Local Government Association Tasmania

Our Ref: ME:DM

11 November 2020

Land Transport Market Reform Steering Committee Secretariat
Department of Infrastructure, Transport, Regional Development and Communications
GPO Box 594
CANBERRA ACT 2601

Email: hvrr@infrastructure.gov.au

Dear Sir/Madam

Heavy Vehicle Road Reform

Thank you for the opportunity to make a submission to the Heavy Vehicle Road Reform (HVRR) Project. The Local Government Association of Tasmania (LGAT) is the representative body of Local Government in Tasmania. Established in 1911, LGAT is incorporated under the *Local Government Act 1993* with membership comprising all 29 Tasmanian councils. The core purpose[1] of the Association is to:

- Protect and represent the interest and rights of Councils in Tasmania;
- Promote an efficient and effective system of Local Government in Tasmania; and
- Provide services to Members, Councillors and employees of Councils.

In turn, our members' functions are to:

- Provide for the health, safety and welfare of the community;
- Represent and promote the interests of the community;
- Provide for the peace, order and good government of the municipal area.

LGAT executes its role to support Tasmanian councils' functions[2] within our communities.

The Tasmanian Context

In 1996, local road tolls for heavy vehicles were abolished in favour of national heavy vehicle charges. Consequently, Local Government in Tasmania lost a key part of its road maintenance revenue to ensure it can keep pace with heavy vehicle (HV) access demands and the maintenance costs attributable to heavy vehicle impacts. To compensate councils for the loss of this key road management ability, the Tasmanian Government

[1] Section 328: https://www.legislation.tas.gov.au/view/html/inforce/current/act-1993-095#GS328@EN
[2] Section 20: https://www.legislation.tas.gov.au/view/html/inforce/current/act-1993-095#GS20@EN

replaced the local toll revenue with a $1.5 million per annum "Local Government Contribution", which comes from the Tasmanian Government's Heavy Vehicle Motor Tax (HVMT)[3].

Strangely, this allocation is capped and has not changed for 23 years. There is no indexation, no recognition of steadily increasing heavy vehicle usage and impacts, nor the increasing costs to maintain these roads, and no recognition of the local road network in delivering the critical door-to-door, first and last mile access that completes productive trips.

In contrast, the Tasmanian Government's revenue from the HVMT, the source of the Local Government Contribution, has increased by at least 130% from $39 million in 1997-98[4] to $89.9 million in 2018-19. Between these two budget periods, the Local Government Contribution share of HVMT revenue declined from 3.8% to 1.7%, simply by being capped. So this means that while total HVMT revenue has more than doubled over that time, growing generally in step with the increasing freight task[5] at about 4% per annum, the Local Government share of this revenue has been declining in real terms to less than half (3.9% reduction in share each year).

This has left Local Government to increasingly rely on other revenue sources that are not usage-based – i.e. cross subsidisation from general revenue, such as rates – to support its role in delivering heavy vehicle access.

As a result, while the State attracts increased HVMT revenue from providing increased HV access, Local Government attracts only costs. In other words, while State road management capacity is increased by improving HV access, Local road management is made more difficult and more marginal. This is a threat to Local Government financial sustainability and directly disincentivises councils from improving HV access. Expressed another way, this means that Local Government is forced to subsidise both State road management and the transport industry to deliver HV access by using general revenue, such as rates.

This is a problem for overall management of the Tasmanian road network because only part of the road network, the State-owned network, is being funded properly from the HVMT; the local road network is being steadily defunded. The transport industry needs complete routes funded to sustain access, but the funds it provides are not distributed according to the access industry needs – and pays for. Road user charges should be distributed according to usage, but this is not occurring, leaving local roads under-supported.

[3] See: https://www.legislation.gov.au/Details/F2017L00532/Explanatory%20Statement/Text
[4] Earlier data could not be found.
[5] Tasmanian Freight Survey: https://www.stategrowth.tas.gov.au/infrastructure_tasmania/freight/data/tasmanian_freight_survey2

LGAT has made this point to the Tasmanian Government but as yet Local Government's critical role in delivering heavy vehicle access is not recognised in the distribution of the HVMT.

