

Heavy Vehicle Road Reform (HVRR) – Link WA Response Final

Questions	Response
Service Level Standards	
1. What do you see as the pros and cons of establishing service level standards?	<p>Link WA member Councils generally agree with positions put forward in the paper and submit the following benefits of establishing service level standards:</p> <ul style="list-style-type: none"> • Provision of a framework to maintain roads. • Provides transparency in the system that will ensure the distribution of funds for HRVW infrastructure. • Provides a methodology for consistent assessment and evaluation for the distribution of funds where it is most needed. <p>Cons</p> <ul style="list-style-type: none"> • Difficulty in getting representative feedback from the community to identify what the service standards should be. • Potential for high degree of variability between government authorities due to local community preference • Long time frame to getting the necessary funding • No direct link between HV charge and funding to local government, so service standard could be set by local government unable to deliver because funding is not provided, or has been allocated to other areas • Inability for local government to resource this.
2. What are the most important things for the service level standards to capture?	<ul style="list-style-type: none"> • Take cognisance of the many studies completed on deterioration rates for roads with regards to Equivalent Standard Axles (ESAs) that stress the importance to establish a minimum standard to which roads must be constructed to a standard vehicle. • Vehicles above a certain loading per axle set detrimentally impact roads (rapid deterioration). This needs to be captured by these standards to ameliorate road deterioration. • Developing a standard for data collection would be useful to report vehicle volumes and classes. • Changing trends could be monitored allowing a more proactive system as opposed to reactive. • Frequency of HVs on differing road classes. There may be situations where a certain class of road is frequently used by HVs at one location and the same class of road rarely used by HVs on other location. • Local governments should be provided with adequate funds to keep monitoring HV demand on key roads. • The HVRR says there shouldn't be a minimum standard (to the road, due to high degree of variation across the country), however there should be a minimum standard of service response (how the local government assesses and prioritises improvements and renewals)
3. What mechanism/s should be established to make sure the service level	<ul style="list-style-type: none"> • The stakeholder engagement process conducted by Westport Taskforce should be one the HVRR reform process aspires to. This includes: <ul style="list-style-type: none"> ○ Online surveys

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<p>standards reasonably reflect the views of users, including their willingness to pay? For example, how can a wide range of stakeholders be represented in the process?</p>	<ul style="list-style-type: none"> ○ Pop-ups in collaboration with local governments, ○ Multi-stakeholder reference groups ○ Presentations at various events over 6-9 months. ● Importantly, local governments that have extensive HVV routes should be consulted directly. ● At a minimum, industry peak body representation must be sought from affected stakeholder groups. ● Consultation should include those LGA's with an extensive HVV network along with other stakeholders who have additional expertise in pavement design. ● Regular communication and updates should also be part of the process.
<p>4. What mechanisms could be used to review the service level standards periodically? For example, should there be a standing body, or consultation periodically when the service level standards are reviewed.</p>	<ul style="list-style-type: none"> ● Link WA member Councils generally agree that a standing body be established which: <ul style="list-style-type: none"> ○ comprises equally of the different tiers of government and industry ○ ensures there is not an interim redistribution of funds balancing the system (similar argument to the current funds being utilised for consolidated revenue) ○ achieves national consistency ○ ensures information flow down to all stakeholders (MRWA, WALGA and LGA's). ○ ensures consultation occurs on a regular basis to review existing standards and potential changes. <p>Alternative mechanism: Each local government prepares its own service standard (using an agreed template/methodology) with ten year improvement-renewal plan. Every five years review and update. Aim to ensure work is identified that aligns with service standards. Use this to submit for funding from group pool fund.</p>
<p>Expenditure planning and determining what costs can be recovered from heavy vehicles</p>	
<p>5. Which model for independently determining what expenditure is recoverable from heavy vehicle users would you prefer and why?</p>	<ul style="list-style-type: none"> ● Preference lies with the Hybrid model as this closely mirrors other existing road funding arrangements at State level, affording LGAs with extensive HVV routes to apply for funding required to maintain or improve these routes for industry. Potentially multistage/yearly submissions would assist in determining national funding pool splits per annum and then the States may allocate based on priorities locally. ● Is it possible to have a specific pool of money for the upgrade or maintenance of HVV routes funded from licensing and distributed based on submissions with relevance to road condition and supporting data (Similar to the way MRRG funding is distributed). ● The required standards (for different road classes) for safe and efficient operation of should be uniform across the country. Also, the potential impacts of different types of HVs will be the same in all states. ● Noting the above, it wouldn't be complicated to establish recoverable parameters associated with HVs operation (e.g. Pavement damages, intersection widening to facilitate turning, additional lanes etc.) ● Therefore, National body determination, to make sure the determination is made consistently across all jurisdictions, and gain economies of scale.

