



Heavy Vehicle Road Reform

LGA of SA Submission

October 2020

Introduction

About the LGA of SA

The Local Government Association of South Australia (LGA of SA) welcomes the Transport and Infrastructure Council review and appreciates the opportunity to provide a submission to the *Heavy Vehicle Road Reform Consultation Paper* which proposes changes to the way heavy vehicle charges are set and invested.

The LGA of SA is the voice of local government in South Australia, representing all 68 individual councils across the state and the Anangu Pitjantjatjara Yankunytjatjara. We provide leadership, support, representation and advocacy relevant to the needs of our member councils.

The LGA of SA is a strong advocate for legislation and policies that achieve better outcomes for councils and the communities they represent.

Local government plays essential role in the efficient movement of freight

Local roads play an essential role in the efficient movement of freight. Councils are the custodians of local roads which of this critical infrastructure on behalf of all road users, including residents, visitors, business and industry.

South Australia has 11% of the nation's local roads and 7% of the population but receives only 5.5% of the Identified Local Roads component of Commonwealth Financial Assistance Grants (FAGs).

The *LGA Advocacy Plan 2019-2023* defines and prioritises the areas the LGA of SA will focus on and pursue to influence matters of importance to local government. In relation to ensuring that the councils are able to maintain and improve infrastructure and assets, the LGA:

- Supports the Australian Local Government Association (ALGA) request that the Australian Government increases Financial Assistance Grants to at least 1 per cent of Commonwealth taxation revenue and secures long-term certainty of supplementary road funding for South Australia.

The financial sustainability of councils and their ability to provide essential services and infrastructure in their communities is impacted by the relative decline in core federal funding in the form of Financial Assistance Grants (FAGs). Since 2003, successive Federal Governments have allocated supplementary road funding to South Australia as a temporary fix to an unfair funding formula. SA councils need confidence and certainty that this funding is secure over the long term.

- Recognises the importance of State Government investment in the strategic road network for economic and social prosperity.

Local government acknowledges its obligation for the maintenance, renewal and safety of local road networks. Councils continue to fulfil this obligation recognising the significant obligation of federal/state governments in providing financial assistance to the sector in discharging these duties.

Ensuring that councils have a sustainable and fair distribution of funds for the provision and maintenance of road infrastructure is paramount.

South Australian councils are ready to work together, and with the state and federal government, to undertake regional planning to provide the basic building blocks for project identification, prioritisation and investment. This will unlock local and regional productivity through investment that improves access for freight vehicles and connectivity between local roads and preferred state and national freight networks.

Response to specific questions of the Issues Paper

Service Level Standards

Q1. What do you see as the pros and cons of establishing service level standards?

The pros of establishing service level standards include:

- Transparency for all users. Operators, road managers and road authorities would have a single set of standards to aim for and an appreciation of what level the road manager sets the road corridor as.
- A move towards improved data collection across the road network and understanding of its anticipated usage as well as actual usage.
- The ability to link funding for infrastructure maintenance to productivity outcomes resulting in investment in higher productivity freight vehicles.

Some of the cons of establishing service level standards include:

- Focus on state territory and government roads to the detriment of local roads which play an essential role in the efficient movement of freight, especially for first and last mile connectivity.
- Likely to be linked to infrastructure capacity which some councils may not have sufficient knowledge or data on their infrastructure and therefore not able to provide an accurate representation
- Relies on road managers having the appropriate data to support the classification of a road, which is yet to be defined
- Potential to impact on the capacity of councils to modify their current process for classifying roads to align to a new standard.

Q2. What are the most important things for the service level standards to capture?

The standards should capture the purpose and function of the road as well as the contextual setting of the road. For example, if the road provides the main access into a smaller town or community, then it should be acknowledged as holding that function.

The service levels standards need to be flexible enough to account for the differences between urban, peri-urban, rural and regional areas and the associated volume and type of traffic utilising the road.

Q3. What mechanism/s should be established to make sure the service level 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?

Engaging with broad range of stakeholders will assist in establishing a range of views of users. To reasonably reflect a wide range of stakeholders it would be pertinent to ensure that all jurisdictions were actively involved, peak bodies within jurisdictions. By reviewing the list of stakeholders who have been identified as having a major interest and comparing to those who have provided a response will assist in identifying if there are any major gaps.

Q4. 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.

Mechanisms to review the standards should be undertaken via consultation periodically. This will allow the review to consider current issues. A standing body may become sterile in its view. To mitigate the consultation group only representing the views of a vocal minority, consideration to ensuring an even spread of stakeholders is represented. The spread of representation may cover metro, per-urban and regional council representation as well as state road authorities.

Deciding what costs are recoverable

Q5. Which model for independently determining what expenditure is recoverable from heavy vehicle users would you prefer and why?