Consequently, Tasmanian Councils strongly support a heavy vehicle road reform that delivers a user charging and road funding regime that logically, transparently and equitably links funding with the road impacts resulting from the heavy vehicle usage and access provided. Local Government should be included in the reforms, as they are managers of some 70-80% of Australia's road network critical to providing door-to-door access and completing heavy vehicle transport tasks.

National Service Level Standards

Tasmanian Councils generally support the concept of nationally harmonised service level standards for roads, but correctly hold concerns for the complexity of this and the difficulty in achieving harmonisation. There are so many internal and external factors influencing investment decisions that resolving inconsistencies will be problematic. In addition, determining what road standards users are willing to pay for could be extremely complex and difficult to achieve. Furthermore, the standards will need to manage quite variable road asset data between road management authorities, with the better resourced road managers (such as states, cities and higher population areas) usually having more comprehensive asset data than the lower population and less resourced road managers.

National service level standards would need to define what 'safety, reliability and access' mean in practical, measurable and objectively comparable terms. This work should build on existing road classification work, which for Tasmania are the Tasmanian State Road Hierarchy[6] and for a local road hierarchy, the Tasmanian Audit Office's Report of the Auditor-General No. 5 of 2013-14 - Infrastructure Financial Accounting in Local Government[7].

There is significant concern that the low HV volumes on local roads will mean low service levels and therefore low funding that does not properly recognise the disproportionate impact that heavy vehicles have on the many local roads and bridges that were not designed for heavy vehicle use. It is well established that the impact of heavy vehicles on shortening road life and increasing maintenance requirements is greater for roads that were not designed and constructed to support them, which encompasses a substantial proportion of Local Government managed roads. Over the years there has been a steadily increasing utilisation of local roads by greater volumes of heavy vehicles, a greater diversity of heavy vehicle types, and greater (and more damaging) axle loads.

[6] See: https://www.transport.tas.gov.au/__data/assets/pdf_file/0005/108509/State_road_hierarchy_December_1.pdf
[7] See: https://www.audit.tas.gov.au/publication/infrastructure-financial-accounting-local-government/

This has a substantial impact on council resources and financial sustainability, so sustainable funding sources linked to heavy vehicle access and usage is urgently needed by councils in Tasmania and likely across Australia.

Therefore, national service level standards and particularly the funding linked to them will need to recognise the greater relative impact and cost of even low volumes of heavy vehicles on roads more sensitive to their impacts.

Nevertheless, councils support the work to develop these national standards and recognise that they will be a valuable reference point in establishing their service levels and asset management programs.

Heavy Vehicle Recoverable Costs and Expenditure Planning

The general concept of expenditure planning is supported but striking the right balance between rigour/precision in determining costs and imposing additional resourcing overhead on road management authorities is critical to successful and sustainable reform. Resourcing additional planning and reporting work will particularly impact smaller, lower-resourced authorities, such as regional councils, and undercut the value of the reform. Indeed, we contend that ease of use and low resourcing overhead should overwhelmingly be favoured over a complex, resource-intensive and overly rigorous expenditure planning process.

Please be aware that Tasmanian councils are already mandatorily required[8] to prepare and maintain a suite of financial and asset management plans and strategies, including:

1. Long-term financial management plan
2. Financial management strategy
3. Long-term strategic asset management plan
4. Asset management policy
5. Asset management strategy

In addition to these plans, councils also need to prepare a number of asset management plans for the asset classes they manage, including roads. Rather than duplicating or adding to this extensive planning work, the HVRR proposed expenditure planning should seek to connect seamlessly, even support, the existing financial and asset management work of councils. We suggest that the HVRR team liaise with the audit offices of each jurisdiction to inform how this might best be achieved.

[8] See the *Local Government Act 1993*, Part 7, Division 2: https://www.legislation.tas.gov.au/view/html/inforce/current/act-1993-095#HP7@HD2@EN

User input into expenditure planning may be fine, but this input should be at the level of providing data on usage and travel patterns and informing network objectives; how these objectives are to be achieved should be left to road managers.

