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Land Transport Market Reform Steering Committee Secretariat
Department of Infrastructure, Transport, Regional Development and Communications
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**RESPONSE TO HEAVY VEHICLE ROAD REFORM CONSULTATION PAPER –
PROPOSED CHANGES TO THE WAY HEAVY VEHICLE CHARGES ARE SET AND
INVESTED (THE DISCUSSION PAPER)**

Roads Australia (RA) welcomes the opportunity to make a submission to the discussion paper.

By way of background, RA is the peak body for roads within an integrated transport system, representing an industry that contributes \$207 billion annually to the economy and supports 1.3 million jobs. RA brings industry, government, and communities together to lead the evolution of Australia's roads, integrated transport and mobility.

RA has a policy position in support of road reform. For example, in the RA Commonwealth Budget Submission for 20-21¹, RA noted that:

The Parliamentary Budget Office (PBO) reports that excise on petrol and diesel, as the largest component of fuel excise, was levied at a rate of 40.9 cents per litre in 2018. RA believes that this is a blunt and inaccurate instrument for recovery of revenue to support building and maintaining Australia's road networks.

and

The PBO reports that fuel excise, as a percentage of GDP, was around 1.0% in 2016/17, representing 5% of Commonwealth receipts. There has been a steady decline from the 1.7% of GDP level in 2001, with increased fuel efficiency of passenger vehicles a significant contributor to the decline. The PBO considers that continued improvements in the fuel efficiency of the passenger motor vehicle fleet in Australia are likely to contribute to a further slowing of the growth in total fuel consumption - further constraining growth in fuel excise revenues. They highlight that the uptake of electric vehicles could further accelerate the rising fuel efficiency of the passenger motor vehicle fleet in Australia.

In the absence of the adoption of a full mass, distance, location pricing regime, RA therefore supports the general direction of the discussion paper.

In a further development, in September 2020 RA publicly released its [Procurement Reform Report: Recommendations and Strategies](#).² (the Reform Report).

The Reform Report brings together perspectives from a wide spectrum of national and regional industry participants including engineering and design consulting firms, project managers, legal and commercial advisors, government agencies, and construction and related services companies.

¹ Page 3 RA Commonwealth Budget Submission 2020-2021, December 2019

² [Roads Australia Procurement Reform Report: Recommendations and Strategies](#)

Generally speaking, the proposals contained in the discussion paper are in close alignment with the direction of the Reform Report. In particular, it is worth highlighting the importance both documents place on the early and active engagement of stakeholders on the nature of road investments.

The Report:

- encourages more time for design and planning and more industry-government collaboration³, and
- calls for early industry engagement and collaboration in project development, risk identification and delivery.⁴

It is important that all stakeholders have the opportunity to provide input on road quality, and those who provide design and construction services to road owners must be considered a key stakeholder group for this purpose.

The discussion paper restates the long-held intention of calculating heavy vehicle road pricing via a forward-looking cost-based methodology (**FLCB**) commonly used to fund and finance infrastructure and maintenance in utilities such as energy and telecommunications.⁵ Establishing a consultation mechanism that includes those who design and construct road projects will improve the quality of FLCB information provided by road owners for the consideration of an independent economic regulator⁶ and thus lead to better decisions.

It follows that representatives of the road construction industry should be identified as stakeholders to be consulted when developing a road funding submission submitted under the HVRR process.

As the Reform Report states:

Industry welcomes the development in many jurisdictions of long-term ten and twenty-year infrastructure strategic plans. However, key projects are often not sufficiently scoped or funded, as they are outside the forward estimates period and are subject to political cycles. Therefore, governments should be regularly engaging with industry on these long-term plans to collaboratively 'test' the value of projects and to determine optimum design and delivery.

Pipeline visibility and industry engagement is essential to give industry the time to innovate in the procurement process to maximise efficiency and to deliver value for money. Detailed project scoping and delivery timelines, ideally out to two and three years ahead, would greatly improve the capacity of industry to deliver.⁷

One of the particular disciplines FLCB imposes is a requirement to carefully consider what infrastructure maintenance and investment decisions need to be made and when, thereby effectively establishing a 'pipeline' of projects.

If selected projects are visible to the industry, both road owners and those who provide construction and maintenance services to those road owners, will be able to work together to ensure projects are delivered on time and on budget.

³ Page 15 of the Reform Report

⁴ Page 20 of the Reform Report

⁵ As discussed in the appendix to the discussion paper

⁶ The ACCC has been supported by some as the most appropriate agency to serve this function

⁷ Page 10 of the Reform Report

As RA has noted, governments in Victoria and New South Wales have moved towards a 'mega projects' approach⁸ - and so mechanisms that allow for the identification and development of smaller projects will provide smaller industry participants the opportunity to bid for projects suitable to their scale.

This means the proposal would advance recommendations 1-3 of the Reform Report.

RA also endorses the concept of hypothecation – that is, dedicating heavy vehicle revenue raised under the HVRR process to roads.⁹

Road owners must have confidence that road user charges are received by those who own, plan for and maintain roads, while road users must be confident that the charges they pay for the use of roads go back into the roads they use.

Finally, the discussion paper proposes the development of specific service standards that will be used to categorise the qualities of roads (and accompanying infrastructure) within scope of the HVRR process.¹⁰

The types of matters to be contained in a standard are set out in the box contained on page 11 of the Discussion Paper.

It is understood that these standards are designed to be broader than the technical standards developed by Austroads and some jurisdictions. This would mean that some of the things that heavy vehicle users may be prepared to pay for in respect to a particular road, such as rest areas and overtaking lanes, can be identified in a way that facilitates the consideration of funding applications from road owners by the independent economic regulator.

However, the discussion paper also says that these standards can also capture qualities such as 'safety, road condition, speed and reliability'.¹¹

It is important that these standards are clearly distinguished from technical road standards developed by Austroads and by some jurisdictions. Failure to do so risks confusion for both road owners and road construction and maintenance service providers, as well as possible disappointment to stakeholders who expected particular road qualities as a result of their involvement in stakeholder consultations.

To promote clarity for all stakeholders, RA recommends the development (through the new National Cabinet process) of a clear 'mission statement' that establishes the role and purpose of standards developed for HVRR. This will help to distinguish them from the more technical road standards published by other government agencies.

Should you wish to discuss this submission, I can be contacted on 0418 627 995 or michael@roads.org.au.

Yours sincerely



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Chief Executive Officer

⁸ Page 12 of the Reform Report

⁹ Page 22ff. of the discussion paper

¹⁰ Which by definition excludes roads funded by way of community service obligation (CSO) payments.

¹¹ Page 11 of the Discussion Paper: