AUSTRALIAN
LOCAL GOVERNMENT
ASSOCIATION

Submission to the Productivity Commission

In response to the National Transport Regulatory Reform Inquiry – Draft Report

29 January 2020

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1. Introduction

The Australian Local Government Association (ALGA) is pleased to present this submission to the Productivity Commission in response to matters raised in the *National Transport Regulatory Reform Inquiry* – Draft Report November 2019.

ALGA has reviewed the draft report and its draft recommendations and findings and has focused on a number of key issues to inform ALGA's response as enclosed. We have also consulted with and received advice and information from a number of our state and territory local government association members, and have relied on them to provide detailed perspectives and authentic examples at the local level. As a consequence, the advocacy priorities in the submissions that ALGA and the several state local government associations have made, collectively provide integrated and considered responses to the draft recommendations and findings.

In responding to the draft report, ALGA notes and supports the comment of LGNSW that while there are opportunities to improve approvals processes for local roads, the data produced by the Productivity Commission indicates that 96% of permit applications submitted to councils by the heavy vehicle industry are approved and 93% of these applications are completed in 7 days. As LGNSW states, this suggests a consistent and efficient process and underlines that inconsistencies from an industry perspective may be more accurately related to resourcing and funding for road managers.

At the broad level, ALGA believes that the planning and funding of Australia's roads is inefficient and in urgent need of reform as noted in both Infrastructure Australia's 2015 Australian Infrastructure Audit and the Productivity Commission's 2014 Public Infrastructure Report. ALGA supports the notion of a more robust infrastructure pipeline being developed as part of the Australian Infrastructure Plan, including to address freight and supply chain priorities. However, the delivery of individual infrastructure projects should be dealt with as part of a comprehensive infrastructure plan and asset management framework. This infrastructure plan should be integrated and developed in consultation with all three levels of government.

As an asset manager, Local Government believes that major project prioritisation and selection, particularly of new road projects, needs to be appropriately balanced against the maintenance and renewal requirements of existing essential assets. In other words, asset formation should only occur in the context of detailed asset management plans, ideally integrated asset management plans across the three levels of government.

Local roads constitute around 75 per cent of the nation's roads by length. Most road freight journeys start or finish on a local road and the freight industry has consistently nominated first and last mile issues on local roads as a major impediment to a more efficient national freight system. For local government, efficient infrastructure – particularly roads, rail (for bulk products such as grain) and airports, is vital to ensure the sustainability of our cities and regional and rural councils which enables them to maintain their significant contribution to the Australian economy.

2. Road Safety (*Refer Draft Finding 5.1, and Draft Recommendation 5.1*)

There is an important and significant disconnect between the National Road Safety Strategy 2011 – 20201 and the key approaches to improving road safety outcomes discussed in the draft report. The National Road Safety Strategy (and each State Road Safety Strategy) is based firmly on Safe System principles. One of the key Safe System principles is that people make mistakes, will continue to make mistakes and a safe transport system must accommodate these. Finding 5.2 and Recommendation 5.1, which seek to apportion blame and improve driver skills or attitudes, do not recognise this fundamental principle.

Draft Finding 5.1 recognises the contribution to improved safety outcomes that have been achieved as a result of improved vehicle technology / design and road infrastructure, but the recommendations do not provide a clear link as to how these elements of a safe system can be efficiently extended across the transport system. There are a range of tools available to governments to facilitate, encourage or require improving the safety of the transport system that do not rely on fallible humans not to make mistakes.

Recommendation:
That transport regulation requirements be considered within the framework of the Safe System principles set out in the National and various State Road Safety Strategies.

3. Decision-making (*Refer Draft Finding 6.1 and Draft Recommendation 6.1*)

In principle, given the significant impact on road maintenance costs, it is important that heavy vehicle access decision-making and road management responsibility remain together.

For example, in Western Australia the Commissioner for Main Roads is the decision-maker in relation to heavy vehicle access. This authority has not been delegated to WA local governments, as suggested by the principle noted above. However, policy requires that Main Roads WA consult with and seek support from the relevant local governments in relation to any changes in the Restricted Access Vehicle networks.

Local governments are asked to undertake a preliminary assessment of the route and provide this advice to Main Roads WA, so that their resources can be efficiently deployed. However, if a local government is unable to undertake the preliminary assessment, but supports the proposed level of access provided it is shown to be safe, then Main Roads WA can proceed to undertake the route assessment

Note, this support from local governments is not sought for single trip over-size, over-mass vehicle movements which are approved by Main Roads WA.

