was an area repeatedly raised to the Review as a major concern. The review consultation identified that this was potentially the major contributor to frustration around the recruitment process. It is also an area of expertise which is not a generic skill for managers and if not well supported will lead to substantial delays and frustrations in position creation and subsequent recruitment of a skilled applicant.

These issues with recruitment were a common theme raised by departments within the SDPC Report on the *Review of the Shared Service Initiative*. One of the recommendations of that review, which was endorsed by Cabinet, was that there were services within the Human Resource suite of services where it should be optional as to whether a department wanted this to be undertaken by the shared service provider. One of those was position evaluations and related services. In view of the current need within Main Roads, it would be beneficial for the department to consider taking this service back from the shared service provider and establishing the expertise within the department. This would sit best within the Attraction and Retention Branch within the CS&F Group.

Both management and staff reported substantial dissatisfaction with the high number of employees in relieving and temporary positions. As at 7 December 2007, approximately 740 staff (17 per cent of the workforce) were acting in higher-duties positions and approximately 800 staff (18 per cent of the workforce) were in temporary positions. This situation is compounding the stress that employees are experiencing across the department in delivering on the roads program. During the Review staff cited the area of succession planning as lacking in innovation and an area that could be done better by the department. In particular, staff raised concerns regarding the gap in experience and expertise available within the department to fill senior management and technical positions.

While Main Roads has a number of leadership programs targeted at specific levels throughout the organisation, it is the availability of technical, operational and program management skills that is of concern. It was reported to the Review that many of the staff leaving were experienced staff from more technical positions. As a result less experienced staff are being promoted quicker into these positions. While managers acknowledged to the Review that there is a risk in this practice, it is a calculated risk that managers are prepared to take in an environment where they may be faced with a situation of having a critical vacancy within their area. However, this is a significant risk to the department and should be mitigated by ensuring mentoring, coaching and on-the-job training experiences are adequately supervised. Regrettably the Review consultation found that due to the pressures of delivering the works program the opportunities for quality mentoring of staff in these situations were not being afforded to them.

9.3 Current Strategies

Main Roads has a number of business units specifically focused on attracting and retaining staff and in the past couple of years a number of innovative initiatives have been implemented. These include the:

- International Recruitment Program
- Transport Infrastructure Capability Scheme (TICS)
- Rural and Remote Area Incentive Scheme (RRAIS), and
- 'grow your own' approaches.

9.3.1 International Recruitment Program

The Strategic Recruitment Unit has focused on sourcing applicants internationally, particularly in the civil engineering and project manager disciplines. South Africa, Germany and United Kingdom are being targeted and between January 2007 to

November 2007, 27 international candidates have been placed within the department. The cost to date associated with this recruitment, including international expos, advertising and relocation expenses is approximately \$600 000. This equates to approximately \$22 000 per recruit, which in the current environment, and taking into account that relocation is from overseas, is not excessive.

9.3.2 Transport Infrastructure Capability Scheme (TICS)

The TICS was approved by Cabinet in June 2006. This scheme was designed, and approved to be implemented, for application to high risk occupations that were considered to be essential to the delivery of the Road and Transport Infrastructure Programs across Main Roads and Queensland Transport, where those departments could demonstrate a sustained difficulty in retaining and attracting such skills due to a marked difference between public sector remuneration rates and market rates. These high risk occupations were identified as engineers, transport planners, infrastructure project managers and key trades such as electricians and diesel fitters.

The scheme provides an Infrastructure Program Loading (ranging from 5 per cent to 25 per cent) on top of base salary and access to the private use of a fully maintained government vehicle on receipt of a financial contribution by the employee. Section 70 contracts are offered for a period of two years with the initial offers made in October 2006. This initiative is an innovative approach for a government department with the intent not to match industry rates but to close the gap between the 25th percentile of the construction and engineering market and the department's remuneration rates. This point does not seem to be clearly understood within the department with a number of staff raising a concern to the Review regarding the perceived inequality between what was received by management levels and those who received the lower per cent range of the loading. During the review consultation, staff appeared unaware of how the loading was applied and believed it was biased towards the management levels. A similar perception of inequity was also raised to the Review by staff who were not receiving a payment under the scheme and felt that their positions were devalued by the department. Staff dissatisfaction also pointed to those positions that were offered contracts as a result of the scope of the scheme being expanded from its original stated intention.

Main Roads has put in place governance arrangements which require that every position to be approved for TICS must go through a decision making process that includes nomination by the local manager, support by the relevant Executive Director or General Manager, endorsement by the TICS Steering Committee and final approval by the Director-General. As at 26 October 2007, a total of 1632 employees (35.8 per cent of the total workforce) were receiving TICS contracts. This number is under the 1850 maximum contracts for TICS, established in the decision gazetted on 3 November 2006, in the Queensland Government Gazette, No. 69. A high level overview undertaken during the Review of the break-up of positions receiving TICS confirms that the majority are professional and technical disciplines. However, the review consultation indicates it is likely that some of the positions that are receiving TICS do not meet the original intended criteria.

While the scheme cannot be considered in isolation as affecting the attraction and retention of highly-in-demand staff, recent data provided by the department shows the turnover rate for TICS disciplines has dropped marginally from 8.8 per cent over the period October 2005 to September 2006 to 8.5 per cent over the period October 2006 to September 2007. Within this data, the results for specific highly-in-demand disciplines varies, with the turnover rate for civil engineers and transport planners

decreasing but the rate for civil designers and infrastructure project supervisors increasing markedly from 5.8 to 12 per cent and 6 to 11.1 per cent respectively.

A concern associated with TICS is that it has the potential to attract employees from high risk occupations from other government departments rather than industry. To date there have been a handful of lower level transfers and secondments.

9.3.3 Rural and Remote Area Incentive Scheme (RRAIS)

Queensland is also experiencing a significant challenge in attracting and retaining skilled employees to work in rural and remote areas. In order to assist in reducing the impact of the skills shortage in these areas, the Queensland Government approved a framework within which government agencies could establish remote area incentive schemes. Main Roads implemented such a scheme within the EDA6 which provides for a compensation and incentives package for all employees working in the western centres of Cloncurry, Barcaldine, Emerald and Roma, approximately 400 employees in total. These incentives include subsidised housing, guaranteed transfer out, a professional development package and reimbursement of relocation costs. This package has been expanded under a RRAIS policy to further provide a range of additional and optional incentives to maintain capability and capacity in those western centres.

The additional and optional incentives under the RRAIS, which were introduced in August/September 2007, include a Western Incentive Payment of five per cent of superannuable salary to all permanent and temporary employees, with an additional five per cent for employees occupying critical positions, making the payment ten per cent for such employees. All rental costs are paid for employees eligible for the Government Employee Housing Scheme (GEHS). Under the EDA6, the criteria for eligible employees are consistent with the GEHS. For example, based on availability and need government employees who have been appointed or transferred to one location from another, and who do not, or a spouse does not, own a private dwelling located within 45 kilometres, is eligible for subsidised housing. However, the EDA 6 provides further subsidy in that under the GEHS, an employee is considered a permanent resident after five years and defaults the subsidy, whereas under the EDA 6, subsidised housing is offered for the first seven years and then is reduced by a third over the next three years, to zero in the tenth year. For those employees eligible under the GEHS, 75 per cent of energy costs are reimbursed, with an optional incentive to apply a reimbursement of 100 per cent for energy costs for employees in single accommodation.

The RRAIS is very well received by employees who have moved to one of the western centres. However, the review consultation found there is a perceived inequity with regard to the rental and energy subsidies felt by staff already living in the town and working for the department. While the criteria set for these subsidies is under the GEHS and not under the RRAIS, it may be beneficial in assisting with retention in these centres for the department to develop a communication strategy to better explain how the scheme works.

9.3.4 'Grow your own' approaches

The other major strategy implemented by Main Roads to source suitable candidates in highly-in-demand professions has been an approach to 'grow your own'. This has resulted in the expansion of graduate and scholarship schemes. In 2006, 68 graduates, 70 cadets and 85 apprentices and trainees were placed with the

department and during 2007 the department employed 56 graduates and 27 cadets and provided 60 scholarships. While these increases in staff over the years are a good result, it is essential that mentoring and coaching programs are in place to fully support these staff. Staff indicated to the Review during consultation that there had been mixed responses in relation to the experiences of these employees within their placements. Some employees reported good involvement by supervisors in ensuring they were learning in a supportive environment, while others were not getting the work experience or the support they had expected.

The creation of a Design School in Toowoomba, in partnership with the University of Southern Queensland, to fast track the capability of road designers will result in 20 students graduating in 2008 with a further 10 graduates finishing every six months thereafter. An Electrical Training Centre, which is an industry first, has been established in Nerang. This centre, which opened in November 2007, will give trades people and apprentices core traffic signal and lighting skills that will enhance their capability, efficiency and safety in the field. Initiatives such as these will better position Main Roads to achieve the skilled workforce that it needs but also, should they lose some capacity to industry, the department can rest assured that the skills and standards they would like to see in industry are being met by those staff leaving to join private industry.

9.3.5 Additional strategies

Throughout the review consultation, a number of strategies were raised to assist with attraction and retention that had yet to be fully explored but which would be worthy of further consideration as options by the department. These included considering the ability to pay staff overtime in lieu of flexi-time, which provides remuneration to the employee and assists districts with continuity of resources to complete programmed work. This would also assist the department to change the culture of building up recreation leave and lower the financial risk to the department of its current leave balance (further discussed in Chapter 11). This would need to be balanced against the potential for employee burnout and the need to reflect an appropriate work/life balance. The concept of implementing more flexible work arrangements and promoting the advantages of work/life balance to potential as well as current employees was also raised as a way of attracting external staff.

While remuneration is one way of attracting and retaining staff it is important that departments do not rely heavily on it as the only strategy to achieve this. Other strategies such as working conditions and job satisfaction are equally important to many staff. One strategy that may be of assistance is the emphasis on the 'place' aspect of the workplace. This means paying attention to people feeling good about where they work. The workplace can provide advantage and is another way of attracting and retaining employees by making them feel included and enjoying the environment within which they spend a good proportion of their time. It is about aligning physical surroundings, design, layout and environmental factors to define the department's values and behaviours and physically reinforce them through accommodation design and amenities. Main Roads has commenced some work in this area with the involvement of an architectural consulting firm in developing options for improving office accommodation. Continuation of further investigation of this approach is supported by the Review.

9.4 Findings

While Main Roads has not been as well positioned in the preceding years as it could have been, it is now achieving reasonably good results in attracting and retaining staff in a very difficult environment. The combination of the TICS and the RRAIS and the greater focus on recruitment and various 'grow your own' schemes, while in their early stages, appear to be assisting to some degree with attraction and retention. However, the strongly felt inequities by staff relating to the TICS and the RRAIS should be addressed.

In an environment where recruitment of skilled staff is a significant issue it is essential that the department addresses the concerns around creation and filling of positions. It would be timely for the department to consider taking the position evaluation and related services function back from its shared service provider and establishing the expertise within the department. This would sit best within the Attraction and Retention Branch within the CS&F Group.

The high level of temporary and acting positions is negatively affecting both staff morale and productivity and should be addressed. By providing stability in employment, retention rates should increase. At the same time this allows succession planning initiatives to be developed and to be of more relevance to staff. An increased focus on on-the-job mentoring and coaching throughout all levels of the department by providing sufficient time and resources is also needed to bring less experienced employees up to the requisite skill levels.

9.5 Recommendations

15. The Director-General review the TICS criteria to ensure it meets original business case objectives and that future contracts meet the set criteria by 30 September 2008.
16. The Director-General clearly communicate to staff the merits, objectives and anticipated outcomes of all employment strategies for the department by 30 June 2008.
17. The Director-General take the position evaluation and related services function back from its shared service provider and establish the expertise within the Attraction and Retention Branch of the Capability, Strategy and Finance Group by 30 June 2008.
18. The Director-General finalise positions related to the recent organisational restructure and reduce the number of officers in acting and temporary positions by 31 December 2008.
19. The Director-General develop and implement, by 30 September 2008, a more structured mentoring arrangement for inexperienced staff to ensure that they develop the necessary capability within a timely manner.

10 Market Interface and Sector Capability

The Main Roads policy of maintaining three viable sectors to deliver on road construction and maintenance promotes a level of competition in road construction, assisting the department to meet its obligation to seek efficiencies in service delivery. With a focus on value for money the maintenance of these sectors also enables Main Roads to contribute to government objectives of sustaining viability of regional and rural areas, providing employment and building capacity.

Main Roads uses three methods of engaging contractors: preferred supplier, tied and contested. Within these Main Roads has established differing contractual agreements for delivery on projects including traditional contracting, open book, alliances and early contractor involvement.

Main Roads has responded to the capacity challenges in the sector through a number of initiatives which include use existing industry capacity, grow the existing capacity, and increase capacity by attracting new market participants. This chapter considers a number of issues in relation to initiatives to address capacity and achieve value for money. Specifically, these are the:

- contracting and delivery issues
- capacity of local government, and
- industry skills shortages.

10.1 *Contracting and Delivery Issues*

10.1.1 Procurement

The size of the current roads program and the delivery pressures the sector is experiencing has meant that the use of competitive tender as a first option for procurement has achieved less positive results.

Industry representatives reported that at times there has been a poor fit between the procurement method chosen by the department and the particular project at hand. For example, anecdotal evidence suggests that large competitive tender processes are not always effective in attracting bids, even in cases such as the Tugun Bypass, when capped funds of \$6m were made available to proponents to cover the costs of preparing a tender. Competitive tendering is resource intensive, with tenderers of major projects often needing to do about 25 per cent of the design work before a reasonable cost estimate can be made for the contract. Representatives from both industry and the department observed during Review consultations that there is insufficient capacity in the sector for multiple providers to spend several months working on a tender that only one entity will win.

As already identified Main Roads is aware of this issue and has been engaging with industry on contracting selection and delivery methods. An example provided to the Review Team was the Gympie district office holding an industry forum to discuss how best to package five upcoming \$50m projects in the area. This example is evidence of the department working with industry to determine interest and capacity to undertake specific projects while achieving value for money and timely delivery.

While this may be effective in dealing with issues around larger projects, there is evidence that the issue of major concern relates to smaller project works. In regional and rural areas where the traditional competitive tendering approach has been used there has often only been one or two tenders submitted. Tendering, even for small work, requires significant time and resources from both Main Roads and those that tender. Yet receiving one or two bids in a competitive tender process does not assist the department to ascertain what a genuinely competitive price is and whether the tender is providing value for money.

Over the past three years, Main Roads has utilised more flexible contracting methods to support the timely and efficient delivery of the roads program. These include:

- alliances
- early contractor involvement
- design only/design and construct/design, construct and maintain contracts, and
- bundling up or splitting projects.

Main Roads has less expertise in the use of Public Private Partnerships (PPPs) as a delivery and management approach. The Department of Infrastructure and Planning's website identifies this method as an approach for offering best value for money by providing incentives for design, construction, operation and management of infrastructure investments. This is achieved through better allocation and management of risk and focusing on the whole of life costs. There has been an increased use of this approach within Australia. It is unclear if the department is well positioned to administer the longer term management requirements of PPPs. This may be a challenge for the department into the future.

It was evident during the Review consultations that Main Roads is seen by industry and interstate road agencies as a leader in contract delivery. The Review found that the department's exploration and use of procurement approaches which reduce the time and cost of planning and implementing a project has been effective. However, it would benefit from examining further the use of traditional competitive tendering approaches where there is limited capacity, particularly in regional and rural areas of the state, and implement greater use of alternative approaches to decrease inefficiencies.

10.1.2 Bundling of projects

Despite there being a record infrastructure program underway and more flexible procurement options available, private sector providers in the small to medium market are finding it difficult to obtain a consistent and reliable supply of work. A key issue identified as contributing to this was the department's use of bundling contracts.

Bundling of smaller projects into a larger program of works is used by the department to achieve greater efficiencies. For example, smaller projects bundled up in a district may increase the level of financial certainty for the contractor over a period of time, and ostensibly attracts greater interest in the market because of this. However, there is some evidence that the bundling of projects may exclude smaller private providers from the contract market. This is especially the case where the bundling of projects leads to a higher level of prequalification being required.

In July 2007, the Civil Contractors Federation released a report⁵ which outlines the concerns of small to medium tier private providers. Main Roads has subsequently established a steering group chaired by the Deputy Director-General to address the issues raised and the ten recommendations set out in the report. While the department has been receptive to the need to recast its contracting arrangements, it is unlikely that changes in project bundling will occur for 12 to 18 months due to the department's forward plan of works being already set.

The unbundling of projects is seen by smaller private providers as critical in sustaining the industry's workforce, supporting skills development and continued viability. While the department is responding to the issue of bundling of projects, it has also started to look at opportunities to split larger projects into smaller work projects. One example of this is work on the Sunshine Motorway. Rather than this being one project, the work was split, resulting in a \$12m bridge contract and a \$27m roads work contract.

Clearly in developing this multi-pronged approach Main Roads continues to have an obligation to ensure that any projects and approaches achieve efficiencies and value for money. However, following this assessment, bundling and splitting projects will assist it in maintaining capacity in the private sector to deliver on projects at all levels on an increasing roads program across Queensland.

10.1.3 Prequalification system

The department's prequalification requirements for contractors cover three categories: skills relating to roads, skills relating to bridges, and financial capacity.

The prequalification system of contractors has been criticised by small to medium private sector contractors as restrictive and inconsistently applied. Specifically, the smaller contractors argue their access to departmental contracts has been constrained by the system which:

- prioritises financial strength over demonstrated performance on departmental contracts. This allows large overseas organisations to receive the highest level of prequalification available without demonstrated experience in delivering on Main Roads contracts in Queensland
- places insufficient emphasis on the extent and quality of contract work undertaken by contractors when they seek to upgrade their prequalification status, and
- assesses financial risk through calculating the total dollar amount of the project, rather than assessing the financial exposure of contractors at any given point in the contract.

The use of a prequalification system is part of good risk management processes. Clearly it is important to identify the capacity and capability required to undertake a project, which must include an assessment of the project itself and the level of capacity required of potential contractors to successfully deliver on the project, not just their financial viability. However, the issues raised to the Review indicate that there may be a need to further examine the current approach to managing this risk.

⁵ Peter Jorss, Civil Contractors Federation (Qld) July 2007, *Utilising CCF Members Capacity for Infrastructure Projects in Queensland*.

10.2 Capacity of Local Government

State and local governments will invest in excess of \$3bn over the next five years in the preservation and maintenance of the LRRS. This funding plays a key role in the economic development of regions, and the employment profile of rural and remote areas, where local government is a key provider of jobs.

Local governments are able to access federal roads funding as well as Main Roads funding for the road network. However, capacity of councils to deliver varies. In some regional or rural areas increased activity in the mining and energy infrastructure sectors has meant that councils are finding it difficult to retain and recruit people to undertake their local work programs. The Review found that in some areas councils had handed back projects to Main Roads due to their limited capacity to deliver.

Main Roads has recognised there is a need to ensure viability of local government as part of the three sectors to assist in delivering efficiencies in the roads program. Main Roads also identifies that it has a role to support the Queensland Government's objective of strengthening communities, by maintaining employment in the regions through local governments. From consultations, the Review identified that at a local and project level the relationships between Main Roads and local government are strong. Main Roads' districts have been active in meeting regularly with councils, working through issues and in demonstrating a strong commitment to improving service delivery at the local level.

Main Roads has also worked to improve efficiencies in the delivery of the roads program on LRRS through the Roads Alliance. RRGs comprise Main Roads and a number of local governments in the group boundary and aim to gain better value from the roads funding available, improve planning, purchasing and resource sharing and improve local government capacity.

While the Review found that there was strong support in some areas for the work undertaken through the RRGs, issues around the approach of one size fits all across the state were raised. In particular, it was identified that the amount of money available through the RRGs was often small and the work required to access this funding, often of small amounts, was significant. It was also identified that some RRG boundaries cover such a large area that the issues are too diverse to allow for effective planning within the group.

During review consultations the local government amalgamations were seen as an appropriate time to do a 'stocktake' of regional planning processes and revisit the structure and effectiveness of RRGs and other regionally-based planning bodies. As a result of the amalgamations, Main Roads intends to review the RRGs boundaries. In this review, it will be important to ensure the composition allows for effective planning and efficiencies in delivering on the LRRS program.

10.3 Industry Skills Shortage

The capacity of the three sectors to deliver on the roads program is influenced by a number of external factors. There is a high level of infrastructure activity occurring across the state and a consequent increased demand for skilled labour in key engineering and technical roles. Coupled with Queensland's low unemployment rate and an ageing workforce, the department, local government and industry are struggling to secure and maintain a capable workforce.

At the round table with industry and local government representatives which is chaired by the Director-General of Main Roads and held quarterly, training and capacity issues in the sector are one area of discussion. Main Roads has also implemented a number of initiatives designed to improve industry capability and help ensure there is capacity in the system to deliver the roads program. These initiatives include:

- streamlining internal systems and practices to move projects quickly from the planning phase to construction
- ensuring a continuous and predictable supply of work for industry to better utilise available capacity
- increasing the use of delivery methods involving shortened contractor selection arrangements, including Early Contractor Involvement (ECI), shortened alliances, and the packaging and/or sequencing of projects to engage contractors for continuous projects over several years
- investigating ways of encouraging new and existing interstate and overseas suppliers to establish operations in Queensland to bring additional capability and capacity to the local market and to increase competition for market tenders
- consulting regularly with industry stakeholders and trade unions to monitor capacity
- inserting training clauses in departmental contracts to improve the capability of existing technical, professional and trade workers
- increasing its intake of apprentices, trainees and graduates, and
- establishing specialised training schools for road design and traffic signalling to counter critical skill shortages.

Clearly, the department has responded to industry capability issues and has worked towards building the internal skill base of the department as part of strengthening industry capacity. The specialist road design school and the electrical training school are clear evidence of this effort to address critical shortage of skills in these areas.

Some of the strategies adopted by the department to build industry capability may have had unintended consequences for the industry. For example, TICS which aims to improve the department's attraction and retention of staff in technical roles, may have affected the capability of some local governments. While TICS aimed to deal with internal issues, it may have transferred the capability problem from one entity to another. Local government remains arguably the least well positioned of all three sectors to respond to the skills shortage, although the forthcoming amalgamations may improve their access to skilled staff and allow for more effective utilisation of resources.