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<p>6. If some or all of the independent determination of what is recoverable from heavy vehicle users will take place at the state level, what checks could be put in place to ensure national consistency of expenditure recovery?</p>	<ul style="list-style-type: none"> • As above. • Fees or charges collected within the state should be distributed within the same state. Unlike the distribution of the GST. • National consistency should then include assessment criteria and construction methodology. • A broader classification of recoverable cost parameters should be developed at the national level and State Governments should determine recoverable under the broader classification. • Don't need national consistency: each state recovers funds related to (a) extent of HV operations (that drives the funding), and (b) own service standards. Only missing part is cross-border transport which will need to be resolved through an ESA type measure or balance-of-trade.
<p>7. How important is the independence of the body/ies assessing expenditure?</p>	<p>Link WA member Councils generally agree that It is not critical for independent assessment at this stage, however:</p> <ul style="list-style-type: none"> • It adds to the transparency of the process. • The focus should be on the establishment of guidelines and funding programs that will determine the requirement for new entities. This could be run within the confines of the Existing Roads to Recovery or Blackspot Program without major concern as expenditure is ultimately needing to be compliant from the receiving body; stressing again that the determination/assessment process is what needs to be most transparent. • It is all in the setup of the qualifying criteria which if based on loads, volumes and a standard methodology for construction would be acceptable to most stakeholders. • To assess what should be the recoverable cost is an important process and will involve all the stakeholders including the users.
<p>8. What benefits to users do you think particular expenditure review mechanisms might offer compared to the administrative costs associated with that mechanism?</p>	<ul style="list-style-type: none"> • As above, the review mechanism should demonstrate that other revenue sources are not removed in place of this revenue, "shifting the balance" concern that ultimately a new revenue source or reallocation of an existing source may be returned to consolidated revenue. • Any review mechanism will provide an opportunity to users and the road managers as well to discuss gaps in the existing system and potential improvements. • The process may involve administrative cost but the improvements in the process will not only help users, road managers but also to the community.
<p>Independent setting of heavy vehicle charges</p>	
<p>9. How important is the aim of reducing volatility of heavy vehicle charges?</p>	<ul style="list-style-type: none"> • Reducing volatility is critical for both business and government. It allows for a more business-friendly environment and stimulates investment and innovation, whilst it allows government to have sound decision making around progressive and well considered upgrades to improve productivity of the assets.

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	<ul style="list-style-type: none"> Volatility is never good for anyone; a more consistent approach would even out the peaks and troughs which in time would result in steady charges. The only variable then would be to factor in some growth.
<p>10. Does a forward-looking cost base seem to be a better way of assigning charges over time?</p>	<ul style="list-style-type: none"> Agree for charges. It would seem practical for a revolving fund style budget to be established by the Government for allocation that allows over and under investment on the basis of sound capital upgrades proposed (IA style projects) and also recurrent maintenance allocations for asset owners to facilitate the transport infrastructure. It must be noted that HVs mix and frequency is one of the primary factors which impacts life cycles of an asset and its operating & maintenance cost. Forward-looking cost base must consider the above to establish cost sharing by the users. Targeted income is based on a ten year improvement-renewal program from each local government in a pool. Rates for HV operators set to recover that target (subject to reasonableness). Income goes into the pool and is distributed based on priority. Can't use annual values as project costs vary too much. The model in the Appendix identifies Opex but not Capex for renewals. Renewal of assets (pavement rehab, resurfacing) and upgrades for road safety are far more significant part of the cycle than Opex.
<p>11. Does a forward-looking cost base seem to be a better way of assigning charges over time?</p>	<ul style="list-style-type: none"> Link WA member Councils generally agree with suggestions in the paper as a starting point.
<p>12. How important is the element of independence in assessing expenditure and charge-setting?</p>	<ul style="list-style-type: none"> Independence is important, so long as the process that accompanies the assessment is transparent and clearly articulated. The system and components are fluid and dynamic with the ability for rapid cost fluctuations for both asset owners and transport operators so the ability to index either side of the equation is important particularly in the context of a forward-looking cost base. As before, ensuring the charge is linked to market forces will resolve issues with cost fluctuation. Then it becomes up to the group pool managers to ensure sufficient income is being recovered to fund the improvement-renewal plans.
<p>13. What advantages and disadvantages are there to establishing independent pricing regulation?</p>	<p>Advantages</p> <ul style="list-style-type: none"> Allows for buy in to the system and an ability to fluctuate within the confines of the system (respond to market conditions) Independent price regulation would provide greater certainty around the process for determining charges, improve transparency and will gain more confidence from the HV industry.