Education, capacity-building and resourcing of local government officers and elected members is only part of the solution. It needs to be explicitly recognised that from a local perspective the costs of increased road maintenance or capital upgrade may well be significantly greater than the local benefits. There may be identified alternatives that eliminate or significantly reduce the costs to the local community altogether – shifting them to industry, another community, or the State.

ALGA agrees with the Productivity Commission's Draft Finding 6.1 that there are constraints around local government investment capacity and access to engineering expertise which are limiting the effectiveness

of the heavy vehicle reforms. ALGA also accepts that the complexity of the vehicle classifications may be a limiting factor to delivering faster access approvals and we note the Commission's view that the categories should be simplified. ALGA supports, however, the LGNSW view that there are steps which can be taken to assist councils without the need for wholesale changes to the vehicle classification system.

Regional and rural councils that lack dedicated staff to assess Heavy Vehicles can be overwhelmed by an influx of applications. Grouping vehicles into 'like' envelopes or categories saves time in needing to re-assess each individual vehicle for geometry and mass. Provided the NHVR or jurisdictions provide information explaining this, categories or a HV classification framework has positive benefits for local councils. The missing piece though would be the visibility of the number of movements, addressed through telematics, and eventually through road user charges.

ALGA considers that in some instances, gazettal's and pre-approvals should be considered by councils. In the case of Tasmania's heavy Vehicle Access Management system, access to Class 1 Oversize Overmass and Special Purpose Vehicles, gazettals and pre-approvals has provided access assurance for an industry required to move with minimal lead times and also importantly ensures that councils vulnerable infrastructure is protected.

Permits are perceived to provide some level of visibility to councils, particularly around ensuring that roads/corridors are not deteriorating as a result of HV movements, but are in no way an exact science. ALGA believes that if telematics data were provided to councils, pre-approvals and gazettals would increase as a result.

Another alternative to draw on is in Queensland. We note that over the last three and a half years, the Local Government Association of Queensland (LGAQ) has employed a full-time position to assist local government with understanding their role under the Heavy Vehicle National Law, with minimal support from the state jurisdiction. Part of this role has involved education to assist with decision making. This position and model have been recommended in the OSOM Review and would be easily replicated throughout Australia, pending funding.

The missing piece, aside from increased funding, would be understanding structures and how Heavy Vehicles interact with bridges and culverts. This has been largely addressed in Tasmania and is again listed as a recommendation in the OSOM Review.

Recommendations:

The authority responsible for management of the roads being considered for heavy vehicle access must remain central to the decision-making process.

That the Commission considers recommending that the NHVR develop a tool for councils that simply sorts the current heavy vehicle classification according to 'performance envelopes', as proposed in the Federal Department of Infrastructure, Regional Development and Cities recent review of Oversize Overmass Access Arrangements.

4. Performance Measurement (*Refer Draft Finding 10.1 and Draft Recommendation 10.1*)

The discussion paper proposes that realisation of efficiency gains from the regulatory regime depends on quick and accurate processing of access requests from heavy vehicle operators. A range of measures have been developed and put in place to monitor the time taken by road managers, including local governments, to respond to requests for heavy vehicle access, both under the National Heavy Vehicle Regulator, and under the Road Traffic (Vehicles) Act 2012 in Western Australia. However, little attention is paid to the accuracy of the decisions made. This is in clear contrast to the rail regulation discussion where risk and safety are the key criteria.

Data indicates that the vast majority of road access requests are approved. Except in cases where there are serious crashes, obvious damage to infrastructure or heavy vehicles regularly becoming stuck, the accuracy of decisions is not monitored. However, these situations do occur.

For example, in February 2019 Channybearup Road in the Shire of Manjimup was removed from the RAV2 and RAV3 network of pre-approved routes for road trains up to 27.5m in length following a serious heavy vehicle crash and the identification of significant safety concerns. This road was approved for use many years earlier. It could be suggested that this access approval was not an accurate decision.

In a 12-month period to the end of 2011, 38 heavy vehicles became stuck due to the steep grade of the South Coast Highway through Ravensthorpe – a route approved for use by these types of vehicles. A by-pass has since been constructed. The example nevertheless illustrates the need to ensure that accurate decisions are made in relation to granting access to certain vehicles.

The assessment criteria utilised by Main Roads WA does not formally consider the strength and remaining capacity of the road pavement to support any additional loading that may result from the granting of increased heavy vehicle access, as it assumes that the freight is already on that route, but in smaller vehicles. This is clearly not true in all situations. Access assessments, particularly in relation to additional axle mass should explicitly consider the capacity of the pavements. Access approvals should also consider whether additional heavy vehicle freight will be induced as a result of the approval.