The department has also developed specific initiatives which strengthen local Indigenous communities and improve capability in rural and remote areas to deliver on the roads program. Specific initiatives include:

- an innovative alliance model to engage Indigenous people as a partner on construction projects. This model enables Indigenous organisations to engage in contracts to provide services to road projects and the engagement of Indigenous people in specific skills training and employment

- a remote communities services unit based in the Peninsula district, to provide mentoring and training for Aboriginal and Torres Strait Islander people, and
- traineeships for Aboriginal and Torres Strait Islander graduates.

The significant contribution the department has made to develop capability in Indigenous communities has been recognised in the Partnership and Reconciliation section of the Premier's Awards for Excellence in Public Sector Management.

Skill shortages in certain industry areas are evident across Australia. The Queensland Auditor-General acknowledged this in the report, *Addressing Skills Shortages in Queensland*⁶, which noted that Queensland has the tightest labour market it has seen in 30 years.⁷ Addressing skills shortages requires collaborative action within and across state and commonwealth governments. The Queensland Auditor-General found there was no whole-of-government system in place to address skills shortages across Queensland and recommended that the Department of Education, Training and the Arts takes a lead role across the sector in enhancing the coordination of responses to address skills shortages.

While training is an essential component in addressing skills shortage, this will not provide immediate solutions to the capability issues. In recognition of this the department has been active in developing other strategies to address both internal and sector-wide capability issues. In view of the extent of this issue it will not be possible for the department to address it on its own. The department needs to partner with industry to develop solutions and strategies which will benefit both the government and industry and ensure the delivery of the roads program.

10.4 Findings

The department has demonstrated a significant commitment to maintaining three viable sectors through its work with local governments and industry and initiatives to improve capacity in the sector to ensure efficient delivery of the roads program.

Main Roads has been seen by industry and interstate road agencies as leading in the area of flexible contracting and is now less reliant on a single competitive tender approach. This is important given the limited capacity in some areas, particularly regional and rural Queensland. In order for Main Roads to ensure it is achieving the best use of resources and still gaining value for money, particularly in regional and rural Queensland, the use of more alternative approaches could be beneficial.

The department has demonstrated a willingness to explore alternative approaches to the way in which it contracts and packages work to achieve better outcomes from industry and projects. This has included the bundling of projects as well as more recently splitting larger projects into smaller works. However, further work on relevant approaches needs to be undertaken to address issues raised by the small to medium contractors around viability. The steering group chaired by the Deputy Director-General would be the appropriate avenue to progress this.

⁶ Auditor-General of Queensland, 2007, *Report to Parliament No. 7 for 2007: Addressing Skills Shortages in Queensland*, page 7.

⁷ Auditor-General of Queensland, 2007, *Report to Parliament No. 7 for 2007: Addressing Skills Shortages in Queensland*, page 7.

The department has also shown strong engagement with the sector around capacity issues. Relationships with local government, particularly at a district level are strong and the use of RRGs has had some benefits in improving planning, purchasing and resource sharing. However, the current boundaries and composition of each RRG may not be maximising efficiencies, with some group boundaries too large or diverse in composition. The review of these boundaries in light of council amalgamations is an opportunity for the department to address this issue.

10.5 Recommendations

20. The Director-General reassess contractual methods to achieve greater efficiencies by:
 - a. implementing better use of alternative approaches, rather than traditional competitive tendering, where there is limited capacity, particularly in regional and rural areas of the state, by 31 December 2008, and
 - b. working cooperatively with the Civil Contractors Federation to identify appropriate opportunities, based on market trend analysis, for splitting larger projects or not bundling projects to ensure viability of the three sectors by 30 September 2008.
21. The Director-General, by 31 October 2008, as part of the review of the Regional Road Group boundaries, ensure the composition allows for effective planning and efficiencies in delivering on the Local Roads of Regional Significance program.
22. The Director-General, by 31 December 2008, partner with industry to develop strategies to address the current skills shortage within the sector and negotiate a process to implement these.

11 Performance Management Assessment

The SDPC's *Performance Management Review Framework* establishes the framework for reviews to be conducted across all departments as part of the government's priority to deliver responsive government. The focus of the *Performance Management Review Framework* is to determine how well the agency is positioned to observe and manage its performance. Having effective performance management systems and processes in place helps an organisation make better decisions, achieve its strategic objectives and deliver more efficient and effective services to the community.

The *Performance Management Review Framework* consists of six elements:

- Planning and strategy
- Resource management
- Performance measurement and monitoring
- Governance
- Evaluation and continuous improvement, and
- Leadership and capability.

An assessment is conducted of the level of maturity of the department for each of the six elements along a continuum of increasing sophistication:

1. *Beginning* – basic compliance and conformance with statutory requirements
2. *Developing competency* – supervision and monitoring systems are in place; several elements of performance management need further development
3. *Embedded* – sound performance management practices are used across the organisation to drive the business; customer feedback is incorporated in business planning, and
4. *Leading* – the organisation is proactive, uses internal and external data to plan for and actively ensure that outcomes are achieved.

11.1 Planning and Strategy

The element of planning and strategy focuses on the process of organisational planning and strategic direction setting that informs resource allocation and managers' decision making.

Evidence gathering for this element considered the:

- quality of organisational planning
- alignment of programs and activities to whole-of-government priorities and outcomes
- quality of strategic direction setting for the organisation
- quality of public policy development that achieves government priorities, and
- extent to which plans and strategies are implemented across the organisation.

The level of maturity of Main Roads has been assessed as developing competency. The organisation has sound processes in place to analyse performance and inform planning and has invested in project management systems to plan, monitor and report on projects. Planning documents clearly link with whole-of-government priorities and the department is in the process of embedding a state-wide approach to planning and service delivery. There is scope to improve public policy development and the robustness of some aspects of planning. Sustained improvements in these areas could see the department reach an embedded level of performance maturity in the next one to two years.

11.1.1 Quality of organisational planning

The department operates in a complex planning environment that cuts across federal, state and local government planning cycles and requires the analysis of large amounts of performance data to inform the planning process. In response to these conditions, the department has developed a structured and well-coordinated planning approach that spans both corporate and road network planning. In addition to the department's five year strategic plan and annual report, the department has a number of road system planning documents which span a five to 20 year period. These planning documents include:

- the *Transport Coordination Plan* (developed in collaboration with Queensland Transport)
- *Roads Connecting Queensland*, which sets out the department's long-term objectives
- the *draft State-Wide Plan*, which sets out road system performance standards over 20 years
- the QRSP which identifies five-year road system milestones for achieving the 20 year targets in the *draft State-Wide Plan*, and
- the RIP which is a rolling five year works program.

The QRSP was finalised in late 2007 and the *draft State-Wide Plan* which is currently under development is due for completion by mid-2008. The department also contributes to the development of the SEQIPP, and is currently reviewing the timing and costs of its SEQIPP projects.

To facilitate forward planning in the infrastructure sector and support the implementation of the RIP, the department provides industry with a 12 month rolling program of upcoming tenders and project launches which is updated quarterly. Industry has found this document to be beneficial, despite some problems with its accuracy and completeness. The RIP and forward tender program are unique amongst Australian states, with no other jurisdiction currently setting out its forward projects in such a clear and transparent way. However, despite the transparency the RIP provides, there have been instances where new or prioritised projects have been announced without adequate planning or cost analysis.

The department works collaboratively with the Commonwealth Government's DITRD LG to develop AusLink corridors. These corridor plans are essential in creating an efficient transport system that supports economic growth and regional connectivity. To date, transport and infrastructure planning on the national road network has been constrained by a lack of federal funding for planning purposes, and

the department is advocating for a bulk planning allocation for AusLink2 (from 2009-2010) so that appropriate planning responses can be identified and funded.

The department also works in partnership with Queensland Transport, the Department of Infrastructure and Planning and local governments to develop Integrated Regional Transport Plans and infrastructure plans covering road, rail, port and air. To further support the regional planning process, Main Roads established the Roads Alliance to manage the LRRS through the RRGs. These groups prioritise road projects and funding across local government boundaries. While RRGs improve the rigour and transparency of decision making, there may be scope for the department to improve coordinated planning of the roads program across these groups to achieve seamless delivery of roads across the group boundaries.

Major documents such as the Strategic Plan and the RIP are reviewed regularly and are informed by stakeholder input. The department's planning documents show evidence of integration and cascading, including linkages between the strategic plan, business plans, operational plans and personal achievement plans. The review consultations found that the quality of business planning and individual achievement planning is variable across the department. Achievement planning has not been used to drive accountability for results and is sometimes undertaken as a compliance exercise or to receive the workforce capability incentive payment as part of the EDA6 (2005). Additionally, there is scope to improve organisational workforce planning and the identification of future resource demands. This is further discussed in the section on the resource management element.

The department has recently taken the initiative to better coordinate concurrent federal, state and/or local government projects which are occurring in the same area to improve outcomes and reduce community disruption. For example, the department has an interface agreement with (BCC) and consortia working on the North-South Bypass Tunnel Project to manage aspects of the project which affect state and local roads. Interface agreements are an increasingly common project management tool in metropolitan Brisbane where there are multiple projects underway. While these coordination activities are not systemic across the organisation, they do demonstrate the ability of the department's Major Projects Office and individual district offices to maintain strong relationships with external stakeholders and respond effectively to unique or emerging situations.

The department's planning and delivery processes are managed through the seven phase RSM Framework, which is depicted in Appendix 7. Strategic state-wide planning occurs in the first three phases of the RSM Framework. All seven phases are mapped against the new organisational structure so accountability is clear. While the RSM Framework is still in its infancy and not fully embedded across the organisation, it is a useful tool for the department to use in planning and prioritisation of work.

11.1.2 Alignment of programs and activities to whole-of-government priorities and outcomes

The department's *Strategic Plan 2007-2012* clearly identifies links between departmental outcomes and the Queensland Government's priorities of building Queensland's economy, strengthening Queensland communities, protecting Queensland's environment and delivering responsive government.

The department currently enjoys good working relationships with other Queensland Government agencies with an interest in infrastructure planning, including Queensland Transport and the Department of Infrastructure and Planning (which includes the Office of Urban Management). There is, however, a recognition that there needs to be increased collaboration between these and other agencies to ensure high quality planning on major infrastructure projects. For example, the location of the new Gold Coast University Hospital, which was originally sited by Queensland Health, was subsequently changed to provide an integrated transport solution. A whole-of-government perspective on planning is critical and closer relationships and earlier involvement in project planning is needed to avoid expensive mistakes and project delays. Similarly, the coordination and sequencing of projects could also be improved at a whole-of-government level so that community disruption and cost escalation is minimised.

11.1.3 Quality of strategic direction setting for the organisation

The department's strategic plan is updated annually and is informed by extensive consultation with industry. The format for the strategic plan has been subject to extensive change over the past five years, and is now a two page document that is considered by senior managers, staff and external stakeholders to be highly useful and succinct.

The complexity of road network, transport and infrastructure planning means that strategic direction setting must be undertaken in consultation with other Queensland Government agencies and other levels of government. There is some evidence that processes are in place for cross-government direction setting, including the department's involvement in the development of the SEQIPP and (in collaboration with Queensland Transport) the *Transport Coordination Plan*. Scenario-based planning has also been undertaken, with the department embarking on a six month long joint scenario planning process with Queensland Transport in 2000. The scenario planning exercise identified four possible future scenarios, which were subsequently used to test the appropriateness and validity of the (then) portfolio's planning and policy settings. Recent machinery-of-government changes which separated the Main Roads and Transport portfolios make it critical that shared direction setting across government continues to occur. A lack of shared direction setting would represent a significant risk to government in terms of poor planning and decision making outcomes.

11.1.4 Quality of public policy development that achieves government priorities

The department contributes to several Queensland Government priorities and outcomes which require an integrated public policy response if they are to be achieved. While the department works collaboratively with a number of departments on issues of shared concern, consultation with a range of government and external stakeholders indicated the department needs to increase its efforts in the sphere of whole-of-government policy development. Commonwealth-state forums and the Queensland Government's whole-of-government policy development program will play a critical role in considering alternative transport policy responses, including public transport and better congestion management, and ensuring the optimal policy response is implemented.

The department is working collaboratively with other state government departments and the federal government on a number of policy issues. Policy relating to

establishing and managing toll roads is one such example, and the department is represented on a national MOU group on the matter. The group deals with policy issues including vehicle classification and the need for consistency across different toll roads.

A variety of stakeholders expressed the concern that the development of road and transport related projects were guided by funding allocations rather than a focus on achieving high quality outcomes which are consistent with public policy. It was noted that road and transport infrastructure has a critical role in community well-being and access to services, and that poorly conceived projects would therefore carry long term adverse consequences.

The policy function within the department, the challenges of strategic direction setting and whole-of-government policy are discussed further in Chapter 6.

11.1.5 Extent to which plans and strategies are implemented across the organisation

The department commenced the roll out of a new organisational structure in July 2006 to support the increased demand on its planning and delivery resources. The Major Projects Office was established as part of this process to provide a coordinated portfolio approach to the delivery of major road and busway projects across Queensland, especially in the south-east corner.

The department monitors the implementation of its plans and strategies through a number of project management systems. The RSM Framework drives the development and implementation of its roads program and the implementation of the RIP is managed through a new project scheduling system, Primavera. Launched in mid-2007, Primavera is expected to provide accurate information on the status of individual projects and provide more useful data for monitoring and reporting purposes than the previous focus on expenditure. Project dates included in the new RIP will correspond with those in Primavera, so there is transparency and alignment in scheduling. The implementation and use of Primavera is still in its early stages, and its success will be dependent on the accuracy of the data entered into the system and, to some extent, a level of behavioural change in districts so that the system is utilised to its full capacity.

The department uses a project management methodology, OnQ, on all its significant projects. The methodology was introduced in 2004, but is not always used across the organisation. This has undermined the quality and consistency of project management within the department.

11.2 Resource Management

The element of resource management focuses on the systems and processes of monitoring human, physical (including ICT) and financial resources in order to maximise results.

Evidence gathering for this element considered the:

- effectiveness of resource allocation and monitoring processes
- capacity to identify the cost of services and the efficiency of delivery models used

- achievement of value for money in the organisation's operations, and
- ability to reallocate existing resources away from areas of low achievement or impact to new and emerging priorities.

The level of maturity of Main Roads has been assessed as developing competency. The organisation has good knowledge of its resource demands and has supporting systems and procedures to monitor effective allocation of available resources. While the department has a sound appreciation of the full cost of the services it provides, some concerns have been raised about the accuracy of its project cost estimates. The flexibility to reallocate resources across geographic and functional areas towards priority activities is also limited by public sector human resource policy. The department is currently addressing many of these issues and should these improvements be sustained, the department is likely to reach an embedded level of maturity in the next one to two years.

11.2.1 Effectiveness of resource allocation and monitoring processes

The dominant focus of the department in resource management is towards delivery of its capital works program, as set out in the RIP. This is supported by a well structured framework that ensures a defensible prioritisation of project work that aligns to core government outcomes (this is examined in more detail in Chapter 8). Within this framework the department has identified 37 elements fundamental to managing the road asset. (See Appendix 8.) For each element a management plan is being developed which details the standard of performance desired and the action required to achieve that result. Establishing these element management plans is a significant step towards a better understanding of overall resource demand of the road network. Importantly, it will inform the debate around the balance of funding between network enhancement (new capital works) and maintenance, preservation and operation.

Operational resourcing is established through the business planning process. The business plans translate broader organisational objectives into local activities against which budgets are formulated. The department's Resource Allocation Committee is charged with reviewing and approving these plans. Performance against these plans is monitored at a local level.

Primarily, workforce planning occurs in individual units and is not highly integrated at a whole-of-department level. While there is now a commitment to joint workforce planning between districts and RoadTek, the recent growth in demand for particular skills has highlighted the need for broader workforce planning across the department. In August 2006 external consultant produced the *Final Report State-Wide Workforce Plan 2006-2011* for the department which is a useful first step and will provide a strong platform for future progress. The report provided a forecast of staff supply and demand for the department, and key occupational groups, for a five year period and suggested strategies to address the identified gaps. Such forecasts need to be regularly updated as those provided by Infohrm are currently quite inaccurate and will become more so over time. The strategies provided by Infohrm are high level and what is needed now is a more detailed workforce strategy which outlines the specific actions which will be taken by the department, within planned timeframes, to meet the potential gaps in supply.

The department's establishment data are inaccurate and require updating. Figures provided by the department indicate a significant disparity between the establishment

figure for permanent staff (7463) and the number of approved permanent positions (5362). These disparities are also likely to be replicated in vacancy data. The department should update the data to reflect the new organisational structure and then ensure the information is updated regularly.

Main Roads carries a significant leave liability problem, with 48 per cent of staff at the senior officer and above level having in excess of six weeks of recreation leave owing. Technically, the department considers recreation leave balances to be excessive if they exceed eight weeks, but the scope of the problem is such that internal department reporting uses a six week threshold. According to the department's October 2007 data, the occupational groups with the highest proportion of employees with excess recreation leave balances are chemists, designers, structural engineers, transport modelling and network planners, managers and roadworks inspectors. These occupational groups reflect areas of high workload and often high vacancy rates. The high level of leave liability means the department carries the financial risk associated with under-funded leave and poor employee health and well-being. The concern with such a high level of leave liability is that there may be a culture present within the department of accumulating flexi-time or toil and taking this in lieu of recreation leave. This is not a good practice and the department should work to better manage the work arrangements of staff and reduce recreation leave balances to within public service standards.

11.2.2 Capacity to identify the cost of services and the efficiency of delivery models used

The department in the main, has a high degree of knowledge of the cost of services, including infrastructure projects which are costed in the process of gaining funding approval. Presently, there is some concern in relation to the accuracy of project cost estimates due to escalation and contingency occurring at a higher rate than previously expected. The Commonwealth Government commissioned an independent report by consultancy firm Evans & Peck on the department's cost estimation performance, which included a suite of recommendations designed to improve the reliability of cost estimates. Implementing the recommendations made by the Evans & Peck report on this issue should address these concerns, which are discussed in more detail in Chapter 8.

Operational cost capture is supported by the CATS. There was consistent comment from staff that the implementation of this system was poorly managed and inadequate. Knowledge of the need for the system and how it would operate at a local level is very low. The implementation of CATS is discussed in more detail in Chapter 7.

The district offices perform a purchaser role in engaging local government, RoadTek and contractors to deliver the RIP. The purchasing role includes all the pre-construction activities from concept planning through to design and documentation. The districts also provide corridor and operations management at each location.

11.2.3 Achievement of value for money in the organisation's operations

Project procurement processes are specifically established to achieve value for money for infrastructure delivery. The majority of RIP funding is delivered through market contested mechanisms with winning proponents selected on the basis of best offered value. For the small amount delivered as sole invitation work to support

regional development objectives, other mechanisms such as open book costing are used to monitor and manage best value delivery.

11.2.4 Ability to reallocate existing resources away from areas of low achievement or impact to new and emerging priorities

The department has had some difficulty in the past in accurately estimating the cost of projects within the roads program. As a result project costs have been outside the planned funding amount. This has required the reallocation of funds from projects in the out years of the RIP and has meant that there is limited funding available to be allocated to other emerging priorities.

Reallocation of resources to address new and emerging priorities occurs primarily through the RIP. However, the department also has processes in place to reallocate project savings. Reallocation of project funding is first managed at a district program level, and any project savings are generally consumed in managing the overall program. Any significant program variations need to be approved by the PD&D Group.

The capacity of the department to transfer human resources to priority areas is limited. Traditionally, staff appointed in a particular location have established a strong attachment to that place. Together with public sector human resource practices, a strong cultural barrier to movement of staff across functional and district boundaries has developed which makes reprioritisation and reallocation difficult. This has been evident in staff concerns around the possible relocation of senior staff to meet the needs of the new structure.

At a more operational level there has been significant reallocation of resources to address emerging needs. The realignment of the design, survey and soil testing functions from RoadTek to district management and the discontinuance of steel fabrication and contracting units of RoadTek are evidence of this.

11.3 Performance Measurement and Monitoring

The element of performance measurement and monitoring focuses on the process of collecting and analysing data to understand and manage performance.

Evidence gathering for this element considered the:

- breadth and depth of performance measures in the organisation
- quality of data in terms of accuracy, reliability and relevance
- effectiveness of measures in determining performance, and
- incorporation of measures in systematic ways in decision making processes.

The level of maturity of Main Roads has been assessed as developing competency. The organisation has a suite of performance measures in place to manage its performance, and data are utilised to inform the resourcing and prioritisation of projects. However, the department's performance measures and systems could be improved to ensure they are collecting relevant and accurate performance information that can inform strategic decision making.

11.3.1 Breadth and depth of performance measures in the organisation

The department measures its strategic performance through a range of measures which are detailed in a data dictionary. Performance against selected measures is reported in the MPS, and a set of key result indicators set out in the department's strategic plan are reported against in the department's annual report. The department has systems in place to capture, analyse and report against these indicators, and performance is monitored by the SMG on a quarterly basis via the Strategic Performance Report.

The department collects a suite of road network performance data. This technical data, which spans 37 elements and around 400 different data items, feeds directly into the road asset planning process and also links to national benchmarking on road quality.

The department's current suite of technical and corporate performance indicators does not always provide the most meaningful information about the performance of the organisation and the road network. The department is currently undertaking a review of its measures and it would benefit from reducing the number of measures it has and ensuring these are clear, consistent with national standards and support strategic decision making.

11.3.2 Quality of data in terms of accuracy, reliability and relevance

The quality of the department's data in terms of accuracy and reliability varies across the organisation. Technical data is usually collected at the district level, which means the accuracy and reliability of data may be inconsistent across the state. The department has a number of legacy data systems in use and work is continuing to ensure that data is entered into approved state-wide systems. A Road Management Information System is the main system for collecting and entering technical data. Primavera provides information on the status of individual projects, but the relative newness of the system means that data is sometimes neither complete nor accurate. Departmental staff are working to improve the quality and completeness of the information, which will result in improved monitoring and reporting of performance.