A hybrid model is the preferred model to provide a balance between state and national only determination models and a balance of views and assessments. This will provide greater reassurance that objective and unbiased determinations are developed. It is also important to have a fair representation of to reduce any unintentional bias.

Consideration as to whether there is role for other bodies, such as Infrastructure Australia and/or Infrastructure SA as they are already involved in the prioritisation of infrastructure projects. If they are not involved, there is a potential that heavy vehicle road infrastructure priorities will not align with recommendations.

Q6. 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?

To ensure national consistency of expenditure recovery if determinations are made at a state level will require a form of moderation. This may be an overarching group of representatives from both state and national bodies to ensure a fair base line for recovery. This will also need to take into consideration the difference in heavy vehicle make up and movement within jurisdictions.

Q7. How important is the independence of the body/ies assessing expenditure?

The body/ies assessing the expenditure must have some knowledge and experience in relation to road user charging and the conflicting priorities being experienced by different stakeholders.

Q8. What benefits to users do you think particular expenditure review mechanisms might offer compared to the administrative costs associated with that mechanism?

The proposed forward-looking cost base (FLCB) would provide predictable revenue for road managers, however on any new infrastructure build or proposed upgrade they would be short for the initial capital unless they able to source it elsewhere.

It is imperative that that councils can contribute to and actively participate in the determination process.

It is important to ensure that the FLCB mode does not limit the scope for major regional infrastructure projects that impact and would be beneficial to multiple councils. The FLCB model would also need to be flexible in nature to allow for the planning and funding of major projects as well as large project announcements. Alternatively, the FLCB model may apply prospectively to the future maintenance requirements of these roads.

Independent setting of heavy vehicle charges

Volatility of heavy vehicle charges

Q9. How important is the aim of reducing volatility of heavy vehicle charges?

Q10. Does a forward-looking cost base seem to be a better way of assigning charges over time?

Q11. What, if any, additional information would you like to have about the proposed forward-looking cost base?

Q12. How important is the element of independence in assessing expenditure and charge-setting?

Reducing volatility around heavy vehicle charges will provide some consistency and stability for making informed investment decisions. This will also provide the heavy vehicle industry certainty for their operations and contracts; however, the slower moving charging system will impact on local governments when seeking funding to undertake road improvements.

Functions of independent price setter/s

Q13. What advantages and disadvantages are there to establishing independent pricing regulation?

Q 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?

Q 15. Are there any other functions or responsibilities the independent price regulator should have under the proposed new system?

Q 16. What pricing principles should apply to the independent price regulator/s with the above work?

Q 17. Under the proposed new system, should heavy vehicle registration fees be nationally consistent and based on nationally agreed service level standards like the Commonwealth Road User Charge would be?

It may be advantageous to have two distinct regulatory or advisory bodies. One with responsibility for independent price regulation and another to provide advice on the distribution of funds for infrastructure projects. The former body could be composed of stakeholders with a better understanding of the freight industry's capacity to pay and the flow-on consequences of road user charges on other industries in their supply chains (e.g. agri-businesses, regional economies etc.) The latter body could then be focussed on the most efficient use of a given quantity of funding. Each body can also advocate across each other's regulatory responsibilities (i.e. for a greater volume of funding, or for different road infrastructure priorities).

The implementation of an independent body will need to ensure that it does not complicate and detract from the intent of setting charges as well as ensuring that the primary principles of a fair distribution of and transparency of charges should be applied.

Nationally consistent fees and nationally agrees service levels would be ideal, however it is acknowledged that some states/territories may feel that they may be unfairly disadvantaged due to a higher representation of heavy vehicle movements.

Dedicated road funding

Q18. Do you have any comments about how charges are proposed to be dedicated to road infrastructure?

Q19. What publicly available reporting from either regulatory bodies or state and territory governments would be useful?

When considering the distribution of funds, a council's ability to raise revenue must be considered. The ability for councils to raise revenue differs within a region as well as across the state. However, all councils must balance the priorities of efficiently providing services and appropriate infrastructure with their ability to seek appropriate funding. It is important that throughout the reform that no local government is worse off due to the reform.

Reporting from either regulatory body should be clear, easy to interpret and use. Therefore, the development of a clear, potentially a graphical representation of both heavy vehicle revenue collection and road infrastructure/maintenance expenditure on a state-by-state or region-by-region basis would be beneficial.

Ultimately, one size does not always fit all. South Australian councils vary widely on size, types and levels of economic activity, terrain, demographics, focus on innovation, etc. In keeping up with the administrative changes necessary to implement some of the proposed regulatory changes, this would have a varied impact on councils in line with the administrative capabilities. The extra burden(s) may even threaten their sustainability.