The Consultation Paper aims to ensure costs are being shared fairly, stating that: *"it would not be fair for users in some states to pay for investments in other states which deliver an excessively high level of service to local users"*. This statement should be used with care and needs to be refined. It is agreed that excessively high levels of service should not be funded nor charged to heavy vehicle road users (noting, however, that 'excessively high' will need to be clearly defined in the national service level standards). However, paying for investments in other areas is not the problem; heavy vehicle users cross state and locality boundaries constantly in the course of operating their business and rely on end to end access regardless of the particular state or local authority. Instead, supporting investments irrespective of locality and state enables to deliver the right transport outcomes and service levels for the overall road network to road users.

Finally, the expenditure planning of any single road authority should connect logically and coherently with neighbouring road authorities. Numerous, separate state and local road networks may be necessary for practical road management, but this often works against good overall road network outcomes by siloing road management decisions. Expenditure planning should make sense in the context of the overall road network, so mechanisms to foster collaborative development of expenditure plans should be explored. We have found that regional collaborations between state and local road managers for heavy vehicle access to be particularly effective in Tasmania; heavy vehicle expenditure planning could be a logical extension of this work and we recommend it as a highly successful model.

Independent Setting of Heavy Vehicle Charges

Tasmanian Councils voiced no objection to the concept of independent setting of heavy vehicle charges, provided that the methodology is sound, efficient and linked to heavy vehicle road impacts. A forward-looking cost base informing a steady stream of revenue to fund road construction, but especially maintenance and renewal, is ideal, consistent with best-practice asset management principles and strongly supported.

Keeping the volatility of heavy vehicle charges (and revenue streams) is very important for both supporting road authorities with a reasonably consistent and predictable revenue stream and also supporting our transport industry with a reasonably predicable and dependable operating cost, not to mention a dependable national road network. Again, simplicity, dependability and ease of use for both industry and road managers should be favoured over highly rigorous and intensive but accurate planning and charging systems. In other words, some accuracy in pricing can be sacrificed where it can deliver usability benefits.

Dedicated Road Funding (Hypothecation)

Dedicating road user charges to road infrastructure is logical, makes economic sense and is supported. Flexibility in how heavy vehicle revenue is used on roads is critically important and supports best practice asset management as it allows road management authorities to align funding with its asset management planning and objectives, rather than having to adapt programs to funding criteria. Sound asset management practice is further supported by creating a sustainable and dependable revenue stream. Therefore, we consider that a sustainable revenue stream and flexibility in how this revenue is dedicated to roads (i.e. little or no spending stipulations) are the two most important criteria of the proposed reform to road managers.

If stipulations in how hypothecated funds are spent are implemented, which should be avoided as they can force road programs that are out of step with long-term planning, then we suggest limiting them to only requiring heavy vehicle road funding to be spent in alignment with the road authority's long-term strategic financial and asset management planning.

Finally, Tasmanian Councils have voiced concern that the proposed reforms may be used to replace existing revenue streams, leaving them and their road management ability no better or even worse off in certain circumstances. Local Government's role in the road network is underfunding for what it is being asked to do, so councils need existing funding mechanisms, like Roads to Recovery and Financial Assistance Grants, to be supplemented, not replaced.

Concluding Points

In summary, Tasmanian Local Government supports the objectives of the Heavy Vehicle Road Reform Project generally, with the following features being particularly important to councils:

1. A system that ***supports sophisticated, longer-term strategic management*** of assets and finances, consistent with best practice asset management. This fundamentally depends on these proposed aspects of the HVRR:
    a. A ***sustainable and dependable revenue stream***; and
    b. Flexibility in how the hypothecated revenues is spent so that road authorities can ***align funding with their long-term strategic asset management planning***;
2. Dedicated road funding that ***supplements other funding streams***, without replacing them;

3. Expenditure planning that minimises unnecessary duplication in the existing planning and reporting regime required for best practice asset management and creates the ***minimum possible additional resourcing impact***;
4. National service level standards and the funding linked to them that ***recognises the greater relative impact*** and cost of even low volumes of heavy vehicles on roads and structures more sensitive to their impacts;
5. Proper recognition of the critical role of Local Government-managed roads in delivering complete transport routes to industry and ***inclusion of Local Government in the HVRR without delay***.

We thank you for the opportunity to comment on the Heavy Vehicle Road Reform Consultation Paper and look forward to the next steps in the project.

Yours sincerely

Dr Katrena Stephenson
CHIEF EXECUTIVE OFFICER