The relevance of some performance measures requires improvement. In some cases, especially the MPS measures relating to road network planning, the performance information being collected does not clearly relate to the output being measured. Such gaps between the indicator and the desired objective need to be addressed to ensure meaningful data is collected which gives an accurate picture of performance.

The department collects a significant amount of data on stakeholder satisfaction and effective relationship management. Previously, stakeholder satisfaction data has been collected in an attitudinal survey of Businesses and Residents. There is a concern amongst staff that the data may not be useful because the public are not necessarily aware of which government entity (or layer of government) has responsibility for a particular road. This is a valid concern, and the department needs to ensure that appropriate data collection processes are in place so that an accurate picture of performance is obtained.

11.3.3 Effectiveness of measures in determining performance

The performance measures in place provide a snapshot of the department's performance in key activities. However, as noted in Chapter 5, the performance measures tend to focus on outputs rather than outcomes and say little about the quality of service delivery.

The department contributes to a number of performance measures which cut across government, including most notably, road safety and congestion. It is difficult to quantify the department's contribution to these outcomes, as they are influenced by any number of factors. In the case of road safety, the department assesses its performance based on a combination of state-wide data collection and outputs linked to specific interventions, such as the Safer Roads Sooner program, which uses data to identify and address crash clusters in the project selection process. The department recognises that performance data alone cannot fully capture a department's performance on these types of issues, and the organisation uses its annual report and other communication channels to 'tell the story' about particular aspects of its performance which are not amenable to reporting through the use of indicators. This is a useful approach to demonstrate performance when quantitative performance indicators alone will not clearly achieve this.

The department collects extensive data about road network performance which is reported regularly to the SMG, as well as nationally to Austroads for comparison with other state road authorities. Some national data is published in RoadFacts, an annual publication prepared by Austroads which provides an overview of the Australian and New Zealand road systems. However this publication does not give a clear comparison of outcomes achieved across jurisdictions.

The Primavera system is expected to significantly improve both the management and reporting of performance. Primavera has improved the packaging of data for different government agencies, although reporting obligations to other agencies are still viewed by some staff as resource intensive. For example, the SEQIPP financial performance information is provided to Queensland Treasury and the Department of Infrastructure and Planning on a monthly basis. Quarterly reports on performance are provided to Queensland Treasury and the Department of the Premier and Cabinet, as well as six-monthly reports on progress against election commitments. The department is continuing to improve the integration, use and functionality of its performance information systems to create further efficiencies in this area.

The SMG consider monthly performance reports on key projects and activities. The SMG also receive detailed quarterly reports on the department's strategic performance. This quarterly report has recently been restructured as a 'performance dashboard' which summarises performance against MPS measures and the strategic plan's six key result areas. It includes a 'traffic light' status report identifying which key result areas are on target, require monitoring or need intervention. While the report is comprehensive in terms of providing information on performance at the input level, there is scope to improve the linkages between performance data and strategic decision making. The issue is not whether sufficient and timely information is being provided to the SMG but whether it is the right information upon which to base a valid strategic decision.

An example to demonstrate this is the performance information provided to the SMG around the key results area (KRA) of state-wide system planning. The objective for this KRA is to 'Meet the diverse needs of stakeholders through policy development

and planning a sustainable road system that balances investment choices between increasing capacity and long term preservation on a whole-of-life basis'. The three measures reported relate to road ride quality, road system seal age and stakeholder satisfaction. While road ride quality is a useful measure in terms of determining whether the road network is meeting a particular standard and road system seal age indicates when the seal needs to be replaced, the stakeholder satisfaction measure is the only one which gives any real information on whether the planning is meeting the objective that is, meeting diverse stakeholder needs. The measures don't provide any information on whether the planning is resulting in appropriately balanced investment choices between increasing capacity and long term preservation of the network.

11.3.4 Incorporation of measures in systematic ways in decision making processes

There is some evidence that technical performance data collected at the network level is utilised to inform funding decisions and the prioritisation of maintenance work. However, there is a great deal of data which is being collected which does not seem to be called upon by the department to inform the decision making process. This suggests two problems: collection of data that is not genuinely useful, and under-utilisation of information caused by the limitations of data collection systems and poor communication of performance data.

The department has a mixture of new and legacy systems which it uses to collect, analyse and report data. While significant improvements have been made in this arena, the department is still in the process of moving to state-wide data collection systems for all data sets. This work is expected to be complete by mid-2008.

11.4 Governance

The element of governance focuses on the structures, systems and processes used to manage the organisation in an open and accountable way.

Evidence gathering for this element considered the:

- clarity of roles and accountabilities
- quality of systems and processes used to govern the organisation
- approach to managing risk
- openness and transparency of decision making, and
- use of information across the organisation to support decision making.

The level of maturity of Main Roads in relation to governance has been assessed as embedded. The organisation has a robust governance model in place which has been recognised as best practice, and has a system of risk management, including risk registers, that address both strategic and operational risk. SMG members have clear governance accountabilities and are assigned 'champion' roles against identified strategic risks. Overall, stakeholders indicated that decision making by Main Roads was open and transparent.

11.4.1 Clarity of roles and accountabilities

The recent portfolio changes which separated Main Roads and Queensland Transport have raised some concerns, as close collaboration on policy and planning development needs to continue to ensure optimal transport outcomes. The portfolio separation could lead to conflict if Ministers set different objectives. Close attention to establishing strong working mechanisms to identify potential conflicts and bring them forward for resolution should be a priority for both departments.

In 2005-2006 the department undertook a major review of its delivery processes and capability. This review was conducted under the name and process description of Work Out. As an outcome of Work Out, the department aligned its organisational structure to the RSM Framework. This ensures that there is clear role definition at a broad functional level with commensurate structural accountability. Staff at lower levels of the organisation and some external stakeholders have expressed an element of uncertainty in regard to who they should contact on certain issues. There is also some residual uncertainty at the senior management level about where responsibility lies on unusual or cross-functional issues.

At an individual level, roles and accountabilities are clearly set out in position descriptions and financial and human resource delegations are in place to support these accountabilities. However, there remains some inconsistency of delegation across managers and there is evidence that delegations do not fully reflect the new structure. The department would benefit from reviewing the consistency in delegations and improving the clarity and communication of the organisational structure to all stakeholders.

The department would also benefit from addressing issues around delegation levels and approval processes to improve its ability to deliver on the roads program in a timely manner. In late 2006 following work on this issue, Main Roads received approval for an increase in the financial delegation of the Minister and Director-General. However, the department has advised the Review that the delegation limit is still not sufficient to effectively manage business in the current market environment, particularly for RoadTek in delivering services.

Main Roads is continuing to work on obtaining approval to further raise financial delegations to a higher level. While this would, if approved, assist the department in managing its business, it is considered that the department would also benefit from continuing to explore alternative approaches to managing this issue.

11.4.2 Quality of systems and processes used to govern the organisation

Corporate governance is the way in which an organisation is managed and controlled in order to achieve its strategic goals and operational objectives. The department has a documented Corporate Governance Framework which has been recognised as best practice by independent consultants, PricewaterhouseCoopers Australia. The framework addresses the complexities of internal conformance to departmental policy and procedure, external conformance to the statutory environment and performance against goals and objectives supported by leadership, ethics and culture.

The department has a number of corporate governance committees including the SMG, the Resource Allocation Committee, the Technical Governance Committee, the Audit and Risk Committee, and the Information Steering Committee. While the

SMG meets monthly the other committees meet on a quarterly basis. All committees have documented terms of reference which are available on the intranet.

The SMG membership comprises the executive leaders within the department, and is chaired by the Director-General. The SMG is responsible for the governance of the department, strategic direction and ensuring accountability to the community and government priorities. The SMG receives regular reports regarding finance and asset management, including the road asset, and a quarterly report on strategic performance. At the moment the department relies on the regular TICS report to SMG to provide the group with strategic human resource management information. A project manager has recently been appointed to develop a workforce report providing strategic information for SMG. The first report is due to the group by 30 June 2008.

The Resource Allocation Committee provides a structured and transparent process for assessing and approving operating budgets. Chaired by the Director-General, the committee considers funding proposals from across the department and also undertakes a mid-year budget review process.

The importance of compliance to technical policies and standards is a vital contributor to the risk management regime of Main Roads. This compliance is essential for ensuring that relevant technology is applied to road design and operation to provide the safest facility to the travelling public. The importance of this is supported by the Technical Governance Committee which has the specific role of providing an independent monitoring and advisory role to the General Manager, E&T on technical matters. In the current resource constrained environment, which is driving more devolved accountability for technical governance and a pressure to develop context-appropriate designs, a workable governance framework is essential to maintaining acceptable outcomes.

The Audit and Risk Committee provides advice to the Director-General on the department's risk, control and compliance framework and its external accountabilities. In particular, the committee has responsibility for identifying material risk or threat to Main Roads.

The department's Information Steering Committee has governance oversight of information communication and technology to ensure compliance with Information Standard 2, the Financial Management Standard 1997 and the *Public Records Act 2002*.

The requirement to maintain certified business systems in some groups of the department (e.g. RoadTek) provides a strong basis for monitoring the integrity of their management processes. To obtain certification, business management systems are assessed against national/international standards for quality, environment, safety and customer service. The assessment covers both the policy and documented procedures aspect of the system as well as testing implementation, audit and continuous improvement of the system.

Additionally, all staff are informed of their obligations as public sector employees through compulsory Code of Conduct training and other induction training which covers ethical service.

The department has also established and provides secretariat support to the Queensland Public Sector Corporate Governance Collaborative. The collaborative

provides a whole-of-government forum to share and support the use of effective corporate governance strategies, practices and processes. Specifically, the collaborative aims to:

- facilitate sharing of knowledge, ideas, information and materials
- identify and share best practice for corporate governance
- create clarity of understanding and approach for agencies and whole-of-government
- influence corporate governance policy and practice
- create an opportunity for continuous learning, and
- provide constructive support mechanisms for the participants to advance whole-of-government corporate governance.

These aims are facilitated by regular meetings of senior corporate managers who comprise the collaborative's membership.

11.4.3 Approach to managing risk

The department has a clear and documented Risk Management Policy supported by procedures and guidelines for managing risk from a strategic level down to the detailed project level. This organisation wide approach to risk management has been assessed by PricewaterhouseCoopers Australia as a leading example of risk management. The consultancy firm has endorsed the direction of the framework and provided comment on how the framework can be further improved. Within this framework each member of the SMG has clear strategic risk management accountabilities. These are documented in a risk register which is regularly reviewed.

During the Review, some staff expressed concern that governance was not consistent across all aspects of operations with a tendency to over-govern on some matters, particularly those that have received adverse media scrutiny. The department would benefit from periodically assessing the congruence of governance and risk levels to ensure practices are not too restrictive and provide an appropriate balance between risk management and innovation in the delivery of quality services.

11.4.4 Openness and transparency of decision making

The department undertakes significant consultations with external stakeholders at an individual, group and industry level. Stakeholders indicated that while they periodically had difficulty meeting with senior managers because urgent departmental issues led to the cancellation of planned meetings, there were generally appropriate opportunities to provide input and discuss issues of concern.

Main Roads holds an annual Technology Forum and recently initiated a Technical Governance Seminar, both of which were seen by stakeholders as a valuable means of keeping them informed of the department's technical requirements.

Meetings of the SMG are minuted. While these minutes are not communicated outside the group, they are subject to external audit. An action list for SMG decisions is also developed and monitored on an ongoing basis. Key issues discussed by the SMG are communicated to staff after each meeting via emails which cascade through the management layers across the department. Staff expressed a level of satisfaction with this approach, although as noted in the section on the leadership

and capability element, the success of the cascading approach depends on the skills of managers in tailoring the message to fit the information needs of staff.

The technical policies, standards and procedures used by the department are established in collaboration with other road agencies and industry and are continuously reviewed and revised to ensure they reflect conventional best practice and professional knowledge. This information is publicly available in both hardcopy and electronically on the Main Roads website.

11.4.5 Use of information across the organisation to support decision making

As noted in the discussion of the department's performance in the resource management and performance management and monitoring elements, the department collects a range of corporate and technical data which informs resource allocation decisions and the prioritisation of projects. These decisions are made as part of the development of the RIP.

The department maintains several approved supplier registers (contractors, consultants, plant suppliers, asphalt suppliers) to ensure quality and reduce risk to Main Roads. Potential registrants are assessed against a set of prequalification criteria and retention of their registration is subject to ongoing performance assessment and reporting. Some stakeholders question their level of prequalification but most are satisfied with the process.

The use of information to support technical and project decisions is strong, however, the use of information to support decision making at more strategic levels could be improved.

11.5 Evaluation and Continuous Improvement

The element of evaluation and continuous improvement focuses on the process that enables formal reflection and measurement of activities and outcomes in order to improve service delivery and performance management.

Evidence gathering for this element considered the:

- level of evaluation and review activity evident across the agency
- use of findings from evaluation and review activity for continuous improvement
- organisation's approach to supporting a culture of continuous improvement, and
- ability to detect performance problems and implement corrective action in a timely way.

The level of maturity of Main Roads has been assessed as developing competency. The organisation has good policies and procedures for evaluation, review and learning from review activity for continuous improvement. A culture of continuous improvement is evident across the department, although it is more firmly embedded in some units than others. Delivery pressures work against thorough evaluation and review at the end of individual projects and as a result these reviews, when undertaken, often focus more on project outputs, expenditure and the achievement of deadlines rather than the achievement of broader outcomes.

11.5.1 Level of evaluation and review activity evident across the agency

The department evaluates the performance of the road network and reports regularly to SMG as well as nationally to Austroads for comparison with other state road authorities. Program delivery is also evaluated in terms of output achievement, however, there is no clear linkage between this performance information and network outcomes.

Project review is a structured phase of the project management methodology used by Main Roads. The implementation of these reviews was found to be ad hoc and thwarted by the pressure to get on with delivery of the next project. Also, the evaluations are generally project output focused and do not assess outcomes. Where completed they have been documented in review databases that are in most cases maintained locally. In some cases, e.g. for the Pacific Motorway learnings project and the RoadTek Highway 21 project learnings, the information is stored centrally and is more readily accessed by staff.

The Internal Audit Branch conducts a program of audits that cover all the operations of the department. The program uses a risk based methodology so that high risk areas are more specifically targeted. The program is endorsed by the Audit and Risk Committee. These audits may review specific issues that have been identified locally, but will also contain audits nominated from other sources such as the Technical Governance Committee. Audit reports are provided to the Director-General and tabled with the Audit and Risk Committee and then reported to local management for implementing any recommendations. A random follow-up of implementation is made in subsequent audit programs.

Work Out represents a major evaluation of the department's operations with a clear stated objective of improving the capacity of the organisation to deliver the roads program. Faced with a sharply escalating work program, the department needed to consider fundamental change to the way it did business to address this emerging situation. Implementation of the recommendations from this review has not been formally reviewed, but is being monitored by the SMG.

The department has also commissioned a number of external evaluations (including, most notably, the evaluation of the structural integrity of the Riverside Expressway and the evaluation of the safety of the stone mastic asphalt surface following two fatal accidents on the Bruce Highway between Brisbane and Gympie) to provide independent analysis and ensure community safety.

11.5.2 Use of findings from evaluation and review activity for continuous improvement

The results of network performance reviews are used systematically to inform project priorities for future programs.

While the RSM Framework provides for a formal review phase at the end of projects, there is no systematic use of prior learnings at a project level to link the review phase (phase 7) with the planning phase (phase 1) of the framework. Information is available from various databases, but accessing and using the information is largely left to individual initiative. There is scope to improve the overall evaluation process by more formally integrating the use of findings from project review to inform ongoing operations. The department's success in continuous improvement would be

enhanced by the development of a method of formally incorporating project review findings into ongoing operations.

11.5.3 Organisation's approach to supporting a culture of continuous improvement

While staff expressed a desire for continuous improvement across the department, it is currently reliant on individual initiative rather than systems. Although reviews are part of the department's project methodology and the RSM Framework, review findings are not always implemented before moving on to the next project. The greater focus is on delivering projects with less attention given to reviewing the outputs, outcomes and processes used to provide learnings for future project management.

There is scope for the department to improve organisational knowledge by implementing formal processes that will support this culture. RoadTek has established internal processes for improving service delivery through the Work Improvement Note (WIN). This system is network based and uses an electronic work flow. It is a mature and effective system which provides a process for raising, tracking, closing and reviewing improvement initiatives across the business. A WIN can be raised by any staff member and has an accountable officer to ensure the improvement note is actioned and finalised. Staff can raise a WIN at any time on safety and environmental incidents, quality non-conformance and customer feedback. This system of continuous improvement would be beneficial for the department to replicate across the whole organisation.

11.5.4 Ability to detect performance problems and implement corrective action in a timely way

A part of the audit program is Control Self-Assessment (CSA), which continuously monitors a range of key compliance issues across the department's administrative systems, e.g. ethics/code of conduct, leave management, accounting and purchasing. CSA was developed by Internal Audit and provides a basis for early detection of problems. These assessments are conducted locally on a regular basis with Internal Audit conducting a periodic random review of the CSA program implementation.

Also, the auditing associated with business system certification (referred to in section 4 on Governance) is primarily to monitor system conformance and detect performance issues so that early intervention can be initiated.

11.6 Leadership and Capability

The element of leadership and capability focuses on the approach taken by managers at all levels in leading staff and others to achieve organisational goals and in supporting workforce capability.

Evidence gathering for this element considered the:

- willingness of staff to pursue organisational goals and values
- effectiveness of communication within the organisation
- capability of staff to ensure services are delivered efficiently and effectively
- organisation's investment in staff capability for the future, and

- capability of the organisation's leadership to influence stakeholders, public sector agencies and others on issues in the organisation's areas of responsibility.

The level of maturity of Main Roads has been assessed as embedded. The department has a strong leadership team, and has invested heavily in the development of leadership and technical skills to support the organisation's new structure and the delivery of the roads program. While the department has responded well in a challenging environment, improvements in communication and change management are necessary for the organisation to reach a leading level of performance maturity in this element.

11.6.1 Willingness of staff to pursue organisational goals and values

There is a high degree of recognition and support for the department's objectives and priorities as set out in the *Main Roads Strategic Plan 2007-2012*. In particular, the strong emphasis on delivering the roads program within the department's corporate and planning documents is supported and endorsed by staff. There is also a renewed emphasis on Workplace Health and Safety issues, which is reflected in the organisation's media campaign for motorist care around road works.

The review consultations indicated that staff are generally supportive of the stated aims and need for the new state-wide organisational structure. There is some resistance to the new approach at lower levels of the organisation, and especially where the work responsibilities and reporting arrangements of individual staff have changed significantly. However, the level of resistance has not in itself constrained the ability of the department to undertake its role and deliver services.

Staff periodically complete the University of Southern Queensland's *Queensland Public Agency Staff Survey* on organisational climate, staff morale and other workplace issues. Survey results are published on the department's intranet, but some staff report that strategies to address findings have not been identified or implemented. Consequently, some staff queried the purpose and utility of the QPASS survey within the department.

The department has sought to improve the culture and practice of performance management through completion of achievement plans for each employee. Under the department's current EDA6 (2005), staff are eligible for a workforce capability incentive payment totalling \$500 over the life of the agreement (paid in three instalments of \$200, \$150 and \$150) for the annual completion of an achievement plan. There is little evidence that this approach has been effective in promoting a culture of high performance across the organisation and achievement planning is undertaken in a limited way in order to meet the compliance requirements and collect the payment. Achievement planning remains dependent on the individual approach and priorities of managers. The use of monetary incentives to encourage achievement planning take-up is also unusual, given individual performance planning has been considered a basic part of the public sector planning process for many years. For the department to improve in this area the rigour by which achievement planning is undertaken across the department needs to be addressed, with accountability for the completion and effective management of achievement plans resting with Directors, Executive Directors and SMG members.

There is a strong culture of technical excellence across the organisation. It was reported to the Review that this has led to some tensions between the maintenance of 'gold plated' design standards and the need for cost effective outcomes. In the

past year, the department has reluctantly reduced its direct involvement in technical research and innovation because of the time and resources necessary to test, document and confirm new standards and approaches. The increased use of standardised designs and components has been accompanied, however, by an increased commitment to research undertaken by the Australian Road Research Board, which is a cooperative company comprising state, territory and federal government road agencies.

The challenges associated with implementing the new organisational structure and the sheer size of the roads program mean that the department is under pressure to deliver internally and externally. The department has largely not been able to transfer, re-scope or surrender its work responsibilities, with the result that workload has increased dramatically for some members of the SMG and key technical staff. Many staff at various levels of the organisation expressed concern that the workload is not sustainable in the medium to long term. There is a risk to the organisation that such sustained work pressure will erode staff goodwill over time. More importantly, there is a risk to government that some aspects of the roads program will be delivered over budget and after the planned completion date because of the scope of the delivery and change management program. The department should act to identify any projects which it can cease or suspend to ensure it can prioritise its efforts most effectively.

11.6.2 Effectiveness of communication within the organisation

The department has in place a number of communication channels, including its intranet site Junction, RoadTek's intranet site Highway 21, the DG's Hotline and the email based 'What's Hot for SMG'. The effectiveness of these and other measures were analysed in a staff communications survey which was reported on in July 2007. The survey found that corporate communication across the department required significant improvement, including the need for more face to face communication, the provision of more relevant and operational information, and more frequent and timely information. These findings were replicated in staff forums undertaken by the SDPC during the consultation phase of the Review.

A final report on the survey was also provided by the external consultant Synchronous and identified significant problems relating to the quality and effectiveness of communication within the department. The report identified six key findings, including:

- the need for leaders to take a more active communication role
- the need for improvements in the relationship between the department and RoadTek
- constant change has adversely affected the effectiveness and credibility of communication
- the standard of communication varies within the organisation
- the need to match communication tools with strategic needs, and
- information overload reduces clarity of and engagement with messages.

Again, similar themes were raised in the review staff forums. The weekly 'What's Hot with SMG' emails and the tailored cascading messages which follow the monthly SMG meetings were both seen by staff as providing useful information, although the effectiveness of the latter relies on the skills of managers in tailoring relevant and

context-specific information. The DG's Hotline is perceived by many staff as a highly structured process that is used to restate official policies, rather than addressing actual staff concerns in a responsive way. Despite these and other attempts to improve the quality and targeting of communication, there is still a sense of 'information disconnect' amongst some staff.