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	<p>Disadvantages</p> <ul style="list-style-type: none"> • Fluctuations in revenue for asset owners may prove problematic where works are performed in house i.e. country LGAs and unsealed road grading. • Government control may provide greater stability of pricing (less reactive) • Separate to above comments – a market force driven pricing model with group pool funding will reduce the scale of pricing regulation needed.
<p>14. What are the advantages and disadvantages of the independent price regulator functions being held by a separate body to the body/ies with the expenditure review function?</p>	<ul style="list-style-type: none"> • Considering the overall function and the key objectives, both price regulator function and expenditure review function should be held by a single body. However, separate teams can be formed within a body to manage each function.
<p>15. Are there any other functions or responsibilities the independent price regulator should have under the proposed new system?</p>	<ul style="list-style-type: none"> • Cost equalisation regional vs city needs consideration and is critical, regardless if the price regulator is independent or not. Again, as per previous points, it's the process that needs to be transparent and clearly articulated. • The regulator should be responsible for auditing and monitoring performance of recipients and the end product. The system itself should also be reviewed periodically.
<p>16. What pricing principles should apply to the independent price regulator/s with the above work?</p>	<ul style="list-style-type: none"> • The system must recognise the cost differences of building and maintaining infrastructure in different parts of Australia and the competitive advantages held within parts of Australia particularly Capital Cities as opposed to the Country. • Pricing principles should include a form of standard specification and construction methodology to ensure a consistent lifecycle as much as possible. There would need to be some distinction between urban and regional roads depending on materials delivery and availability. • The pricing principles should consider the exponential impact on pavement with the increase in HV traffic. • Enable a high level of market forces to apply, to ensure natural efficiency gains can be achieved.
<p>17. Under the proposed new system, should heavy vehicle registration fees be</p>	<p>Link WA member Councils agree and provide the following additional comments:</p> <ul style="list-style-type: none"> • The fuel excise can be used as a mechanism for equalisation in the distribution of funds.

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<p>nationally consistent and based on nationally agreed service level standards like the Commonwealth Road User Charge would be?</p>	<ul style="list-style-type: none"> • Consistency across the states and territories is always welcome as it enhances transparency and improves perception. • Registration includes third party insurance – for which the cover levels vary state by state. Not sure this can be made “consistent”.
<p>Dedicating heavy vehicle revenue to roads (hypothecation)</p>	
<p>18. Do you have any comments about how charges are proposed to be dedicated to road infrastructure?</p>	<ul style="list-style-type: none"> • The concept of balancing costs needs further consideration. • Costs to build and maintain infrastructure that can deliver large productivity gains in the regions may vastly exceed that in the Cities. • The acceptable lifecycle for each asset is also important to consider. • The process that accompanies the assessment needs to be transparent and clearly articulated, particularly how the funds will be distributed to Local Governments. • The proposed mechanism seems effective and will direct all funds to the road upgrades. Government could reassign elsewhere. Would need regulatory protection. • Not clear how revenue from a fuel excise on HV can be separated from rest of the fleet. This would require identification at the bowser, and all the way through the tax chain. • Still a big problem that HV are only portion of road users, so funding is only covering some road renewal/upgrade needs.
<p>19. What publicly available reporting from either regulatory bodies or state and territory governments would be useful?</p>	<ul style="list-style-type: none"> • Asset information similar to IRIS in Western Australia but attributed with further information on Assets would assist in transparent justification of costs and financial allocations. • The process that accompanies the assessment needs to be transparent and clearly articulated. • Per ESA reporting of routes for all registered HV. Think big – common use of GPS tracking already in many fleets. Should be able to have a common portal to combine data so local and state governments can see exact ESA on their roads, and from this extract demand/pavement design needs/anticipated revenue.
<p>20. Other Issues</p>	<ul style="list-style-type: none"> • The HVRR barely mentions the existing mechanisms (road user charges, RAV registration, fuel excise, funding models). When proposing a change, the proposal needs to clearly explain the problems with the existing mechanisms that are trying to be solved, and how the solution would differ from them. • Chain of responsibility compliance could provide a mechanism for managing HV participation under this scheme. HV operator complies with COR and provides user charges => local government provides infrastructure