Recommendation:
Performance criteria be established and monitored in relation to the accuracy of access decisions.

5. Heavy Vehicle Traffic Volume Measurement and the Cumulative Impacts (*Draft Finding 6.5 and Draft Recommendation 6.4*)

In order to manage what would otherwise be a large volume of identical access applications, there is a strong incentive to move from provision of permits, to establishing pre-approved networks of roads open to certain types of restricted access vehicles. However, once a route is added to the network under a Notice (or Order in WA) it is very difficult for the road manager to know of and respond to changes in the freight load on that road.

There are numerous examples of routes in agricultural and pastoral areas of Western Australia that have rapidly failed and required urgent reconstruction as a result of a significant increase in the freight task, typically the result of mine construction and operation. There are also many examples where cartage of gravel and water to support reconstruction or upgrade of a nearby road has resulted in significant damage to a local government road.

The inability to manage the volume of freight on a road under a network notice or order is a major weakness of the existing regulatory regime.

Recommendation:
To encourage the use of pre-approved networks, mechanisms should be in place to ensure road managers are notified of significant changes to the volume of heavy movements on relevant parts of the network, particularly access roads which would be expected to carry relatively low volumes of heavy vehicle traffic.

That mechanisms to rapidly review access provision and/or respond with suitable funding arrangements, are required to be put in place to address damage caused by extraordinary freight loads.

6. Productivity Gains *(Refer Draft Recommendation 10.1)*

Where one or two businesses generate all of the freight on a particular route, Local governments have been able to negotiate arrangements under which the companies contribute to the cost of upgrading (where necessary) and maintaining the road. It is important to stress that these arrangements are with the freight generator, rather than the transport operator, as the benefits of increased freight productivity are generally able to be captured by them.

However, where access has already been provided or there are multiple users, such co-funding arrangements have not been able to be implemented. While transport operators claim that allowing additional axle mass will provide significant economic benefits and Local Governments have estimated the additional pavement renewal costs it has proven difficult to bring the parties together, despite the potential for gains.

Recommendation:
Ensure certainty around the powers of Local Governments as road managers, to provide clarity in negotiations with freight generators.

7. Road Funding *(Refer Draft Recommendation 10.1)*

There is currently no mechanism within the road access management regime to facilitate funding the increased road infrastructure costs associated with certain types of access approvals. Providing safe, efficient access may require capital improvements, such as widening intersections to allow safe turning, or increased maintenance / renewal expenditure where increased axle loads need to be supported.

Changes in road usage don't change the amount of funding available to Local Governments for constructing and maintaining local roads. But changes in road usage do have a direct and immediate effect on the wear and tear imposed on the road system. As a result, if looked at narrowly, road managers have an incentive to minimise the wear and tear on the roads they manage. Controlling heavy vehicle access, particularly additional axle mass and discouraging the relative competitiveness of road transport compared with rail is one way to achieve this.

However, local governments are also focussed on achieving economic development and improving employment prospects in their regions. Consequently, Local Governments consider the broader economic benefits of improved road freight efficiency.

However, there remains an inherent misalignment between National issues and local perspectives, particularly in relation to 'through-freight' (where both origin and destination are outside the Local Authority boundary) and in relation to industries that have little local economic impact such as fly-in-fly-out mining operations not supported by local contractors. For a typical inner-city Council, State and Federal funding provides around 10% of the cost of road maintenance and renewal and this is unrelated to freight traffic.

Local governments support the observation (Draft Report page 339) that road transport investment focus is largely on major projects (where there is already a high level of access for heavy vehicles), while the supply chain challenge remains on the first and last mile roads under control of local governments.

While governments are making efforts to reform the way roads are managed and funded as part of the Land Transport Market Reform project, which ALGA is directly involved with, this process in different forms has been underway for many years and it remains unclear whether a way forward will be agreed. Even when agreed, any reforms will take time to fully develop and implement and state roads will have priority with reforms extended to local government roads later in any process.

Finally, how should local government be incorporated into road user charging reforms and how can we ensure that councils can access the data necessary to plan for and provision appropriate freight networks? At this stage, local government does not have full visibility of Heavy Vehicle activity, so an important first step would be understanding the movements and getting access to this data. Without data on freight, it is difficult to see how these reforms can progress to the next stage.

Recommendation:
That Australian Government provide additional funding to meet the road development and maintenance costs associated with the movement of heavy vehicles on Local Government roads.

8. Opportunities for raising freight productivity

A key aspect of what the Productivity Commission has been asked to do in this inquiry, is identifying opportunities to further integrate, harmonise and improve efficiency in the national freight market. An important issue that falls readily into these requirements is the First/Last Mile challenge.