The department's new structural arrangements are yet to be properly embedded. This is reflected in a degree of confusion amongst some staff (and sometimes even SMG members) about areas of responsibility. Some staff are struggling with the matrix management structure which requires accountabilities to be clearly established in order to be effective. In this environment, the quality, efficiency and timeliness of communication and decision making has sometimes been adversely affected.

Staff at lower levels of the organisation have reported problems with access to, and approachability of, senior managers in the organisation. The SMG has recognised this issue and has put strategies in place to improve the visibility of senior managers, especially in district offices.

Staff at all levels of the organisation reported to the Review that the quality of communication within the SMG has improved.

11.6.3 Capability of staff to ensure services are delivered efficiently and effectively

Main Roads is currently operating in a challenging employment environment shaped by a number of factors, including an ageing workforce and skills shortages created by high demand in the transport, mining, water and energy infrastructure sectors. The department has struggled to attract and retain skilled staff and has suffered a loss of corporate knowledge as a result. The department has had difficulty in attracting suitably qualified staff in rural areas and carries a high number of job vacancies across the organisation (34.7 per cent as at the end of September 2007).

In response to this environment, the department has put in place a suite of initiatives to improve its attraction and retention of staff. One of the key strategies is an expansion of the RRAIS, which applies to approximately 400 employees in Western Queensland. Another flagship strategy is the TICS, which provides temporary salary loadings ranging from five to 25 per cent to employees in 'highly-in-demand' occupations. This initiative has received a mixed reception, with issues around the consistency of its application across the department, difficulties in managing teams where not all members receive the loading and a perception by some not receiving the loading that their work is not valued. TICS and other attraction and retention initiatives adopted by the department are discussed in detail in Chapter 9.

The department has placed a strong emphasis on Workplace Health and Safety, reducing its injury rate and experiencing a consequent reduction in insurance premiums. However, consultations with staff indicated the department does not have a clear policy in place for testing employees who are suspected of operating heavy machinery under the influence of drugs or alcohol. While there is legislation relevant to these Workplace Health and Safety matters, the department needs to clarify requirements and expectations of managers and staff at an internal policy level. The department should work collaboratively with other Queensland Government agencies, local government, union and industry representatives to develop a policy on this matter which is clear and consistent with industry standards.

SMG and staff generally acknowledge the important role RoadTek plays in providing training opportunities for staff. The department's E&T Group has a technical education and innovation role, and runs a two day technical forum each year which attracts participants internationally.

11.6.4 Organisation's investment in staff capability for the future

The department has invested significant time and resources to build staff capability and ensure it has access to the skills it needs to deliver the roads program into the future. Some of the initiatives include:

- TICS
- innovative use of section 70 (fixed term) contracts under the *Public Service Act 1996* to utilise corporate knowledge and mentoring skills of staff nearing retirement
- establishing the Strategic Recruitment Unit to coordinate the filling of TICS-related positions and engaging a recruitment specialist to assist in interstate and international recruitment programs
- the Career Development Program, which aims to develop future leaders at the management and middle-management level in a team environment, with sponsorship by General Managers
- increased recruitment of cadets, apprentices and graduates, and
- initiatives to support Indigenous employment.

The department has also established two specialist training schools to address critical skill shortages in road design and traffic signalling.

The department has also invested heavily in the development of leadership skills for its SMG, including the provision of group-based and one-on-one coaching to senior staff by qualified consultants. To ensure that the coaching continues to achieve outcomes in strengthening the leadership skills and adapts to the changing needs within the organisation it will be important that this approach is independently evaluated on a regular basis.

11.6.5 Capability of the organisation's leadership to influence stakeholders, public sector agencies and others on issues in the organisation's areas of responsibility

The department has established a dedicated work group to build and sustain external relationships with key government and industry stakeholders. As part of these new arrangements, SMG representatives have been allocated responsibility as account managers, for maintaining relationships with specific stakeholders. Additionally, the department aims to meet with stakeholders individually every second month and the Director-General hosts an industry round table on a quarterly basis.

Industry stakeholders commented during review consultations that stakeholder relationships are more formalised under the new arrangements and some stakeholders indicated a preference for a more informal approach. A more relaxed approach would potentially provide for greater transparency and openness in communications, but the department's preference for structured arrangements is understandable given the high staff turnover that has occurred within the SMG over the past two years.

The department's work program requires the support and input of Queensland Treasury and the Department of the Premier and Cabinet. The department's focus on delivering the roads program has meant that at times, insufficient attention has been paid to undertaking early consultation with central agencies and obtaining their feedback and support. The department needs to improve the management of its relationship with central agencies so that it can move more seamlessly through the project approval, implementation and reporting cycles.

As a recipient of Commonwealth Government AusLink funding, the department invests significant time and energy in maintaining a good working relationship with representatives of DITRD LG. The reality of federal-state relations is that decision making is influenced by political imperatives and departmental officers operate as best they can in these circumstances.

The department has taken an active role at the national level working with other jurisdictions to drive improvements and consistency in national policy and standards. The Minister for Main Roads is represented on the Australian Transport Council, and the department is represented on a number of working groups associated with the Standing Committee on Transport. The department is also involved in a number of Standards Australia committees, and played a significant role in developing the National Guidelines for Transport System Management. These guidelines support transport decision making and reflect the Queensland Government's move towards inter-modal transport planning.

11.7 Findings

Main Roads is at the embedded level of maturity for governance and leadership and capability and at the developing competency level in all other elements of performance management. In order to improve its performance management maturity and service delivery levels, the department needs to place greater priority on whole-of-government planning and policy development, improve its ability to estimate costs and reallocate resources, improve a number of human resource management issues, improve the collection and use of performance information, increase the quality and frequency of communications with staff, and undertake better quality workforce, business and individual achievement planning.

11.8 Recommendations

23. The Director-General, by 31 December 2008, develop a detailed workforce strategy specifying the actions and timelines for meeting workforce capacity gaps identified through the department's workforce planning process.
24. The Director-General, by 30 September 2008, seek the Minister's endorsement of a departmental submission seeking approval from Governor in Council to streamline the financial approval process of Main Roads, including RoadTek, to mitigate potential delays in program delivery.
25. The Director-General assess the congruence of governance and risk levels annually to ensure practices are not too restrictive and provide an appropriate balance between risk management and innovation in the delivery of quality services, with the first report to be completed by 31 December 2008.
26. The Director-General, by 31 December 2008, strengthen the department's approach to continuous improvement by:

- a. developing a method to formally incorporate project review learnings into ongoing operations, and
 - b. replicating RoadTek's Work Improvement Note system across the department.
27. The Director-General improve the rigour and effectiveness of achievement planning across the department by holding the Directors, Executive Directors and members of the Senior Management Group accountable for completion and management of achievement planning, with a progress report on improvements to be provided to the Senior Management Group by 31 December 2008.
28. The Director-General improve the department's human resource management practices by:
- a. developing and implementing a Workplace Health and Safety policy which clarifies employee and management requirements for the safe operation of heavy machinery by 30 September 2008
 - b. updating the department's establishment data and implementing processes to ensure its regular review and ongoing accuracy by 31 December 2008
 - c. reducing the department's excess recreation leave balances amongst senior managers at the senior officer level and above by 31 December 2008, and
 - d. implementing strategies to ensure leave balances for all staff are managed within the Queensland public service standards by 30 September 2008.
29. The Director-General, as part of the business planning process, identify departmental work priorities and nominate initiatives which can be ceased or suspended for a set period to reduce organisational workload by 30 November 2008.
30. The Director-General engage an independent reviewer to evaluate on a regular basis the impact of leadership coaching for senior managers to ensure that the current use of a leadership coach is achieving the required outcomes, with the first review to be undertaken by 31 December 2008.

12 Commercialised Business Unit Assessment

12.1 Background

12.1.1 RoadTek

In the early 1990s the department began commercialising its operations, moving away from the traditional 'day labour' model previously used to deliver road maintenance and construction works. The Commercial Operations Group was created in 1996 as the delivery arm of the department, before it transitioned into RoadTek in July 2002.

At its inception, RoadTek had four commercial activities: Asset Services, Contracting, Plant Hire Services and Consulting. A later restructure removed regional-based management structures and introduced state-wide operations for Plant Hire Services and Consulting. Asset Services was divided into two major units: North, to encompass the central and northern regions; and South, to include southern and south-eastern regions. Several regional centres were also combined at this time to provide a more efficient management structure.

The structure has undergone various changes over the years and currently includes Asset Services, Plant Hire Services, and Network Services. RoadTek employs approximately 1600 staff with a budgeted trading revenue in excess of \$400m in 2007-2008.

The principal objective of RoadTek is to enable Main Roads to deliver on government policy throughout Queensland by providing high quality, competitively priced and efficient services through a commercialised business model.

12.1.2 Assessment Principles of CBUs

The *Position Paper on Government Commercialised Business Units*, published in October 2006, provides the foundation by which the SDPC assesses the value to government of a business delivering services through a CBU model. This assessment of the CBU is against the following five principles:

- *Appropriateness* – the extent to which the CBU is a suitable organisational structure for achieving government objectives
- *Sustainability* – the extent that current and future operating results are positive from the CBU operations
- *Flexibility* – the extent to which the CBU responds to changing client and market needs
- *Accountability* – the extent to which the CBU is accountable to its customers and other stakeholders for the service it provides, and
- *Risk* – the extent to which risks are best managed through the establishment and operation of CBUs.

12.2 Appropriateness

The principle of appropriateness focuses on the extent to which the CBU is a suitable organisational structure for achieving government objectives. This involves assessing whether services are best delivered inside or outside government and whether the application of commercial management principles to the delivery of particular activities will be in the government's best interest.

Evidence gathering for this principle considered the following three elements critical in assessing appropriateness:

- the alignment of RoadTek's activities with government policy and priorities
- an analysis of the internal and external environments, and
- an analysis of the market and product characteristics.

It is assessed that it is appropriate for RoadTek to operate as a CBU as it is well positioned to deliver on government's strategic objectives and priorities through its state-wide systems and coverage. RoadTek fills potential market failure in areas of regional and rural Queensland, responds to emergencies across the state and provides services to other government departments. These services are delivered within a commercial state-wide model to maximise efficiencies. RoadTek demonstrated knowledge and understanding of the market in which it operates and an ability to realign its business to maximise efficiencies in service delivery and meet market needs. To further increase efficiencies RoadTek will need to address the long term issues of capability and capacity in the western centres. The appropriateness of RoadTek's role as a commercialised business unit and a work group within the department needs to be more clearly communicated throughout the whole department.

12.2.1 Government policies and priorities

The development of the CBU model in Queensland in the early 1990s was underpinned by four key assumptions:

- regionalisation and the extent of decentralisation of Queensland
- public interest activities
- ensuring a skilled workforce within industry, and
- delivering community service obligations.

Regionalisation and the extent of decentralisation of Queensland

A key issue for government is how best to ensure responsive service at equitable prices to rural and regional areas. In the case of market failure, where there is an absence of a competitive market place and reasonably sized private sector operators, it is doubtful that the government could achieve cost savings through the involvement of the private sector.

RoadTek is based throughout Queensland, enabling Main Roads to deliver on the roads program in regional and rural areas, where there is not the capacity otherwise. Local government is often the only other supplier in these areas, and councils' capacity to undertake the work in the roads program varies, with some instances

reported where councils have returned work to Main Roads due to capacity and capability issues.

RoadTek also undertakes work for other government departments in remote areas where there is market failure. RoadTek currently manages remote airstrips and community jetties for Queensland Transport.

Providing services in regional and rural areas can challenge units working on a commercialised business model. A recent internal review (*Western Centres Capability and Program Review*) undertaken on the work program and capability issues in the western districts has highlighted difficulty for RoadTek in ensuring sufficient work for staff. This has led to fluctuations in revenue over the past six years, where one area within a district had a negative return, while others' performance was variable.

Nevertheless, RoadTek has been active in realigning its business or implementing alternative approaches to improve efficiencies. Amalgamation of works centres has been undertaken in all western districts to decrease the management structure and achieve greater efficiencies. RoadTek has moved its workforce where there is an insufficient program of work in an area. While this has significant benefits to the business as a whole, there are financial implications relating to supporting staff in camps and this impacts upon the district where staff are usually based if they are required for urgent or unforeseen work.

RoadTek and the districts have attempted to improve efficiencies and address the capability issues by developing an alliance contract in two districts in the western region. The alliance achieved savings in project costs and maximised the use of resources. This alternative approach appears to address duplication of management and technical overheads and deals with the capability issues confronted by both the districts and RoadTek. The alliance approach has not been extended to other areas to date.

In responding to the particular capability issues identified in the western centres review Main Roads is considering the recommendations in light of the council amalgamations and federal government changes. However timely implementation of agreed recommendations is required to address these long standing capability issues. At the same time any final approach to maximise efficiency must ensure Main Roads maintains its obligations in these communities.

Public interest activities

Timely responses to matters of public interest are considered best delivered by public sector organisations where the availability and coordination of private sector involvement may not be optimal to meet the needs of the community.

Government requires some capacity to respond to emergencies and natural disasters which affect the road infrastructure. RoadTek takes a direct role in this and activities in this area have included the:

- response in the clean up following Cyclone Larry, enabling the Kuranda Range and Captain Cook Highway to be reopened within 24 hours
- immediate response to issues of public safety regarding the closure of the Riverside Expressway in 2006-2007, and

- management of oil spills.

RoadTek also undertakes work for a number of other government departments as part of supporting whole-of-government outcomes. Projects have included working with:

- Departments of Natural Resources and Mines and Energy on the Dee River Dams Remediation Project to remove acid-producing tailings material and contaminated water from the riverbed and banks
- Queensland Transport to upgrade rural and remote community airstrips
- Queensland Rail on maintenance and vegetation management
- SunWater to design and build Turkey's Nest Dam, and
- Indigenous communities.

Ensuring a skilled workforce within industry

Having a direct involvement in providing apprenticeships in trade-related skills of the state's workforce is considered to be an important aspect to achieving government's priorities and outcomes.

RoadTek is actively working to ensure a skilled workforce within the industry. It has employed more than 295 apprentices and trainees since 2001-2002. It has also responded to training needs to address critical shortages such as the establishing the Main Roads Design School, or to address specific training needs, through establishing the Electrical Training Centre. The centre was developed to provide specialised training for RoadTek staff in the traffic management area. RoadTek utilises retained earnings to deliver in this area.

Delivering community service obligations

The Queensland model of commercialisation is not intended to reduce the commitment of government to effectively deliver community service obligations (CSOs). CSOs are those services provided to meet non-commercial or community service objectives of government.

RoadTek does not deliver services under a CSO framework.

12.2.2 Internal and external environments

In determining whether the CBU model remains of value to the government, the Review assessed whether the original objective for creating RoadTek as a CBU has changed.

The original objective for RoadTek was to enable Main Roads to deliver on government policy through providing high quality, competitively priced and efficient services.

The shift into RoadTek in 2002 was undertaken to ensure consistency of systems across the state, improve the financial reporting arrangements of each commercial unit and enhance the overall transparency and accountability of the commercial arm. Since this time RoadTek has undertaken a number of structural changes to achieve efficiencies.

As mentioned the commitment to regional and rural areas does have some affect on RoadTek's efficiency and the perception that RoadTek's overheads are high was identified by districts as an issue during the Review. Inefficiencies were identified around the duplication of systems, management and skills in having RoadTek and a district involved in projects. The possibility of improving efficiencies by removing the commercialised focus of RoadTek was suggested. While returning to a day labour approach may achieve some short term efficiencies in a few areas of duplication, it is not evident that overall this approach would provide any substantial efficiencies for the department. In fact the change in approach would mean the loss of economies of scale currently achieved by RoadTek's size and state-wide focus.

The original objective for RoadTek remains appropriate. Further, RoadTek has demonstrated its ability to continually review the structure of the business to ensure it is appropriately positioned to meet this objective and maximise efficiencies.

12.2.3 Market and product characteristics

A CBU requires clarity and focus on clearly identifiable services and products. This means analysing the:

- degree to which the service is easily measurable and the tasks can be easily monitored
- extent to which users can influence their consumption when clients are untied or tied
- degree to which there are public interest or equity reasons
- degree to which consumers (generally other government agencies or other areas within the same agency) of the goods and services can be identified
- degree to which the service is identified as one which may be provided by the private sector
- degree and form of competition
- degree to which charging for goods and services is technically feasible, and
- degree of industry capacity and maturity.

Approximately 90 per cent of the work undertaken by RoadTek is for Main Roads. It undertakes the largest part of the maintenance work and this in turn comprises the largest part of RoadTek's activities. In 2006-2007, RoadTek had approximately 18 per cent of the total construction and maintenance market share of the RIP.

In line with its role in road maintenance, RoadTek has developed specialised skills in data collection on the condition of the roads and bridges. These activities enable Main Roads to understand the condition of the asset and plan for maintenance across the network. RoadTek undertakes these activities through a state-wide service but is required to contract with each district regarding their program of works.

The current process used by Main Roads to contract these services at a district level is inefficient and there is an opportunity to increase both the efficiency and effectiveness on the delivery of these through coordination at a program level. This may also apply to other activities RoadTek is undertaking, such as line marking, guard rails and signage, and Main Roads would benefit from investigating this further.

RoadTek also undertakes a number of other activities which support Main Roads in meeting its responsibilities, such as traffic management.

While the private sector could deliver many of the services that RoadTek offers, attracting contractors to rural and regional areas is far more difficult. Also as already identified, councils have varied in their capability to deliver on the roads program. As such, the activities currently undertaken by RoadTek are appropriate and consistent with its stated purpose of enabling Main Roads to deliver on government outcomes. Given the broad scope of the Review, it is more difficult to determine whether these activities are correctly balanced, or if there are additional activities RoadTek should be undertaking in order to maximise RoadTek's role in enabling Main Roads to meet its priorities. With the increasing roads program and a need to guarantee Main Roads is well positioned to deliver on this, the department would benefit from annually evaluating the mix of activities undertaken by RoadTek to ensure it continues to enable the department to meet its priorities.

The CBU model is effective in an industry where there is some clarity around costings and there are easily measurable tasks in terms of cost and quality. RoadTek's ability to win tenders, deliver work for other government departments and local councils indicates an ability to provide efficient and quality services.

While there is strong competition within the sector, RoadTek has clearly identifiable services and products and is well positioned to assist in delivering on the large roads program.

12.3 Sustainability

The principle of sustainability focuses on the extent that current and future operating results are positive from the CBU operations. The assessment of sustainability involves arriving at conclusions about the overall financial performance of the CBU and the extent to which it provides efficiencies in the delivery of government activities through achieving economies of scale and scope.

Evidence gathering for this principle considered an assessment of RoadTek's performance in relation to:

- its capacity to generate positive operating results
- the extent to which government has received dividends from RoadTek
- the nature of its debt structure
- the extent to which economies of scale and economies of scope are achieved, and
- the extent to which clients adopt demand management techniques in modifying their purchasing behaviour.

It is assessed that RoadTek is sustainable. RoadTek has demonstrated an ability to generate positive operating results over the past five years and achieves annual targets in the capital structure and rate of returns, which are within the set structures for the business. RoadTek's size and organisational systems provide economies of scale and scope and efficiencies for government in delivering the roads program across Queensland.

12.3.1 Operating results

In 2006-2007 RoadTek generated a return on funds before tax of \$31.9m. In the five year period from 2002 to 2007, RoadTek generated a return of \$68.1m. This includes a recorded deficit in 2002-2003 of \$5m due to a payment in redundancies (\$7.1m).

To date, recorded operating results meet the agreed return on funds identified for RoadTek in the performance contract between the Director-General and the General Manager, RoadTek. The set return covers the full cost of the business and provides for the cost of debt and equity funding.

Budget projections provided to the Review for the next five years predict ongoing positive operating results.

12.3.2 Payment of dividends

While ownership of the net worth of a CBU vests in the government on behalf of the public, most CBUs are required to pay a dividend. In the case of RoadTek, dividends are paid to Main Roads corporate as the commercial owner.

The Main Roads *Commercialisation Framework 2008* identifies that the yearly dividend required would not normally exceed 50 per cent of the net profit after tax (equivalents). The total dividend paid over the five year period from 2002 to 2007 was \$15.5m.

The annual rate of return is set by the Director-General, based on benchmark advice from Queensland Treasury Corporation (QTC) following reviews in 2001 and 2004. Given the changes in the operating environment, it would be beneficial for Main Roads to seek a review by QTC of the target rate of return and capital structure.

Actual return on equity and return on revenue targets are identified in the past two years of the MPS. Improvements in these targets have been recorded over this time.

12.3.3 Debt structures

A high proportion of interest-bearing debt to equity is a sign of possible strain in the financing of the business unit's operations.

The capital structure for the CBU was established in 1997 and benchmarked against the private sector. A target debt/equity ratio was established within the appropriate benchmark. Debt funding to RoadTek (currently \$29m) is identified in the annual performance contract between the Director-General and the General Manager, RoadTek and reported on in the MPS. Interest on the debt has been paid over the past five years, with no evidence of debt increasing.

The actual debt/equity ratio achieved has improved over the five years, from 40 per cent in 2002-2003 to an estimated 31 per cent in 2007-2008. This has been a result of a build up of retained earnings. Improvement in the actual long term debt to total assets ratio was also recorded in 2006-2007.

12.3.4 Economies of scale

As a major supplier of civil construction and maintenance works throughout Queensland, RoadTek's size and organisational systems provide economies of scale.

RoadTek undertakes its activities via a large and well distributed workforce throughout Queensland. It is structured on a state-wide basis, has a developed program management model and standard policy and procedures which are embedded across the unit. This provides consistency across the activities of the business unit.

As previously identified RoadTek is able to address issues around capability in rural and remote areas in flexible and effective ways, moving workforces outside of a district for periods where there is a limited work program. RoadTek has also established the Electrical Training Centre to further develop the skills of its own staff.

RoadTek has the capacity to review and realign its business to ensure it is meeting market changes and customer need. In addition, RoadTek has been able to respond to emergencies or crisis in certain areas, while maintaining delivery on the roads program. Its size enables a response in both small and larger districts.

12.3.5 Demand management

Better educating clients about demand management is essential for the government to continue reaping the benefits of its investment in reforming its institutions and management behaviour. Customer purchasing behaviours such as over-specifications of product, maverick buying and the like can lead to inefficiencies and higher production costs that must be passed onto the customer.

By operating within Main Roads structure, RoadTek contributes to Main Roads being an informed buyer. This can assist Main Roads in adopting more efficient purchasing behaviours.

RoadTek also provides Main Roads with an ability to test specifications, contracting and other conditions in a commercial environment. This reduces the risk to Main Roads of inappropriate or inadequate documentation or specifications.

12.4 Flexibility

The principle of flexibility focuses on the extent to which the CBU responds to changing customer and market needs and whether the CBU model provides adequate organisational flexibility to improve the delivery of services and functions.

Evidence gathering for this principle considered an assessment of RoadTek's performance in relation to:

- managing the challenges of operating within a competitive environment with rules and behaviours consistent with the private sector, while adhering to public sector policies
- the degree of freedom to make decisions on the allocation of resources, including financial, human and physical asset, and
- the impact of government requirement for employment security.

RoadTek is assessed as being flexible enough to respond to changing markets. The systems required to operate along commercial principles are robust and the necessary management processes are well established in RoadTek. However, at times RoadTek is limited by government requirements, particularly around human resource management and financial delegations.

RoadTek operates within public sector regulations, but has some scope to:

- determine resourcing for effective delivery of services
- implement financial and personnel delegations
- set prices for product sales and quality and level of output, and
- purchase and dispose of assets.

While this may provide some ability to increase efficiencies, RoadTek is constrained by government policies and processes when compared to undertaking a similar business in the private sector. RoadTek must follow State Purchasing Policy and seek relevant approvals when purchasing items to complete works. This requirement establishes good process and probity in the general public sector, however when delivering on works where approval and payment may be required quickly to achieve the best price or deliver on a job within timeframes, it does not allow for flexibility and can be an impediment to RoadTek's business.

As discussed in Chapter 11 on resource management, in late 2006 Main Roads received approval for an increase in the financial delegation of the Minister and Director-General. As a result, the financial delegation of the General Manager, RoadTek was also increased. However, given the increased value of work in the current market environment, this has not fully addressed the problems for RoadTek in delivering services in a more efficient manner. As such the Review identified that alternative approaches to this issue are required.

Other government departments with large works programs have used various approaches which are formally approved by Governor in Council. This may include the approval of overall project costs by Governor in Council and approval to use internal endorsement for all component costs of the project. It would be useful for Main Roads to consider adopting this approach, particularly to assist in RoadTek undertaking its business. In doing so any approval process for a CBU will need to be particularly transparent and appropriate.

Government employment processes are also a significant constraint for RoadTek in recruiting and maintaining skilled workers in the current competitive market. The inability to compete at a pay level similar to the market or even attract and recruit within the same timeframes as industry, significantly affects its efficient delivery of the roads program. Main Roads has been actively developing strategies to manage recruitment and retention.

In line with the Main Roads *Commercialisation Framework 2008*, RoadTek's profit motive is not to be maximised at the expense of enhancing regional and local communities through providing employment. RoadTek has aimed to minimise the need for seeking tied work by matching staff numbers and utilisation of work available. To ensure employment security RoadTek has also moved staff teams outside of their base area to undertake work.

RoadTek in cooperation with district offices has implemented resource sharing to combat the pressures of staff shortages and cost escalation issues.

12.5 Accountability

The principle of accountability focuses on the extent to which the CBU is accountable to its customers and other stakeholders for the services it provides.

Evidence gathering for this principle considered an assessment of RoadTek's performance in relation to:

- demonstrating value for money
- providing timely and detailed reports on performance targets
- exhibiting accountability to customers and other stakeholders, and
- consulting on ways of improving service delivery.

RoadTek is assessed as demonstrating clear accountability to Main Roads through regular reporting, frameworks and policies. There is an opportunity to improve strategic performance reporting on RoadTek's service delivery to the SMG by including this data in the department's quarterly Strategic Performance Report. RoadTek undertakes work for other government departments and is held to account by these departments to deliver contractual requirements. Despite this level of reporting accountability some stakeholders raised issues around the openness of processes regarding the competitive nature of RoadTek.

12.5.1 Value for money

RoadTek actively competes for Main Roads work which is available in the open market. Tendering occurs at a district level and, if won by RoadTek, must be managed within ordinary contractual arrangements. Protocols are established to guide the information sharing to RoadTek, requiring that this is consistent with that available to other contractors.

The Commercialisation Framework identifies that RoadTek may also compete for federally funded national highways projects. Currently, RoadTek does not compete for this work due to the imposition of the previous federal government's industrial regulations around workplace agreements on this work. The requirements may change with the change in Commonwealth Government and RoadTek may be able to re-enter this market.

The fact that RoadTek can tender in the market has raised concerns from external stakeholders. However, competitive tendering provides Main Roads with an indication of best value, including whether RoadTek, as its service delivery arm, is achieving this. Tendering also allows RoadTek to ensure its cost pricing is robust and provides a benchmark on efficiencies in line with the private sector. This benchmark is also useful to Main Roads when delivering in regional areas. While it is difficult to assess RoadTek's competitive pricing in some rural and remote areas where there is limited competition, the business benchmarking allows for some assumptions to be made around efficiencies of those services.

The work RoadTek undertakes for other government departments and councils is done on a sole invitation basis as a preferred supplier or through tender. Being a preferred supplier, winning tenders or obtaining repeat work from these stakeholders suggests there is satisfaction that RoadTek can provide value for money.

RoadTek has embedded standard policy and practices that provide consistency across the unit. RoadTek's business management system is certified to Australian/International Standards for quality, safety, environment and customer service, providing the customer with some certainty about the value of the purchase.

12.5.2 Timely and detailed reports on performance targets

RoadTek provides timely and sufficiently detailed reports on its performance against targets through a number of reporting formats. RoadTek's performance and financial data are reported separately in the annual MPS for the department. This includes a performance statement against set targets and financial reporting. Specific information on RoadTek's financial performance is provided regularly to Queensland Treasury.

RoadTek also provides monthly reports to the Director-General which give general information on financial and delivery performance. Financial reporting on RoadTek is also included in the monthly SMG Financial Report. However, appropriate information on the strategic performance of RoadTek as a service deliverer is currently not included in the quarterly Strategic Performance Report provided to SMG.

Internally, the RoadTek management team receives comprehensive monthly performance reports developed by each business area of the unit. This includes budgeted operating statements and information on how each area is tracking against the key result areas identified in the business plan.

12.5.3 Accountability to customers and other stakeholders

The majority of RoadTek's work is undertaken for Main Roads on a sole invitation basis as a preferred supplier. In these instances it uses an open book approach and operates within contract conditions of work.

RoadTek meets accountability requirements through reporting within the MPS and Annual Report for the department. While this level of reporting provides accountability to customers and stakeholders, during the review consultation issues were raised about the openness of processes around tendering and the competitive nature of RoadTek.

12.5.4 Consult on ways of improving service delivery

RoadTek consults well in terms of looking for service delivery improvements with each business area of the business unit undertaking customer satisfaction surveys of that area's performance as a regular part of the business process. These surveys examine how projects met customer needs and ways in which services could be improved. Information is collated, analysed and feed into the RoadTek Business Plan and business group plans. Strategies and actions are identified within the business plan regarding business improvement and better serving of RoadTek customers.

As part of business planning RoadTek may also survey customers to directly inform the planning. RoadTek runs joint forums and relationship workshops, for example supplier forums run by Plant Hire Services.

RoadTek has also established internal processes for improving service delivery through the WIN. This identifies areas for improvement within RoadTek through both staff and customer feedback. Once a WIN is recorded it must be actioned and

finalised. This service improvement initiative is one that that could be taken up by the department as a whole.

12.6 Risk

The principle of risk focuses on the extent to which risks to government associated with delivering services are best managed through the establishment and operation of a CBU.

Evidence gathering for this principle considered an assessment of the risk to government in relation to:

- the type of service being delivered by RoadTek
- challenges arising for the government in managing contracts, and
- the potential of market failure.

It is assessed that RoadTek assists government to manage risk in relation to uncertain projects and market failure. It also reduces the risk to Main Roads of overpricing on road infrastructure projects by maintaining its capability as an informed buyer.

12.6.1 Service-specific characteristics

Governments may choose different delivery mechanisms in response to assessments of market and/or service risk. RoadTek is utilised by Main Roads to undertake projects where risk is greater or unable to be quantified, or there is market failure. RoadTek provides a valid 'last resort' response for government in assisting Main Roads in those instances where external providers have been unable to complete or take up projects, where risk is greater or unable to be quantified, or there is market failure.

In addition, RoadTek provides Main Roads with knowledge and skills in delivering the roads program. Main Roads Western Australia, which has contracted out the majority of its service provision, informed the Review that without a service delivery arm, knowledge and understanding of the market is lost and this affects the department's position as an informed buyer. As a result of this experience Western Australia has been developing its capacity to deliver or directly manage some work within the market. Other interstate road authorities also consulted by the Review Team identified an internal capacity as essential to not only assist departments to remain an informed buyer but also to manage risk and meet market failure.

12.6.2 Contract management

Operating within a contract management environment involves a level of knowledge and skills different to traditional public administration skills. Government may choose not to engage in a contract management approach if the agency does not have the requisite skills in contract management.

Main Roads has a long history as a capable contract manager. The majority of RoadTek's work is completed under contract conditions of work. Each works centre is responsible for monitoring and meeting contractual requirements in projects.

12.6.3 Market failure

Public sector involvement in a market will also be driven by market failure where the market has not and cannot of itself be expected to deliver an efficient outcome.

The state-wide focus of RoadTek locates workforces in rural and remote areas, providing an important employment base within these communities. This wide distribution ensures Main Roads is able to address any potential market failure across Queensland. The requirement to provide services throughout the state creates some challenges for RoadTek, particularly where the roads program is small, or in regional and rural areas where there are further challenges in attracting the necessary skilled staff.

As identified in the section 12.2 Appropriateness, RoadTek meets market failure and provides government with the capacity to meet its obligations in roads construction and maintenance in regional and rural areas. RoadTek also undertakes for other government departments where there is market failure, such as managing remote airstrips and community jetties for Queensland Transport.

12.7 Delivering Services as a CBU

The Review consultations identified that there are perceptions within some parts of the industry that RoadTek gains advantages by being an arm of Main Roads. These issues were around competitive neutrality, tendering, cross-subsidisation and sole invitation status, and RoadTek's role in the sector.

12.7.1 Competitive neutrality

RoadTek operates under the framework of the National Competition Policy and the *Trade Practices Act (1974)*. In order to meet the obligations of this framework Main Roads developed a commercialisation framework document. This has recently been updated, with the Main Roads *Commercialisation Framework 2008* now reflecting the current department and commercialisation requirements. The document is consistent with the *Queensland Government's Commercialisation of Government Service Functions in Queensland (1994)*. A range of additional policies sit under the framework to further guide operations, including the Competitive Neutrality Policy and Management of Cross-Subsidisation in the Context of Competitive Neutrality Policy.

An audit on competitive neutrality compliance was commissioned by RoadTek and completed by Ernst and Young in December 2007. The report does not provide an explicit overall assessment of RoadTek's compliance. However, the report does identify competitive neutrality requirements as outlined in the Main Roads Financial Management Practice Manual and the procedures established within RoadTek to manage this. Findings show that procedures are in place and utilised, however some processes within the application of these need improvement.

12.7.2 Tendering and sole invitation

RoadTek's ability to tender in the open market has raised concerns from some external stakeholders, with a perception that RoadTek wins a large proportion of work through the tendering process. While there are mechanisms for potential suppliers to lodge a complaint in instances where they believe the letting of a contract by Main Roads to RoadTek has disadvantaged them, no complaints on this basis have been registered with Main Roads Ethical and Governance Services.

Investigation of this issue, including consultation with interstate road authorities, identified that competitive tendering provides Main Roads with an indication of best value, including whether RoadTek, as its service delivery arm, is able to achieve this.

RoadTek works mainly on a sole invitation basis as a preferred supplier but also obtain work on a sole invitation basis for tied work to maintain employment. As a result its sole invitation status, there has been an ongoing perception that RoadTek may be cross-subsidising sole invitee profit in their tendering.

Main Roads offers work to RoadTek as a preferred supplier basis where:

- there is a lack of competition
- emergency work is required
- going to tender is not practicable
- risks are high or cannot be quantified
- it doesn't warrant the cost of tendering because it is small, and
- it will achieve an adequate value for money outcome.

Contracts negotiated on a sole invitation as a preferred supplier basis, as for other alternative contracting arrangements such as alliances, require an open book performance (access to financial information) to ensure there is still value for money in the delivery of the project.

The other form of sole invitation work is undertaken on a tied basis. This work is required by RoadTek to maintain employment and support regional Queensland and in these instances RoadTek would request work from Main Roads, use an open book and negotiate an agreed price including a profit margin. In tied work, RoadTek will aggregate all the tied work profit from the district and where it is greater than the target rate of return for the RoadTek Group, will be returned to the district. This requirement was developed to deal with the issue of cross-subsidisation and is outlined in the *Management of Cross Subsidisation in the Context of Competitive Neutrality Policy*. The policy does not apply to sole invitation on a preferred basis, as the work is provided to RoadTek on the basis of its ability to give value for money on the basis of expertise, knowledge, availability and location.

No instances of RoadTek formally requesting tied work (consistent with the definition in the *Mutual Obligations Agreement 2004*) from the district to meet its employment obligations, has been recorded by RoadTek in the districts in the past two years. As such the policy has not been applied. Rather than use tied work RoadTek has implemented practices to manage employment issues where local work is limited, by using roving crews which travel to other areas for work. This practice, and a more developed program management approach to the work program with districts, has removed reliance on the tied method of obtaining work.

To assist in managing the perceptions around cross-subsidisation, it is in the interest of Main Roads to be clear in all documentation that this policy applies only to tied work. The *Management of Cross-Subsidisation in the Context of Competitive Neutrality Policy* is clear on this matter, however the Main Roads *Commercialisation Framework (2008)* does not provide the same clarity. Main Roads needs to ensure policies and documentation are consistent on this matter. It would also avoid further confusion around this issue by clearly identifying the basis on which a sole invitation

has been made in all its internal and external documentation, rather than using the blanket term 'sole invitation'.

12.7.3 The three viable sectors

Main Roads has stipulated that RoadTek is not to expand its share of the market at the expense of the other sectors. In recognition of this, limitations have been placed on RoadTek bidding in the private sector and working to grow the business. Nevertheless concerns were raised during the Review regarding RoadTek's impact upon the sector, specifically from the private industry working in mid range projects (\$5m to \$15m).

The Review found that the dollar value of RoadTek has increased within a significantly increased market, which includes SEQIPP projects which are large in nature and funding. However, importantly there has been no increase in RoadTek's proportion of the total market share over the past six years and in fact RoadTek and local governments proportion has been decreasing. Although this does not negate the issues around viability of the private sector in the middle range, it suggests the issues may be broader than RoadTek's involvement in the sector and potentially relate to the bigger projects being undertaken by the larger industry players.

12.8 Findings

The operation of RoadTek under a commercialised business model has allowed Main Roads to obtain efficiencies in the operation of its service delivery arm, while providing government with the ability to deliver on its priorities and ensure delivery of the roads program in areas where there is market failure. In addition, operating through this model has allowed the department to be an informed buyer in the purchase of roads infrastructure delivery. These benefits have been achieved by RoadTek operating under commercial principles and utilising good planning to recover its full costs (both operational and funding) rather than operating as a traditional line agency.

It is considered that in relation to positioning along a continuum of service delivery, from totally government provided services through the CBU model to a corporatised body or total contracting out of services, delivering services through a CBU model is the most appropriate position on that continuum in the current environment.

While operating as a CBU within government does affect efficiencies, RoadTek has been active in realigning its business or implementing alternative approaches to address this. However, there are opportunities for Main Roads to achieve greater efficiencies in the areas of capability and provision of services in rural and remote areas and by the delivery of some activities through a state-wide programmed approach.

The Review also found that RoadTek meets the competitive neutrality requirements, applying appropriate frameworks and policies. It is not evident that it is receiving undue advantage in the sector.

12.9 Recommendations

31. The Director-General finalise the relevant recommendations from the recent review of the western centres and at a minimum by 31 December 2008 implement:
 - a. an approach which ensures Main Roads meets its community obligations
 - b. a minimum two year rolling program of works, and
 - c. a consistent delivery model.
32. The Director-General implement a state-wide programmed approach to the collection of data on roads and bridges undertaken by RoadTek, and investigate a similar approach for other specialised activities delivered through RoadTek or other service providers by 31 December 2008.
33. The Director-General amend all relevant commercialised business unit documentation, by 30 September 2008, to ensure consistency with the departmental policy on cross-subsidisation.

13 Implementation and Monitoring

The SDPC Service Delivery and Performance Management Review of Main Roads, including the CBU assessment of RoadTek, has identified areas of good service delivery and performance management by Main Roads and provides considered recommendations for improvement across the department. To ensure these recommendations are implemented within the given timeframes and the intended improvement realised, the Review advocates the development of a detailed implementation plan and systematic monitoring of achievement against that plan.

The implementation plan, and subsequent six-monthly progress reports, should be provided to the Chairman, SDPC. A post-review will be undertaken by the SDPC within 18 months of the Review's tabling in Parliament, to assess the department's progress in implementing improvements.

13.1 Recommendations

34. The Director-General develop, and provide to the Chief Executive of the Public Service, an Implementation Plan for the Review's recommendations within one month of the report's public release, including:
 - a. implementation responsibilities within the department and milestones to achieve the Review's recommendations
 - b. a communication strategy for departmental staff and clients/stakeholders
 - c. systems to monitor the progressive implementation of the Review's recommendations, and
 - d. systems to monitor the progressive improvement in performance management against the Performance Management Review Framework.
35. The Director-General provide six-monthly reports to the Chief Executive of the Public Service on the implementation of the Review's recommendations.
36. The Public Service Commission review the implementation of the Review's recommendations by 31 October 2009.

Appendix 1: Summary of Performance Elements and Assessment Criteria

Element	What the Element Incorporates
<p>Planning and strategy – the process of organisational planning and strategic direction setting that informs resource allocation and managers' decision making</p>	<ul style="list-style-type: none"> • the quality of organisational planning • the alignment of programs and activities to whole-of-government priorities and outcomes • the quality of strategic direction setting for the organisation • the quality of public policy development that achieves government priorities, and • the extent to which plans and strategies are implemented across the organisation.
<p>Resource management – the systems and processes of monitoring human, physical (including ICT) and financial resources in order to maximise results</p>	<ul style="list-style-type: none"> • the effectiveness of resource allocation and monitoring processes • the capacity to identify the cost of services and the efficiency of delivery models used • the achievement of value for money in the organisation's operations, and • the ability to reallocate existing resources away from areas of low achievement or impact to new and emerging priorities.
<p>Performance measurement and monitoring – the process of collecting and analysing data to understand and manage performance</p>	<ul style="list-style-type: none"> • the breadth and depth of performance measures in the organisation • the quality of data in terms of accuracy, reliability and relevance • the effectiveness of measures in determining performance, and • the incorporation of measures in systematic ways in decision making processes.
<p>Governance – the structures, systems and processes used to manage the organisation in an open and accountable way</p>	<ul style="list-style-type: none"> • the clarity of roles and accountabilities • the quality of systems and processes used to govern the organisation • the approach to managing risk • the openness and transparency of decision making, and • the use of information across the organisation to support decision making.
<p>Evaluation and continuous improvement – the process that enables formal reflection and measurement of activities and outcomes in order to improve service delivery and performance management</p>	<ul style="list-style-type: none"> • the level of evaluation and review activity evident across the agency • the use of findings from evaluation and review activity for continuous improvement • the organisation's approach to supporting a culture of continuous improvement, and • the ability to detect performance problems and implement corrective action in a timely way.
<p>Leadership and capability – the approach taken by managers at all levels in leading staff and others to achieve organisational goals and in supporting workforce capability</p>	<ul style="list-style-type: none"> • the willingness of staff to pursue organisational goals and values • the effectiveness of communication within the organisation • the capability of staff to ensure services are delivered efficiently and effectively • the organisation's investment in staff capability for the future, and • the capability of the organisation's leadership to influence stakeholders, public sector agencies and others on issues in the organisation's areas of responsibility.

Appendix 2: Guidelines for Establishing and Reviewing Commercialised Business Units

The following assessment sheets have detailed guidance on critical questions agencies need to consider when setting up a new CBU or reviewing a currently operating business.

Assessment Sheet 1

Appropriateness

1. Should the particular activity be undertaken?
2. To what extent is a CBU model an appropriate organisational structure for achieving government objectives?
3. Is there a match between the strategic direction of the organisation and the priorities set by the government?
4. Assuming the particular activity should be undertaken, should the government be doing it?
5. Are governments in other jurisdictions engaged in this activity?
6. Is there growing pressure from the private sector that certain activities of the government should be more contestable?
7. Is there capacity for the private sector to deliver the activities or would there be market failure?
8. Is there a level of responsiveness required by the organisation in terms of public interest activities that cannot best be delivered by either an agency or the private sector?
9. Is it expected that the organisation deliver services at equitable rates to all areas of the state?
10. Does the organisation have clearly identifiable services/products to deliver to its customers?
11. Are the services/products easily measured and monitored?
12. Are there any additional overheads or costs associated with the provision of community service obligations that will impact on the value for money for the customer?
13. Are customers to become untied from the organisation?
14. Are there equity or public interest reasons why a commercial price should not be charged for services/products?
15. Is the market capable of providing the service? If the market is not particularly mature, does it show signs of developing and expanding to meet the challenge of market testing and contracting out?
16. Does it add value to the community it serves?