ALGA strongly supports the Federal Government's focus on achieving improvements in productivity through investment in infrastructure. Local roads play a vital role in the Nation's transport network. Increasing the productivity of that network through investment that improves fit-for-purpose access for freight vehicles and connectivity between regional freight roads, plus local collector roads and state and national freight routes, are important issues for Local Government and the nation as a whole.

There is a need to unlock local and regional productivity improvements through investment that improves access for freight vehicles, particularly for the larger Higher Productivity Heavy Vehicles (HPHVs), and better connectivity between local roads and preferred state and national freight routes. A primary barrier to addressing congestion problems and First/Last Mile issues stemming from local roads, is the significant infrastructure 'deficit' facing most Australian local governments, particularly in regional, rural and remote areas.

Budgetary constraints face by local governments mean that the funding available to address these issues is significantly limited. This is compounded by the fact that of the three tiers of government, Local Government raises only 3.4% of Australia's total taxation revenue, but manages 75% of the road task. Unlike other governments, we have no direct mechanism to raise funds of any significance through fuel sales, road user charges, registration or other road or transport-related fees or charges.

Despite their best efforts and commitment, local governments do not have the required resources to bust congestion or realise the full productive potential of Australia's freight routes by addressing First/Last Mile issues. ALGA propose that the Australian Government establish a strategic local roads investment program. This will ensure our key freight roads efficiently connect to port, airports and other transport hubs by addressing First/Last Mile issues and capability and capacity issues at a local level, thus also providing opportunities for greater regional employment and business growth. This proposal will also improve access in our metropolitan areas, whilst maintaining liveability and delivering substantial social and economic benefits, including congestion busting.

Recommendation:
That the Commission recognises that current First/Last Mile bottlenecks and pinch-points (e.g. bridge capacity limitations) on local road networks will result in permit applications for restricted vehicle access being declined on occasions.

Productivity gains sought by industry in this regard will not be realised from changes to the permit approval process or the legislation, but through the necessary investment from federal and state governments to bring aging bridge and road infrastructure up to a standard capable for supporting the movement of restricted access heavy vehicles in a way that is efficient, safe and sustainable.

9. Telematics *(Refer Draft Recommendation 8.2 and Draft Recommendation 9.1)*

Local governments use traffic counters and general industry information to estimate the freight traffic load across the road network. However, this approach does not give complete, year-round information on the freight task, and is unable to distinguish between laden and empty vehicles. The freight industry has long pointed to telematics as offering an efficient way of providing a much more complete picture of the end to end freight task. However, this information is incomplete and not brought together to form a complete picture within any region. A much more complete understanding of road freight movements would support more effective road maintenance planning and investment.

In Western Australia, discussions between local governments and the State Government have contemplated changes to road grant funding arrangements to include consideration of the cost impact of vehicles operating under higher axles mass loadings. However, to be most effective such arrangements require sound knowledge of the number of concessional mass loaded vehicles using the road.

Recommendation:
An independent data hub be established to collate data on heavy vehicle movements for use by road managements, and a requirement for telematics and reporting be progressively implemented.

10. Modal Competitiveness and Strategic Considerations

(Refer Draft Recommendation 10.1)

In some situations, road and rail freight are competitive alternatives. Examples include movement of containers to / from Fremantle Port and the movement of grain in parts of the Western Australian Wheatbelt. The reality remains that rail infrastructure is funded on a user pays basis with the revenue returning to the infrastructure operator. Road infrastructure is publicly funded and although the heavy vehicle operator makes a significant contribution to the total cost of providing roads, there is no link between the freight on a given road and funding provided for that road. Businesses will make decisions based on the costs that they face without taking into account the impact on public assets and other externalities.

Local governments may wish to make heavy vehicle access decisions that consider the broader social and economic impacts of freight mode, which are not explicitly included in the range of criteria being assessed when considering an application for access to a particular route.

This may not always be possible either. For example, the Local government may wish to support access for high productivity livestock carriers, where there is no alternative freight option, while not supporting access for grain freight while a viable rail option remains.

Recommendation:
Consider the introduction of modal competition as a criterion used to assess heavy vehicle access by Local government road managers.

11. Conclusion

ALGA welcomes the opportunity to provide this Submission in response to the Productivity Commission's *National Transport Regulatory Reform Inquiry* – Draft Report of November 2019.

ALGA looks forward to an on-going dialogue and consultation with the Commission, and will be attending the public hearing to be held in Canberra on Tuesday 4th February 2020.