Assessment Sheet 2

Sustainability

1. To what extent will the organisation enable the maximisation of resource and technical efficiency and provide savings to government?
2. How has the CBU performed against its aims, objectives and key performance targets?
3. How useful are the key targets in driving continuous improvement?
4. Does the CBU have the right balance between output and outcome targets?
5. Does the business case predict positive operating results for the organisation?
6. Will efficiency savings be sufficient to return a dividend to government?
7. To what extent will the organisation be able to rely on an appropriate mix of debt and equity to finance its growth?
8. Are there appropriate mechanisms for demand management in place to ensure current and future savings for the government?
9. Where relevant, does the CBU sustain employment in rural communities?
10. Does the assessment of the market and the CBU's current performance measures indicate future sustainability of the CBU?

Assessment Sheet 3

Flexibility

1. Is the business model of the organisation flexible enough to respond to changing markets?
2. Can the organisation modify its financial, human resource and/or industrial relations instruments to provide flexibility in its operations in order to deliver efficiency savings to the government?
3. Can the organisation respond to market standards in terms of attracting and retaining the necessary skilled workforce?
4. Is the ability to innovate a key success criteria for the delivery of this service?
5. Does the CBU model provide adequate organisational flexibility to improve the delivery of services and functions?
6. Where there are workload fluctuations and the potential for rapid technological change, can the CBU offer economies of scale and sufficient flexibility? Would this be better placed in the private sector or other organisational structure?

Assessment Sheet 4

Accountability

1. How successful has the CBU's relationship been with its parent sponsor department and minister?
2. How well are the CBU, Departmental and Ministerial roles and reporting arrangements defined and how could this be improved?
3. Are the arrangements set up for advising the Minister on the CBU's performance working well?
4. Does the CBU have a robust planning process, which involves its major stakeholders?
5. What steps does the CBU take to demonstrate to customers that the services they are providing achieve value for money?
6. How effective are service level agreements between purchaser and provider?
7. What service models are in place between the purchaser and provider to ensure corporate governance?
8. How does the CBU educate customers on their service level requirements and provide access to informed sources of advice?
9. How far is the CBU accountable to its customers and other stakeholders for the service it provides?
10. How does the CBU consult on its ways of working and the services it offers and could these be improved?
11. Are adequate systems in place to ensure that the CBU can identify customers' requirements and monitor the extent to which they are met?
12. To what extent does the CBU need to develop additional internal targets to measure its performance?
13. Are the CBU's aims, objectives and targets sufficiently comprehensive?
14. Does the CBU have too many key targets?
15. Are effective information systems in place to measure performance against objectives and targets and how could these be improved?
16. What do the CBU customers and other interested parties think about its role and performance?

Assessment Sheet 5

Risk

1. Will the structure of the organisation enable the government to manage risks associated with service delivery?
2. Would the private sector be better at managing the risks associated with delivering the service?
3. Are competitive markets available in places where the services/products are to be delivered?
4. Are there likely to be problems associated with monitoring the performance of the organisation in terms of quality and cost?
5. Are there significant risks associated with potentially becoming dependent on outside suppliers for services, losing control over critical functions, and/or having to face the prospect of managing relationships that may go wrong?
6. Are there risks to public accountability with greater involvement of the private sector in service delivery?
7. Are there likely to be challenges associated with government-supplier relationships in dealing with contracts for service delivery?

Appendix 3: List of Consultations

Date	Area	Purpose
Senior Management		
16.10.07	Senior Management Group	Identification of issues and future challenges.
17.10.07	General Manager, Business Solutions and Information	
17.10.07	General Manager, Capability, Strategy and Finance	
17.10.07	General Manager, State-Wide Planning	
17.10.07	Executive Director, Corporate Office	
18.10.07	General Manager, Corridor Management and Operations	
18.10.07	A/General Manager, Engineering and Technology	
18.10.07	General Manager, RoadTek	
18.10.07	A/General Manager, Major Projects	
19.10.07	General Manager, Organisational Positioning and Stakeholder Relations	
19.10.07	A/General Manager, Program Development and Delivery	
22.10.07	Deputy Director-General	
7.11.07	Director-General	
20.11.07	Leadership Coach, Sustainable Change Consultancy	
Management Groups		
23.10.07	Business Solutions and Information	Identification of issues and future challenges.
23.10.07	Capability Strategy and Finance	
24.10.07	Program Development and Delivery	
24.10.07	State-Wide Planning	
25.10.07	Organisational Positioning and Stakeholder Relations	
25.10.07	Engineering and Technology	
26.10.07	Corporate Office	
26.10.07	Engineering and Technology	
29.10.07	Capability Strategy and Finance	
30.10.07	Major Projects	
31.10.07	Engineering and Technology	
2.11.07	Corridor Management and Operations	
13.11.07	District Directors	

Date	Area	Purpose
District Management Teams		
7.11.07	Metro	Identification of issues, including specific district matters and future challenges.
8.11.07	Toowoomba	
12.11.07	Townsville	
12.11.07	Cloncurry	
15.11.07	Emerald	
19.11.07	Nerang	
RoadTek Management		
30.10.07	Management Team	Identification of RoadTek specific issues and future challenges.
2.11.07	Management Team	
5.11.07	Nathan Depot	
8.11.07	Toowoomba Depot	
12.11.07	Cloncurry Depot	
14.11.07	Townsville Depot	
15.11.07	Emerald Depot	
16.11.07	Nerang Depot	
Staff Forums		
5.11.07	RoadTek Darra	Identification of workforce related issues, including district or RoadTek specific issues and future challenges.
5.11.07	RoadTek Nathan	
7.11.07	RoadTek Eagle Farm	
7.11.07	Capability, Strategy and Finance	
7.11.07	Metro District	
8.11.07	Engineering and Technology	
8.11.07	Major Projects	
8.11.07	Toowoomba District	
9.11.07	Corporate Office, Business Solutions and Information, and Organisational Positioning and Stakeholder Relations	
9.11.07	Program Development and Delivery, State-Wide Planning, and Corridor Management and Operations	
9.11.07	RoadTek Toowoomba	
13.11.07	RoadTek Cloncurry	
13.11.07	Cloncurry District	
13.11.07	State-Wide Staff Townsville	
13.11.07	Townsville District	
14.11.07	RoadTek Townsville	
16.11.07	RoadTek Emerald	

Date	Area	Purpose
16.11.07	Emerald District	
16.11.07	RoadTek Nerang	
19.11.07	Nerang District	
30.11.07	Central Office AO8s	
Draft Recommendations Workshop		
12.02.08	Senior Management Group	Discussion of draft recommendations arising from Issues Papers.
Queensland Government Departments		
16.10.07	Premier and Cabinet	Identification of issues, including cross-government and whole-of-government matters and future challenges.
22.10.07	Queensland Treasury	
26.10.07	Queensland Transport	
29.10.07	Queensland Police Service	
13.11.07	Infrastructure and Planning	
12.11.07	Queensland Audit Office	
Local Government		
5.11.07	Brisbane City Council	Identification of issues and future challenges, including relationship with Main Roads.
13.11.07	Toowoomba Shire Council	
9.11.07	Townsville City Council	
13.11.07	Cloncurry Council	
13.11.07	Mt Isa Council	
13.11.07	Thuringowa City Council	
15.11.07	Emerald Shire Council	
Other Government Departments		
4.12.07	Department of Transport and Regional Services	Identification of interstate service delivery models, relationship with Main Roads and issues and challenges.
6.12.07	Main Roads, Western Australia	
12.12.07	Roads and Traffic Authority, New South Wales	
18.12.07	VicRoads, Victoria	
20.12.07	Department for Transport, Energy and Infrastructure, South Australia	
External Stakeholders		
25.10.07	Transmax Pty Ltd	Identification of issues and future challenges, including stakeholder relationship with Main Roads.
30.10.07	Local Government Association of Queensland	
30.10.07	Australian Asphalt Pavement Association	

Date	Area	Purpose
31.10.07	Queensland Major Contractors Association	
31.10.07	Civil Contractors Federation	
1.11.07	Royal Automotive Club Queensland	
5.11.07	Association of Consulting Engineers Australia	
22.11.07	Queensland Motorways Limited	
22.11.07	Woods Bagot Australia	
28.04.08	Evans and Peck	

Appendix 4: Staff Survey Analysis

A survey was undertaken of senior staff (AO7/PO5/TO6 level and above) within the department to give them an opportunity to comment on how well they thought the department was performing in relation to performance management and service delivery.

Staff were asked their opinion as to the extent that the department undertakes a range of activities within the six elements of performance management. Staff were also asked to rate the performance of RoadTek against the five principles of a commercialised business unit.

There were five categories for response:

Not at all – not evident in the agency at any time

Somewhat – evident in some areas but not others, or evident to some extent across the agency for some of the time

Mostly – evident in the majority of areas, or evident across the agency for most of the time

Fully – evident across the whole agency all the time, and

Don't know – unsure or unable to comment.

In analysis of the survey responses 'don't know' has not been included as it is not measurable within a continuum and can affect the overall data.

Staff were also given the opportunity to provide additional comments in response to three open questions regarding service delivery at the end of the survey.

1 Performance Management Assessment

Planning and strategy

The survey requested staff rate the department on the extent to which they felt the department:

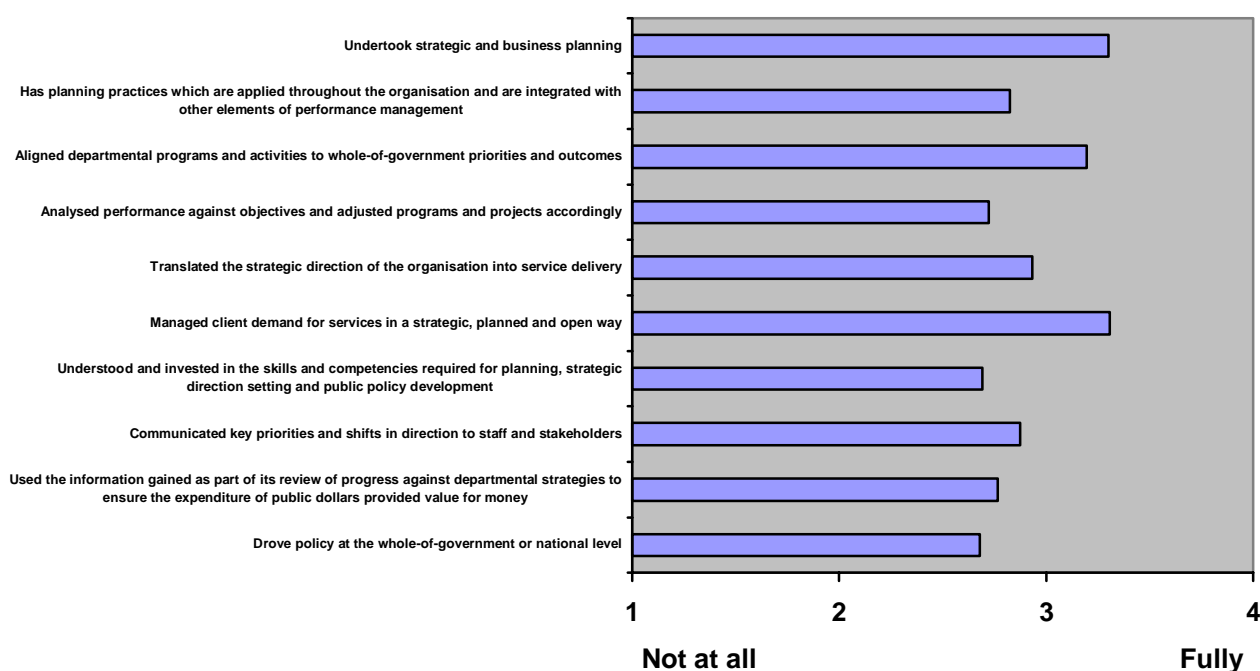
- undertook strategic and business planning
- has planning practices which are applied throughout the organisation and are integrated with other elements of performance management
- aligned departmental programs and activities to whole-of-government priorities and outcomes
- analysed performance against objectives and adjusted programs and projects accordingly
- translated the strategic direction of the organisation into service delivery
- managed client demand for services in a strategic, planned and open way
- understood and invested in the skills and competencies required for planning, strategic direction setting and public policy development
- communicated key priorities and shifts in direction to staff and stakeholders

- used the information gained as part of its review of progress against departmental strategies to ensure the expenditure of public dollars provided value for money, and
- drove policy at the whole-of-government or national level.

Staff responses (see Figure 1):

For undertaking planning, aligning with whole-of-government priorities and managing client demand, staff rated the extent to which the department undertook these activities as 'mostly'. For the other activities, staff rated the extent to which the department undertook them as being 'somewhat'. The aspect which received the lowest rating was the extent to which the department drives policy at the whole-of-government or national level.

Figure 1 Average staff responses to *Planning and strategy* items



Resource management

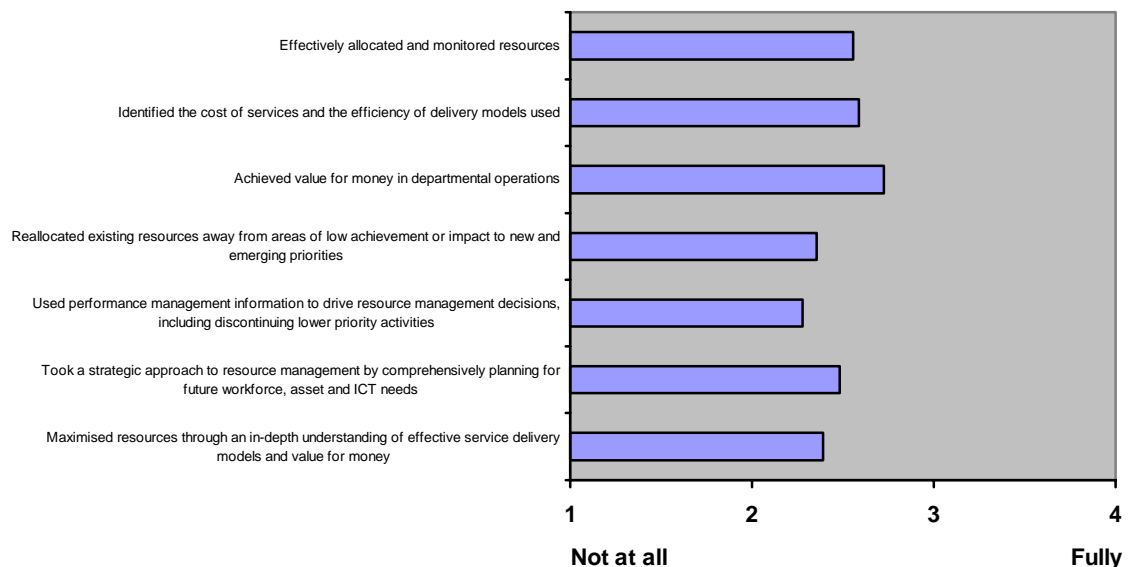
The survey requested staff to rate the department on the extent to which they felt the department:

- effectively allocated and monitored resources
- identified the cost of services and the efficiency of delivery models used
- achieved value for money in departmental operations
- reallocated existing resources away from areas of low achievement or impact to new and emerging priorities
- used performance management information to drive resource management decisions, including discontinuing lower priority activities
- took a strategic approach to resource management by comprehensively planning for future workforce, asset and ICT needs, and
- maximised resources through an in-depth understanding of effective service delivery models and value for money.

Staff responses (see Figure 2):

For each of the above aspects of resource management staff rated the extent for the department as being 'somewhat'. The aspect which received the lowest average scores within those ratings was the extent to which the department uses performance management information to drive resource management decisions, including discontinuing lower priority activities.

Figure 2 Average staff responses to *Resource management* items



Performance management and monitoring

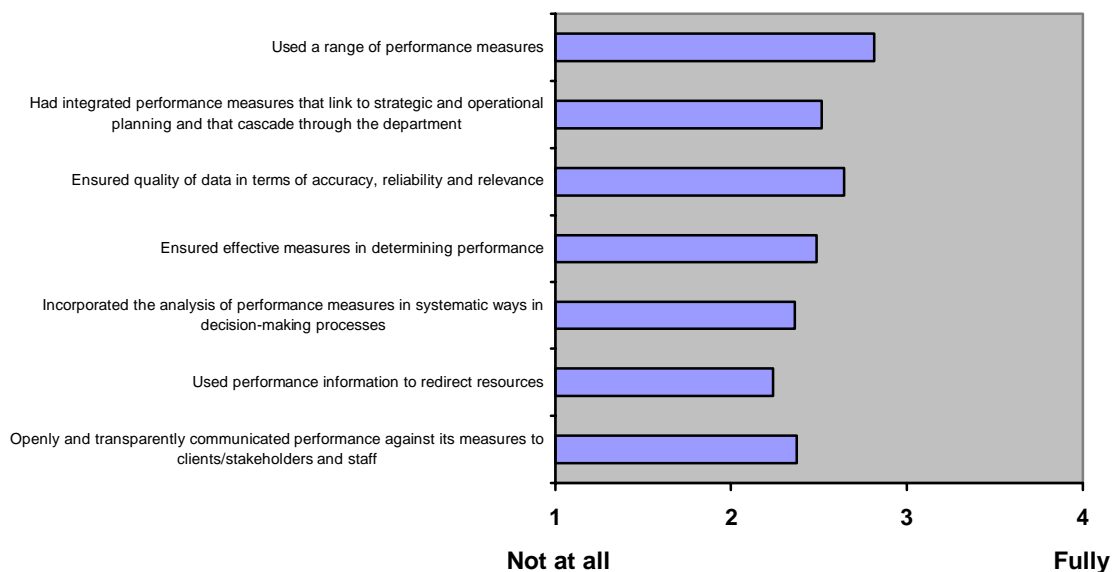
The survey requested staff to rate the department on the extent to which they felt the department:

- used a range of performance measures
- had integrated performance measures that link to strategic and operational planning and that cascade through the department
- ensured quality of data in terms of accuracy, reliability and relevance
- ensured effective measures in determining performance
- incorporated the analysis of performance measures in systematic ways in decision making processes
- used performance information to redirect resources, and
- openly and transparently communicated performance against its measures to clients/stakeholders and staff.

Staff responses (see Figure 3):

For each of the above aspects of performance management and monitoring staff rated the extent for the department as being 'somewhat'. The aspect which received the lowest average score within those ratings was the extent to which the department uses performance information to redirect resources.

Figure 3 Average staff responses to *Performance measurement and monitoring* items



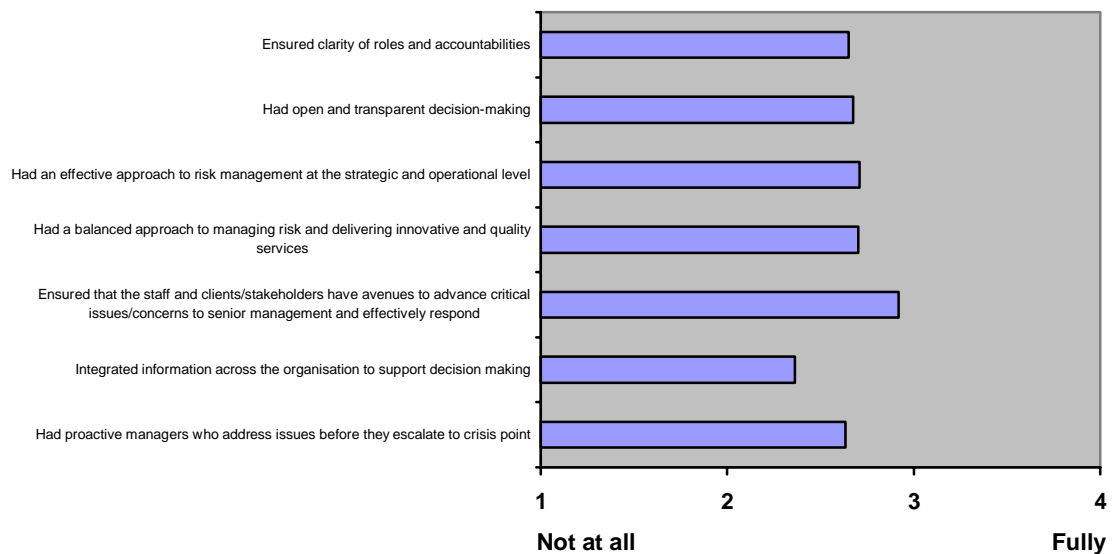
Governance

The survey requested staff to rate the department on the extent to which they felt the department:

- ensured clarity of roles and accountabilities
- had open and transparent decision making
- had an effective approach to risk management at the strategic and operational level
- had a balanced approach to managing risk and delivering innovative and quality services
- ensured that staff and clients/stakeholders have avenues to advance critical issues/concerns to senior management and effectively respond
- integrated information across the organisation to support decision making, and
- had proactive managers who address issues before they escalate to crisis point.

Staff responses (see Figure 4):

For each of the above aspects of governance staff rated the extent for the department as being 'somewhat'. The aspect which received the lowest average score within those ratings was the extent to which the department integrates information across the organisation to support decision making.

Figure 4 Average staff responses to *Governance* items

Evaluation and continuous improvement

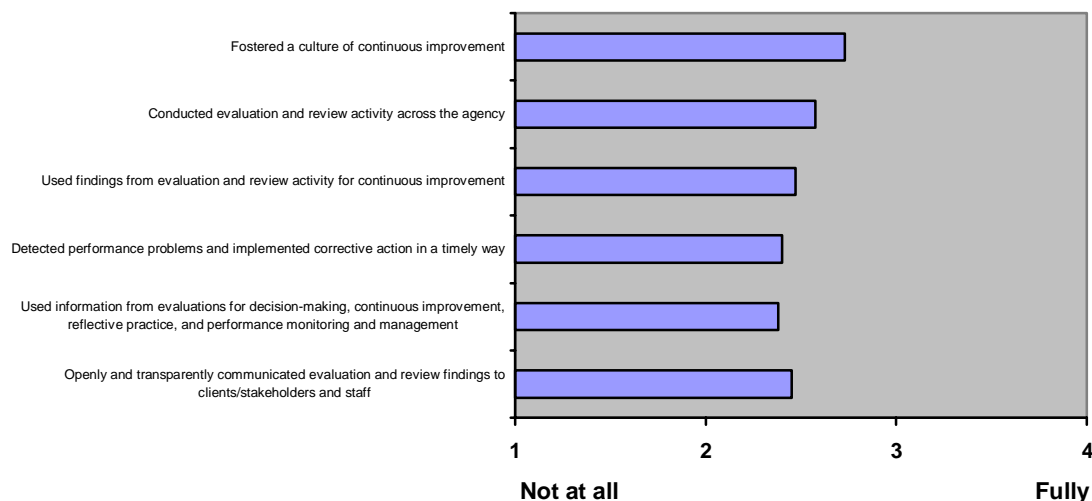
The survey requested staff to rate the department on the extent to which they felt the department:

- fostered a culture of continuous improvement
- conducted evaluation and review activity across the agency
- used findings from evaluation and review activity for continuous improvement
- detected performance problems and implemented corrective action in a timely way
- used information from evaluations for decision making, continuous improvement, reflective practice, and performance monitoring and management, and
- openly and transparently communicated evaluation and review findings to clients/stakeholders and staff.

Staff responses (see Figure 5):

For each of the above aspects of evaluation and continuous improvement staff rated the extent for the department as being 'somewhat'. The aspect which received the lowest average score within those ratings was the extent to which the department uses information from evaluations for decision making, continuous improvement, reflective practice and performance monitoring and management.

Figure 5 Average staff responses to *Evaluation and continuous improvement* items



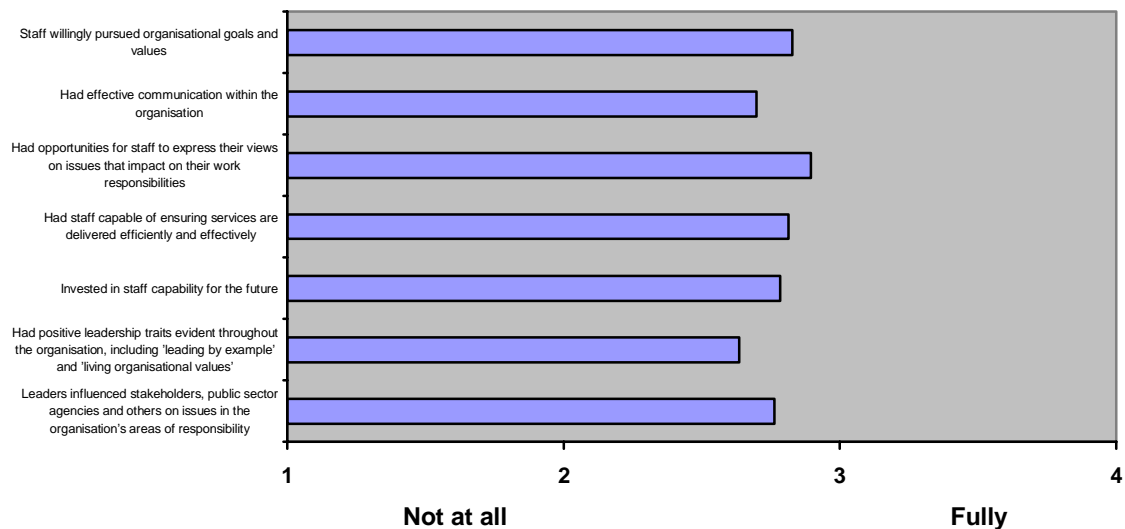
Leadership and capability

The survey requested staff to rate the department on the extent to which they felt the department:

- has staff who willingly pursued organisational goals and values
- had effective communication within the organisation
- had opportunities for staff to express their views on issues that impact on their work responsibilities
- had staff capable of ensuring services are delivered efficiently and effectively
- invested in staff capability for the future
- had positive leadership traits evident throughout the organisation, including 'leading by example' and 'living organisational values', and
- leaders influenced stakeholders, public sector agencies and others on issues in the organisation's areas of responsibility.

Staff responses (see Figure 6):

For each of the above aspects of leadership and capability staff rated the extent for the department as being 'somewhat'. The aspect which received the lowest average score within those ratings was the extent to which the department has positive leadership traits evident throughout the organisation, including 'leading by example' and 'living' organisational values.

Figure 6 Average staff responses to *Leadership and continuous improvement* items

2 Commercialised Business Unit Assessment

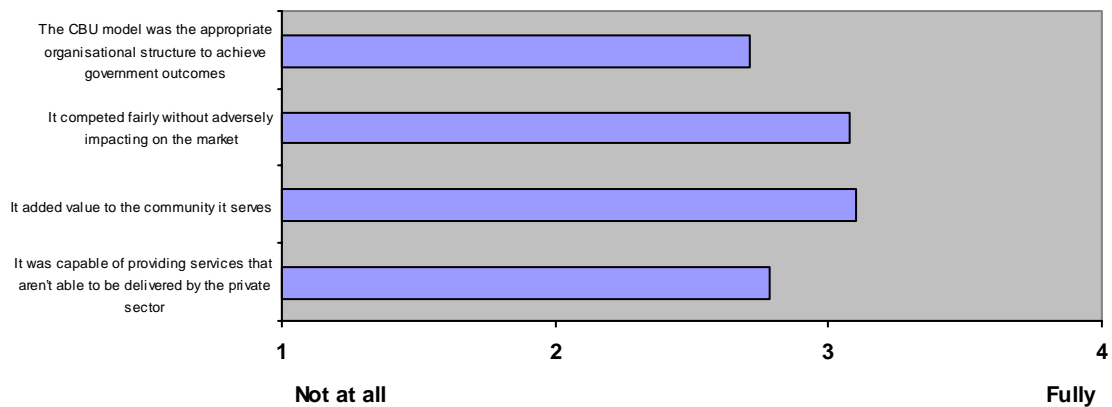
Appropriateness

The survey requested staff to rate RoadTek on the extent to which they felt:

- the CBU model was the appropriate organisational structure to achieve government outcomes
- it competed fairly without adversely impacting on the market
- it added value to the community it serves, and
- it was capable of providing services that aren't able to be delivered by the private sector.

Staff responses (see Figure 7):

Staff rated the extent to which RoadTek competes fairly in the market and adding value to the community as 'mostly'. The extent to which the CBU model is appropriate for RoadTek and its capability of providing services unable to be delivered by the private sector was rated by staff as 'somewhat'. The extent to which the CBU model is the appropriate organisational structure to achieve government outcomes received the lowest average score.

Figure 7 Average staff responses to *Appropriateness* items

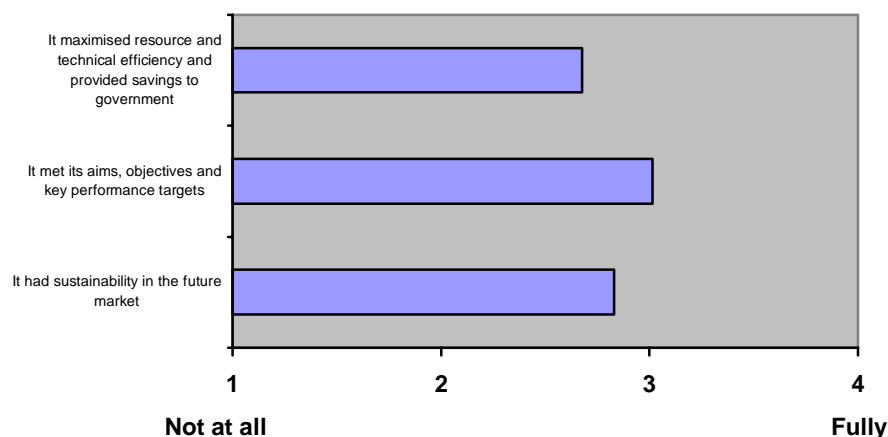
Sustainability

The survey requested staff to rate RoadTek on the extent to which they felt:

- it maximised resource and technical efficiency and provided savings to government
- it met its aims, objectives and key performance targets, and
- it had sustainability in the future market.

Staff responses (see Figure 8):

Staff rated the extent to which RoadTek maximises efficiencies and provides savings to government and the extent to which it has sustainability in the future as 'somewhat'. The extent to which RoadTek meets its aims, objectives and key performance targets was rated as 'mostly'. The aspect which received the lowest average score was the extent to which RoadTek maximises resource and technical efficiency and provides savings to government.

Figure 8 Average staff responses to *Sustainability* items

Flexibility

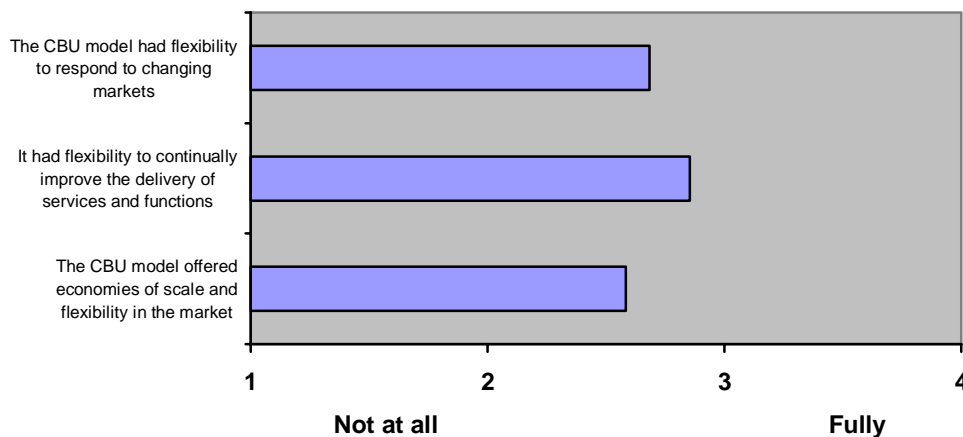
The survey requested staff to rate RoadTek on the extent to which they felt:

- the CBU model had flexibility to respond to changing markets
- it had flexibility to continually improve the delivery of services and functions, and
- the CBU model offered economies of scale and flexibility in the market.

Staff responses (see Figure 9):

For each of the above aspects of flexibility staff rated the extent for RoadTek as being 'somewhat'. The aspect which received the lowest average score within those ratings was the extent to which the CBU model offers economies of scale and flexibility in the market.

Figure 9 Average staff responses to *Flexibility* items



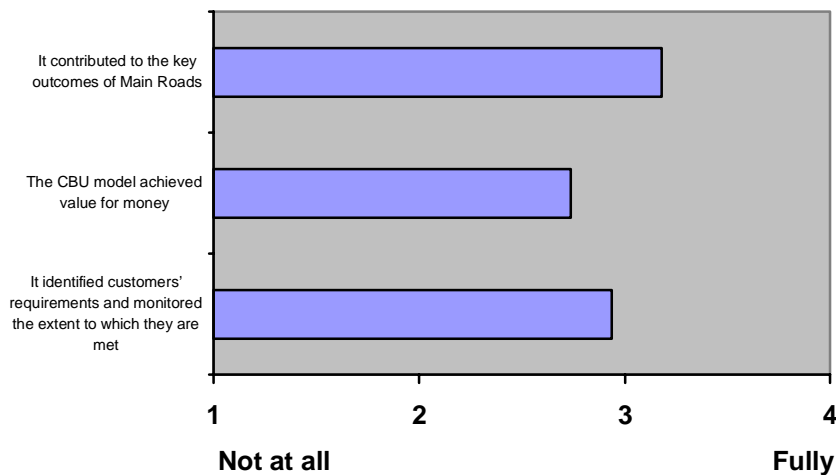
Accountability

The survey requested staff to rate RoadTek on the extent to which they felt:

- it contributed to the key outcomes of Main Roads
- the CBU model achieved value for money, and
- it identified customers' requirements and monitored the extent to which they are met.

Staff responses (see Figure 10):

Staff rated the extent to which RoadTek contributes to the key outcomes of Main Roads as 'mostly'. For the other aspects staff rated the extent for the department as being 'somewhat'. The aspect which received the lowest average scores within those ratings was the extent to which the CBU model achieves value for money.

Figure 10 Average staff responses to *Accountability* items

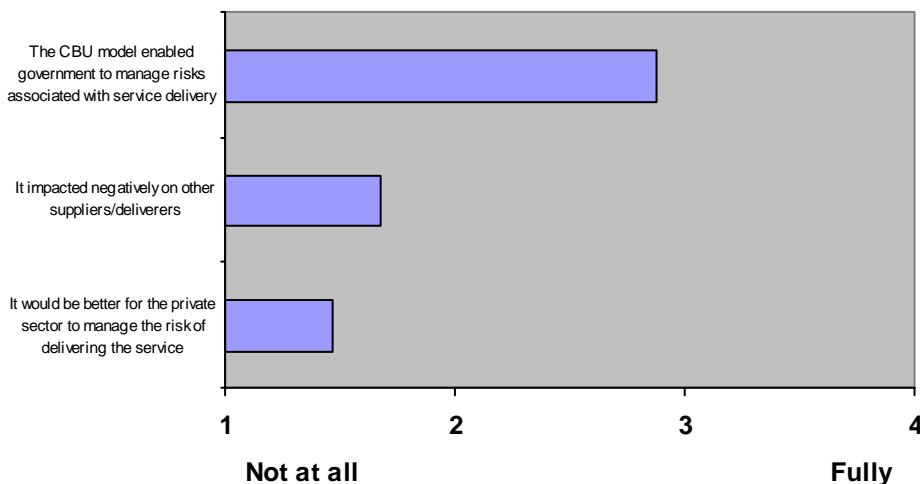
Risk

The survey requested staff to rate RoadTek on the extent to which they felt:

- the CBU model enabled government to manage risks associated with service delivery
- it impacted negatively on other suppliers/deliverers, and
- it would be better for the private sector to manage the risk of delivering the service.

Staff responses (see Figure 11):

Staff rated the extent to which the CBU model enables government to manage risks associated with service delivery as 'somewhat'. For the other aspects, staff rated the extent to which RoadTek impacted negatively on other suppliers/deliverers and the extent to which it would be better for the private sector to manage the risk of delivering the service as 'not at all'. The latter scores indicate a high level of staff disagreement with the statements.

Figure 11 Average staff responses to *Risk* items

3 Open Questions

The survey requested staff to provide responses to three open questions:

- In terms of departmental service delivery what works well?
- What needs improvement and what are your suggestions to improve service delivery and performance management in your department?
- Please make any additional comments.

Staff responses – key themes:

The following analysis provides a summary of the key themes emerging from staff responses to the three questions. Additional comments provided by staff were included in 'working well' or 'needing improvement' as appropriate.

What works well:

- delivery of the roads program and the development of the Roads Implementation Program
- decentralisation of the department which enables districts to develop and deliver a program of works that responds to local issues
- staff possess a high level of loyalty, motivation and capability
- strategic and business planning is effective in managing resources and delivering projects
- community engagement practices are embedded, increasing stakeholder involvement and satisfaction
- effective project coordination role and alliances with other state government departments, local governments and private sector
- role of RoadTek as a training ground for the benefit of both the department and the industry as a whole, and
- RoadTek's considerable knowledge of the network, provision of services and ability to respond quickly to emergency situations.

What needs improvement:

- attraction and retention of experienced staff, particularly in technical areas where the department cannot compete with the private sector in terms of remuneration
- resolution of the inequities of TICS which has created resentment amongst those staff members who are ineligible
- the evaluation process needs to allow for changes to embed before new ideas are introduced and implemented
- proper performance reviews of staff, giving greater accountability and responsibility for work
- performance measures to align with service delivery outcomes and that are simpler, more user-friendly and measure something concrete
- better documenting of corporate processes and knowledge as this is being lost both through the transient and ageing workforce

- clarity over roles and responsibilities following the Roll Out process, as this is still seen as a source of confusion, and
- more efficient and effective shared services as there is currently too much overlap with internal human resources areas, and the shared services provider does not have sufficient corporate knowledge of the department or its processes.

4 Summary

The survey was distributed to 777 senior staff members in Main Roads, however only 23 per cent of these surveys were returned completed to the Review Team. This response rate is not sufficient to provide data for quantifiable analysis, however it does give an indication of general staff opinion regarding the department's performance management and service delivery capability. The themes raised in the survey, both in response to the scaled questions and open-ended comments, provide further justification for the conclusions drawn through other consultations. The survey responses largely mirror the findings of the Review, however there exists some discrepancies with respondents' attitudes to the elements of governance and leadership and capability compared to the Review's assessment.

Appendix 5: Performance Management Assessment

1 Planning and Strategy

The element of planning and strategy focuses on the process of organisational planning and strategic direction setting that informs resource allocation and managers' decision making.

Evidence gathering for this element considered the:

- quality of organisational planning
- alignment of programs and activities to whole-of-government priorities and outcomes
- quality of strategic direction setting for the organisation
- quality of public policy development that achieves government priorities, and
- extent to which plans and strategies are implemented across the organisation.

Strengths and Opportunities		
<ul style="list-style-type: none"> • The department's planning processes and documents are comprehensive, generally cascade down through the organisation and are informed by stakeholder input. • Departmental objectives and strategies reflect whole-of-government priorities. • Local government amalgamations present an opportunity to refine the scope, intent and effectiveness of district/regional planning processes. 		
Issues		
<ul style="list-style-type: none"> • There are significant public policy issues affecting the department. • The scope and quality of planning across district and local authority boundaries is inconsistent. • The quality of business planning and individual achievement planning is inconsistent across the department. 		
Evidenced	Not Evidenced ^(a)	
<ul style="list-style-type: none"> • The implementation of plans and policies is monitored at the relevant level of the organisation. 	<ul style="list-style-type: none"> • Robust planning practices are applied throughout the organisation and are integrated with other elements of performance management. 	
<ul style="list-style-type: none"> • The organisation has sound governance and project management practices in place to plan, monitor and report on projects. 	<ul style="list-style-type: none"> • Public policy development and strategic direction setting are done in full collaboration with other relevant government agencies and clients/stakeholders. 	
<ul style="list-style-type: none"> • The agency regularly reviews its plans, strategic directions and key public policy directions to ensure relevance and alignment to whole-of-government priorities. 	<ul style="list-style-type: none"> • Progress against plans is actively monitored and reviewed, and performance against plans is openly communicated to clients/stakeholders and staff. 	
<ul style="list-style-type: none"> • Information about client/stakeholder satisfaction, demographic information, local data and trend analysis is understood and used in organisational planning processes. 		
Rating	Level of Maturity	Description
	Developing competency	Analysis of performance informs planning, however planning is largely centrally driven and not fully integrated. There is some proactive strategic direction setting, however this is not widespread.

(a) 'Not evidenced' indicates the Review was unable to find evidence of a systematic departmental-wide approach to the element.

2 Resource Management

The element of resource management focuses on the systems and processes for monitoring human, physical and financial resources in order to maximise results.

Evidence gathering for this element considered the:

- effectiveness of resource allocation and monitoring processes
- capacity to identify the full cost of services and the efficiency of delivery models used
- achievement of value for money in departmental operations, and
- ability to reallocate existing resources away from areas of low achievement or impact to new and emerging priorities.

Strengths and Opportunities		
<ul style="list-style-type: none"> • The department has sound systems in place to monitor effective allocation of resources in relation to its Roads Implementation Program. • There is opportunity for the department to improve the accuracy of its infrastructure project cost estimation. • The department has sound procurement policies and practices that ensure value for money is achieved. 		
Issues		
<ul style="list-style-type: none"> • The department is constrained by geographic distribution and government human resource policy in flexibility to reallocate resources away from low impact activities. • The accuracy of establishment data undermines confidence in workforce planning decisions. • Workforce planning has not been a major focus for the department and in the current environment needs to become a priority. • The department is financially exposed and staff health and wellbeing may be compromised by the accumulation of excess recreation leave balances. 		
Evidenced	Not Evidenced ^(a)	
<ul style="list-style-type: none"> • The department has sound systems in place to monitor resource use, including workforce profiles and changes in service demand. 	<ul style="list-style-type: none"> • Robust integration of resource management across all parts of the department. 	
<ul style="list-style-type: none"> • Resource management trends are analysed and reported at a corporate level. 	<ul style="list-style-type: none"> • Consistent determination of the cost of services across the department. 	
<ul style="list-style-type: none"> • The department has sound arrangements in place to ensure the accountable use of public funds. 	<ul style="list-style-type: none"> • Performance management information is used to drive resource management decisions including discontinuing lower priority activities. 	
<ul style="list-style-type: none"> • Emerging resource needs are identified and built into budget projections. 		
Rating	Level of Maturity	Description
	Developing competency	The organisation has sound systems in place to monitor resources and resource allocation however, these tend to be centrally controlled.


(a) 'Not evidenced' indicates the Review was unable to find evidence of a systematic departmental-wide approach to the element.

3 Performance Measurement and Monitoring

The element of performance measurement and monitoring focuses on the process of collecting and analysing data to understand and manage performance.

Evidence gathering for this element considered the:

- breadth and depth of performance measures in the organisation
- quality of data in terms of accuracy, reliability and relevance
- effectiveness of measures in determining performance, and
- incorporation of measures in systematic ways in decision making processes.

Strengths and Opportunities		
<ul style="list-style-type: none"> • The department has state-wide systems in place to collect, monitor and analyse a wide range of corporate and roads program data. • There is scope for the department to reduce the number of performance measures and the amount of information collected and to make better use of data in decision making. 		
Issues		
<ul style="list-style-type: none"> • The department collects a large amount of data, not all of which is meaningful, relevant or accurate. • Performance measures are not useful for strategic decision making. • Data collection at a national level lacks consistency and makes performance benchmarking difficult. 		
Evidenced	Not Evidenced ^(a)	
<ul style="list-style-type: none"> • Performance against measures, including targets, are analysed at a corporate level and are used to improve performance and service delivery. 	<ul style="list-style-type: none"> • A robust analysis of performance information is available across the organisation to facilitate decision making at all levels, and to support planning, resource management and reporting. 	
<ul style="list-style-type: none"> • Performance information is linked to organisational accountabilities. 	<ul style="list-style-type: none"> • Performance measures, including targets, are developed in consultation with those accountable for achieving them. 	
<ul style="list-style-type: none"> • Performance information is monitored, reported on and disseminated in the organisation. 	<ul style="list-style-type: none"> • The organisation openly and transparently communicates performance against its measures to clients/stakeholders and staff. 	
<ul style="list-style-type: none"> • The agency periodically reviews its performance measurement systems, measures and processes to ensure relevance and alignment to business objectives. 		
Rating	Level of Maturity	Description
	Developing competency	Performance measurement systems are in place and measures are monitored and reviewed. There is some evidence of their use in decision making although this is not widespread.


(a) 'Not evidenced' indicates the Review was unable to find evidence of a systematic departmental-wide approach to the element.

4 Governance

The element of governance focuses on the systems and processes of ensuring managers collectively make accountable decisions and minimise loss of performance.

Evidence gathering for this element considered the:

- level of accountability and clarity of role expectations
- transparency of decision making and independent review
- approach to managing risk
- capacity of managers and staff to advance critical issues to the executive in a timely manner, and
- level of integration of information across the organisation to support decision making.

Strengths and Opportunities		
<ul style="list-style-type: none"> • The department has in place a robust governance model that has been recognised as best practice. • Risk management systems address both operational and strategic risks. • Use of information to support technical and project decisions is strong. There is opportunity to extend this culture more fully into strategic decision making. • The department would benefit from periodically assessing the congruence of governance and risk levels to ensure appropriate balance between risk management and innovation in delivery. 		
Issues		
<ul style="list-style-type: none"> • There is some evidence that delegations do not reflect the new structure and are inconsistent across management levels. 		
Evidenced	Not Evidenced ^(a)	
<ul style="list-style-type: none"> • There is a clear corporate governance framework and arrangements are applied consistently throughout the department. 	<ul style="list-style-type: none"> • Comprehensive processes to inform stakeholders of reasons for decisions. 	
<ul style="list-style-type: none"> • There is a balanced approach to managing risk. 	<ul style="list-style-type: none"> • Widespread collaboration with other government agencies and stakeholders to shared risks. 	
<ul style="list-style-type: none"> • The department has sound systems to support managers and supervisors to carry out their accountabilities, including in relation to external service providers and contractors. 		
<ul style="list-style-type: none"> • The organisation ensures that clients/stakeholders have avenues to advance critical issues/concerns to senior management, to which they effectively respond. 		
<ul style="list-style-type: none"> • The department maintains an extensive risk register to assist analysis of current and emerging risks. 		
Rating	Level of Maturity	Description
	Embedded	Governance arrangements are an integrated part of business and facilitate optimal performance.


(a) 'Not evidenced' indicates the Review was unable to find evidence of a systematic departmental-wide approach to the element.

5 Evaluation and Continuous Improvement

The element of evaluation and continuous improvement focuses on the process that enables formal reflection and measurement of program activities and outcomes in order to improve performance.

Evidence gathering for this element considered the:

- level of evaluation evident across the agency
- use of findings from evaluation for continuous improvement, and
- ability to detect performance problems and implement corrective action in a timely way.

Strengths and Opportunities		
<ul style="list-style-type: none"> • The department has good policies and procedures for evaluation and review supported by its Road System Management Framework. • The department would benefit from replicating the Work Improvement Note system across the organisation to support continuous improvement. • Control Self-Assessment as part of the audit program provides a proactive basis for early detection of problems. 		
Issues		
<ul style="list-style-type: none"> • Delivery pressures work against thorough evaluation and review with the focus being more on output achievements rather than broader outcomes. 		
Evidenced	Not Evidenced ^(a)	
<ul style="list-style-type: none"> • Major programs and activities have been reviewed. The organisation has policy and procedures regarding evaluation and independent review. 	<ul style="list-style-type: none"> • Information from project reviews is used for decision making, continuous improvement, reflective practice, and performance monitoring and management. 	
<ul style="list-style-type: none"> • Evaluation is part of project delivery. 	<ul style="list-style-type: none"> • A universal culture of continuous improvement supported by policies and procedures. 	
<ul style="list-style-type: none"> • Continuous improvement exists in parts of the agency. 		
<ul style="list-style-type: none"> • Deficiencies in organisational performance are identified and addressed. 		
<ul style="list-style-type: none"> • There are policies and procedures for evaluation/review in the organisation. 		
<ul style="list-style-type: none"> • Evaluation forms part of project planning and monitoring. 		
<ul style="list-style-type: none"> • Findings of evaluation/review activities are disseminated in the organisation in some instances. 		
Rating	Level of Maturity	Description
	Developing competence	Evaluation/review activity is undertaken in areas of the agency. Progress is monitored and the agency checks that recommendations are implemented.


(a) 'Not evidenced' indicates the Review was unable to find evidence of a systematic departmental-wide approach to the element.

6 Leadership and Capability

The element of leadership and capability focuses on an organisation's ability to drive change to improve service delivery and performance.

Evidence gathering for this element considered the:

- Willingness of staff to pursue organisational goals and values
- Effectiveness of communication within the organisation
- Capability of staff to ensure services are delivered efficiently and effectively
- Organisation's investment in staff capability for the future, and
- Capability of the organisation's leadership to influence stakeholders, public sector agencies and others on issues in the organisation's area of responsibility.

Strengths and Opportunities		
<ul style="list-style-type: none"> • The department has invested heavily in the development of leadership and technical skills across the organisation. • Staff at all levels of the organisation demonstrate a good understanding and strong commitment to departmental objectives. • The department has taken an active role at the national level working with other jurisdictions to drive change, inform debate and improve national road performance. 		
Issues		
<ul style="list-style-type: none"> • The department's management of change has lacked effective communication and support for staff. • Early collaboration with Queensland Government central agencies has not been consistently applied which has negatively affected the understanding of and streamline approval processes for major projects. • Workplace health and safety protocols for field staff are inconsistent across the road sector. 		
Evidenced	Not Evidenced ^(a)	
<ul style="list-style-type: none"> • The organisation understands the competencies required for leaders and invests in leadership skills development. 	<ul style="list-style-type: none"> • Managers understand how to use staff performance and development assessment processes for improvement and to manage non-performance at a program and individual level. 	
<ul style="list-style-type: none"> • The organisation involves clients/stakeholders in meaningful ways to inform the direction of service delivery and to report progress. 	<ul style="list-style-type: none"> • Staff are mentored and encouraged to develop skills as a part of strategic workforce planning. 	
<ul style="list-style-type: none"> • The organisational culture is positive and forward thinking, with a strong client and outcome focus. 	<ul style="list-style-type: none"> • Managers actively promote debate and analysis in order to meet identified outcomes. 	
<ul style="list-style-type: none"> • Positive leadership traits are evident throughout the organisation, including 'leading by example' and 'living' organisational values. 	<ul style="list-style-type: none"> • The organisation has mature relationships across governments and with significant partners which maximise support and effective service delivery. 	
<ul style="list-style-type: none"> • Leaders in the organisation lead strategic debates and direction setting at a state and national level in their field. 		
Rating	Level of Maturity	Description
	Embedded	The organisation's leaders are respected, communicate effectively and have robust systems in place to ensure staff have the capacity and capability to deliver services in an efficient and effective manner.

(a) 'Not evidenced' indicates the Review was unable to find evidence of a systematic departmental-wide approach to the element.

Appendix 6: Terms of Reference

1 Background

This Review is part of the systematic review program undertaken by the Service Delivery and Performance Commission (SDPC) to ensure that all government entities continue to deliver value to the Queensland Community. The former Premier and Minister for Trade, Peter Beattie, approved that this review form part of the SDPC's 2007-2008 work plan.

The Department of Main Roads (Main Roads) is responsible for delivering roads infrastructure and managing the road asset. The agency is responsible for planning, managing, maintaining and enhancing the state-controlled road network so that it meets the current and future needs of the people, business and industry throughout the state. It is responsible for stewardship of this system, the corridors that comprise the system, the system's operation and the delivery of projects for enhancement and maintenance. Whilst the Commonwealth Government partially funds work on the AusLink national land transport network (including former national highways), the AusLink road network forms part of the overall state-controlled road network.

Main Roads also has a strategic interest in the remainder of the road system which is controlled by local governments, including Aboriginal and Torres Strait Islander community councils. Through the Main Roads/Local Government Roads Alliance, Main Roads works closely with Regional Roads Groups (chaired by local government Mayors) in managing Local Roads of Regional Significance (LRRS).

Main Roads also manages the delivery of other transport-related infrastructure on behalf of Queensland Transport (e.g. busways, boat ramps, jetties, rural air strips.)

The 2007-2008 to 2011-2012 Roads Implementation Program (RIP) commits the department to a \$13.3 billion program of roadworks and supporting services over the next five years. This significant increase in road network investment in Queensland presents substantial challenges in relation to industry's capacity to deliver.

The role of managing a cohesive state-controlled road network began over 80 years ago and has evolved with the use of more scientific, technical and sophisticated methods over time. The department was given its current name in 1997.

Main Roads has separated the functions of 'owner/purchaser' of the road network from the 'provider' of transport infrastructure construction and maintenance and associated services. As such, RoadTek, the commercial arm of Main Roads, operates in a competitive environment to provide transport infrastructure, civil works and project services throughout Queensland. The business supports asset maintenance, construction, plant hire services and consulting at the program and project level.

Main Roads delivers its services through three sectors – private industry, local government and Main Roads-RoadTek.

2 Objectives

The objectives of the Review of Main Roads are to:

- undertake a strategic assessment of how well the department is managing its performance;
- identify, analyse and report on key issues that affect service delivery and performance management by the department, and make practical recommendations on key areas for improvement; and
- assess whether Main Roads' Commercialised Business Unit (RoadTek) is the most appropriate mechanism for delivering part of the transport infrastructure and related services that Main Roads provides to the community, and make practical recommendations on key areas for improvement.

This Review contributes to all SDPC strategic objectives as outlined in section 5 of the *Service Delivery and Performance Commission Act 2005*, namely:

- (a) to meet the expectations of the community about the delivery of government services
- (b) to reduce inefficiencies, duplication and wastage in the delivery of government services
- (c) to improve the accountability of agencies for their delivery of services
- (d) to improve the delivery of government services by ensuring agencies use resources effectively and efficiently and adopt best practices
- (e) to encourage agencies to be proactive about establishing effective and appropriate performance frameworks, including planning and reporting practices, and
- (f) to promote in agencies a culture of continuous improvement and performance management, including risk management.

The Review will report on the department's capacity across critical elements of performance management and recommend enhanced performance management arrangements.

The Review will report on an assessment of whether Main Roads' Commercialised Business Unit (CBU), RoadTek, is the appropriate mechanism for government service delivery in this area, whether RoadTek is meeting required standards across a range of assessment principles and where opportunities exist for improvement.

The report may also recommend governance, structural, legislative and other changes to improve the efficiency and effectiveness in the delivery of government services identified in the Review.

The final report will be submitted to the Premier in accordance with the *Service Delivery and Performance Commission Act 2005*.

3 Scope

The scope of this Review covers service delivery and performance management of the department and service delivery by its CBU, RoadTek.

The Review will examine major issues that affect the efficiency and effectiveness of the department's service delivery, including its CBU, RoadTek. Given the breadth of service delivery, the Review may not examine all aspects of services delivered, but will rather focus on those areas where the SDPC can add the most value to improving services to the community.

For the purpose of this Review, performance management is defined as a system which integrates organisational strategic management, performance information, monitoring, assessment, reporting, and evaluation (OECD, 2002).

4 Methodology

The assessment of how well Main Roads is managing its performance is undertaken using the SDPC's *Performance Management Review Framework* (February 2007) under the six elements of:

- Planning and strategy
- Resource management
- Performance measurement and monitoring
- Governance
- Evaluation and continuous improvement, and
- Leadership and capability.

The Review will assess agency performance against the elements of performance management listed above at four levels:

- i. Beginning* – basic compliance and conformance with statutory requirements
- ii. Developing competency* – supervision and monitoring systems are in place; several elements of performance management need further development
- iii. Embedded* – sound performance management practices are used across the organisation to drive the business; customer feedback is incorporated in business planning
- iv. Leading* – the organisation is proactive, uses internal and external data to plan for and actively ensure that outcomes are achieved.

The Review will assess the value to government of delivering services through Main Roads-RoadTek as a CBU against the following principles:

- Appropriateness – the extent to which the CBU is a suitable organisational structure for achieving government objectives
- Sustainability – the extent that current and future operating results are positive from the CBU operations
- Flexibility – the extent to which the CBU responds to changing client and market needs
- Accountability – the extent to which the CBU is accountable to its customers and other stakeholders for the service it provides
- Risk – the extent to which risks are best managed through the establishment and operation of CBUs.

The identification of service delivery and performance management issues to be examined during the review will be informed by consultation, other forms of information gathering, and the performance management assessment process.

A more detailed breakdown of the review methodology is provided below.

Initial information gathering *	<ul style="list-style-type: none"> • Collate documents relating to departmental operations, structure, role and performance management frameworks (e.g. Ministerial Portfolio Statement, Annual Reports, Strategic Plans) • Obtain a list of key client/stakeholders • Interviews with the Director-General, Executive Management Team, and other departmental managers to identify key performance management and service delivery issues • Request to external stakeholders for submissions • Call for submissions from departmental staff and other interested parties through <i>Sectorwide</i>
Preliminary analysis	<ul style="list-style-type: none"> • Preliminary analysis of the information collected to date to assess the degree to which the current arrangements enable the department to manage its performance • Identify broad service delivery and performance management issues for further analysis (additional issues may be identified throughout the consultation processes)
Detailed information gathering and consultation	<ul style="list-style-type: none"> • Interviews with external stakeholders (e.g. peak industry bodies, community organisations) to identify key issues and proposed solutions • Follow-up interviews with the Director-General, Executive Management Team, and other departmental managers to identify proposed solutions • Meetings/forums with Departmental staff to identify key issues and proposed solutions • Forums with regional/district staff to identify key issues and proposed solutions • Desktop analysis of approaches in other jurisdictions
Analysis	<ul style="list-style-type: none"> • Analysis of information received and results of consultation • Analysis of submissions received • Analysis and rating of performance management against the six elements • Prepare Issues Papers, including the development of options and recommendations to achieve the objectives of this review • Provide opportunity for Directors-General and senior executives to comment on options and recommendations
Reporting	<ul style="list-style-type: none"> • Prepare Review Report for the consideration of the SDPC Commissioners

* Some of these activities will commence prior to the formal commencement of the Review.

5 Resources

The Review Team is:

Kelly Weekley	Manager, SDPC
Lyn Robertson	Principal Review Officer, SDPC
Sandra Lerch	Principal Review Officer, SDPC

Natalie Driscoll	Graduate Officer, SDPC
Leanne Olive	Principal Advisor Office of Deputy Director-General, MR
Lyndsay Edser	Director, Plant Hire Services, MR

Mr Tony Hayes (Executive Director, SDPC) will provide oversight and direction for the review.

The SDPC will form a Steering Committee to provide strategic direction to this review.

The Steering Committee will comprise:

- the Chairman, SDPC (Chair)
- the Director-General, Department of Main Roads, and
- Executive nominee of the Department of the Premier and Cabinet.

It is expected that the Steering Committee will meet up to three times at key milestones during the Review.

Office accommodation for the Review team will be provided by the SDPC.

Regional visits will be undertaken to consult key stakeholders in areas outside Brisbane.

All resources for this review will be provided from within existing budgets. The SDPC will fund all non-labour costs for the review and the costs for SDPC staff. Main Roads will fund all salary and salary-related on-costs for their nominees.

6 Roles and Responsibilities

<i>SDPC Chairman will:</i>	<ul style="list-style-type: none"> • provide strategic oversight and direction to the Review Team • facilitate communication and negotiation of key issues at the executive level • ensure quarterly reports to the Premier reflect current status of the Review
<i>SDPC Commissioners will:</i>	<ul style="list-style-type: none"> • ensure the review is conducted in accordance with the SDPC Act • monitor the progress of the review at key milestones and provide feedback to the Review Team • review, comment on, and approve the Review Report • ensure the report's recommendations support improvements in the effective and efficient delivery of services and performance management

<i>Review Leader will:</i>	<ul style="list-style-type: none"> • plan and manage the performance review, including: <ul style="list-style-type: none"> - manage the Review Team - recommend priority areas for focus, data collection and analysis - support understanding of and adherence to SDPC code of conduct by all team members - allocate resources internally to the review to ensure timeframes are met - manage the reporting process to executive management - adhere to appropriate approval and sign off processes - liaise regularly with Chairman and Executive Director on progress with the review - support the appropriate training and guidance of staff • provide quality assurance support to the team to ensure that the Review adheres to best practice principles
<i>Review Team members will:</i>	<ul style="list-style-type: none"> • conduct the Review in accordance with the approved work program and the instructions of senior management • provide advice to the Review Leader on the conduct of the Review • work effectively across the department being reviewed • communicate effectively with departmental clients and stakeholders • adhere to the timeframes and reporting requirements of the Review • adhere to the SDPC code of conduct

7 Communication and Consultation

Communication between the department and the SDPC will occur continuously throughout the Review. The Review Team will be meeting with senior executives, managers and staff, both in Brisbane and regional areas.

Discussions will occur with the following stakeholders to obtain their opinions and suggestions regarding improved performance management and service delivery arrangements:

<i>Main Roads</i>	Interviews with the Chief Executive Officer, Executive Management Team and other relevant staff to discuss key service delivery and performance management issues
<i>Department of the Premier and Cabinet, Queensland Treasury, Queensland Audit Office</i>	Interviews to identify key issues relating to service delivery and performance management
<i>Other relevant government departments and bodies</i>	Interviews with the senior management team and other relevant staff to identify key service delivery and performance management issues
<i>External stakeholders (e.g. peak bodies, Ministerial advisory councils) nominated by review agency</i>	Interviews with CEOs to provide the opportunity to contribute to review findings. Invitations will be sent to key stakeholders for written submissions

As part of the consultation process, a general invitation for written submissions will be made across the sector through *Sectorwide*.

The final report will be provided to the Director-General, Department of Main Roads for consideration and comment before presentation to the SDPC Commissioners.

8 Risk assessment and Management

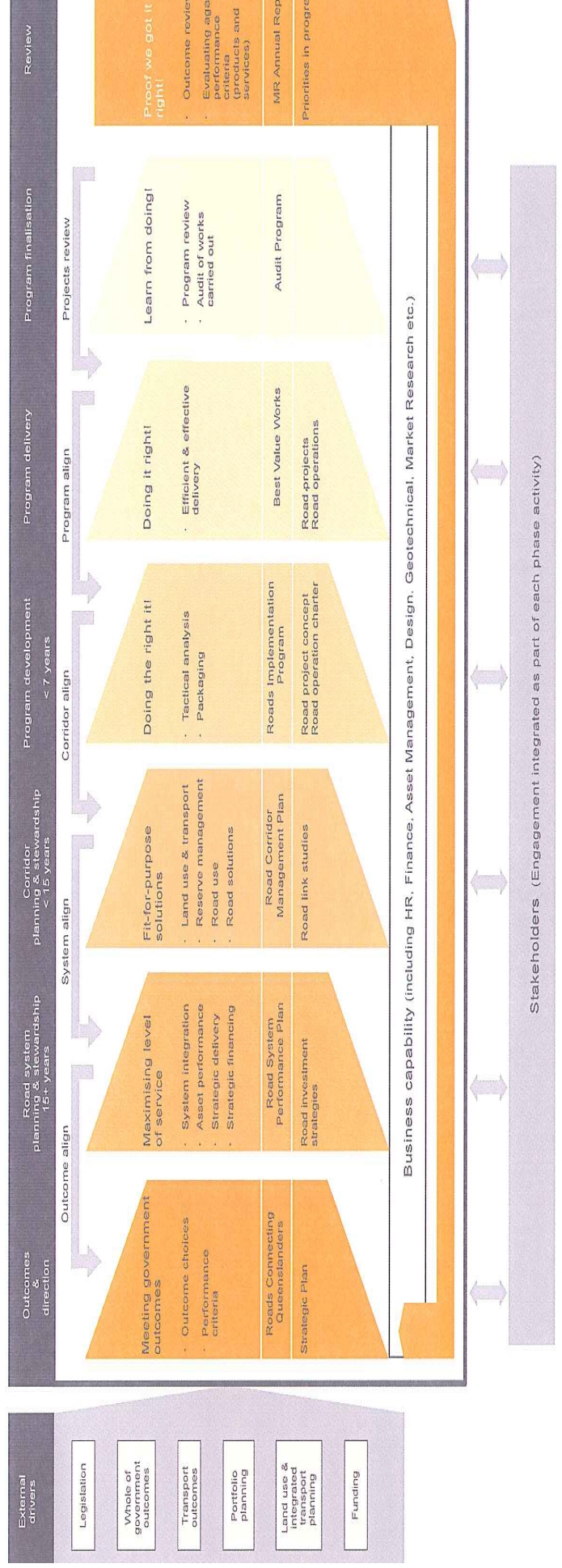
A number of risks applicable to each stage of the Review have been identified and strategies developed to mitigate these risks if they were to occur.

9 Review Appraisal

The SDPC has developed a framework to evaluate all SDPC reviews. As part of this framework, feedback will be sought from relevant senior executives, agency nominees and departmental stakeholders on the review process and outcomes.

Appendix 7: Road System Manager Framework

Strategic framework for road system asset management



Source: Main Roads – Roads Implementation Program 2007-08 to 2011-12.

Appendix 8: Maintenance Preservation and Operation (MPO) Work Elements by Category

MPO Category	Element
Rehabilitation	Pavement rehabilitation Bridge and culvert rehabilitation
Programmed Maintenance	Surfacing treatments
Routine Maintenance	Routine maintenance (sealed) Routine maintenance (unsealed)
Traffic Operations	Overload management Provision of emergency vehicles Incident management Traffic management Traveller information
Corridor Management	Contaminated areas Nature conservation Degraded areas Heritage preservation Declared pest species Fire risk management Road landscape Road traffic noise management Management of animals on roads Performance of rail crossings Bicycle facilities Pedestrian facilities Intersections with high crash frequencies Hazards close to roads Hazardous grades Roadside signing Roadside and surface delineation Driver fatigue management Roadside barrier management Batter slope management Caging of overpasses Skid resistance management Route lighting

Source: Main Roads - Roads Implementation Program 2007-08 to 2011-12.

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Service Delivery and Performance Commission Act 2005
<http://www.legislation.qld.gov.au/LEGISLTN/ACTS/2005/05AC052.pdf>