The Allen Consulting Group

Options for improving the integration of road governance in Australia

The role of local government

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Report to Infrastructure Australia

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Executive summary

The national road network is a vital contributor to Australia's economic and social fabric. Road freight accounts for some 42 per cent of the national freight transport task, and is forecast to almost double in volume between 2000 and 2020.

It is therefore crucial to Australia that the road network is governed effectively. This project has found that governance models across different jurisdictions differ considerably, and that optimal levels of coordination and consistency are not being achieved. This is especially a concern in relation to local roads, given that local governments are numerous and highly diverse.

Issues identified included that: some heavy vehicle operators have had difficulty negotiating a desired level of access to the local road network; in some cases, the local network is provided to a standard that is sub-optimal relative to industry demands; local roads are not always well-integrated with other modes of transport and land uses; and some parts of the network are in a poor state of repair.

Underlying problems include insufficient incentives for local governments to maintain roads used by heavy vehicles passing through, from which that local area derives minimal benefit; underdeveloped pricing mechanisms for road access; the need for more rigorous assessment of the condition of the road assets; and availability of funding for maintenance.

In a physical network performance is highly dependent on consistency and interoperability across the whole of the network. Governance structures should foster greater consistency, connectivity and responsiveness to emerging needs.

A case can be made that local roads that form part of supply chains that extend beyond local government boundaries need to be integrated better with State and national approaches.

A measure of the effectiveness of future governance arrangements will be how responsive decision-making is to the needs of users of the freight network. Mechanisms to improve responsiveness to users will be an important element of the strategy for the future.

The report recommends that

- The Council of Australian Governments (COAG) develop a National Land Transport Agreement to establish mutually-agreed objectives, outcomes, outputs and performance indicators that will guide Commonwealth and State governments in service delivery in the road sector, as well as clarify the roles and responsibilities of the two levels of government.

- the existing National Land Transport Network continue as a single integrated network of land transport linkages of strategic national importance funded by Commonwealth and State Governments. However, this network be complemented by an identified network of arterial and local roads that are critical to supply chains. National asset planning should be an integral component of the new arrangements, with open and transparent performance measurement against asset plans developed by governments.

- enhanced collaboration between State and local governments, building on examples of good practice already in place in some jurisdictions:
    - identification of a network of arterial and local roads that are critical to supply chains within the State
    - regular meetings between senior representatives of the road traffic authority and the local government association in each State
    - Regional road groups bringing together the State and regional local governments
    - flexibility to reallocate funding between State and local roads depending on need
    - a legislative requirement for local governments to establish formal road management plans
    - establishment of a statutory defence against claims of negligence, contingent upon local governments being able to demonstrate the achievement of performance standards for maintenance and repair
    - sharing of resources between local governments within Regional Road Groups.

- a transparent and formal structure be implemented for the views of the private sector to be considered by governments in the planning of road transport networks. This would include input not only on upgrades and maintenance, but also broader network design

- a portion of grants paid from the Commonwealth to the local governments be restructured to allocate a pool of grants for expenditure on asset assessments and maintenance

- introduction of nationally consistent requirements for local governments to conduct asset assessments or to develop asset management plans.

These measures would be designed to complement COAG reforms of road pricing already in train.

Chapter 1

Introduction

1.1 The Australian road network

Given Australia's vast size, a well-maintained, well-functioning and efficient road network is of great importance. The Australian road network is a critical transport mode with around 42 per cent of freight being transported by road (National Transport Commission (NTC) 2006).

The road freight task is forecast to grow rapidly in Australia in coming decades. A commonly quoted statistic is a near doubling (80 per cent growth) of the freight task between 2000 and 2020 or an additional 50 000 trucks on Australian roads by 2020 (NTC 2006).

It will not be feasible to support this growing task through continued expansion of the physical infrastructure. In any physical network (not only road but other transport and communication networks) performance is highly dependent on consistency and interoperability between different parts of the network.

In the case of road transport, poor design and maintenance in parts of the network will frequently precipitate delays and blockages not only in the affected areas but also more widely in the network.

Appropriate governance structures are required to ensure that the road network is developed and maintained to meet emerging needs. The road network also needs to be well connected to ports, airports and rail terminals and to take account of land use in order for freight to be transported efficiently from producers to consumers.

Currently, responsibilities for planning, funding, maintaining and operating, and regulating road infrastructure are shared between the three levels of Australian government. The extent to which these complex intergovernmental arrangements inhibit effective planning and funding of the Australian road network appears to vary. Generally, the stakeholders that were consulted during this project reported good collaborative arrangements with other levels of government within their jurisdictions. Nevertheless, there are some jurisdictions where collaboration has been less effective in some instances – these should be addressed.

As the network grows and adapts to a rapidly changing policy environment, complex governance arrangements will potentially create weak spots that significantly hamper the capacity of the network to function to its full potential.

A number of issues arise from complex inter-governmental arrangements for roads, including: difficulties for transport operators to negotiate access by heavy vehicles to the network, sub-optimal design of the network, lack of integration between roads and other transport infrastructure and land use and a growing backlog of road infrastructure requiring repair or replacement.

1.2 Project brief

Infrastructure Australia engaged the Allen Consulting Group to examine the role of local government within the Australian road transport system. The objective of this project is to identify practical solutions for improving the existing road governance arrangements with the aim of improving freight productivity.

The Allen Consulting Group was asked to examine the role of local government in delivering road services in the context of the Australian federal system, to identify key areas of strength and weakness in the governance arrangements and to provide advice on options for improving the integration of the road transport system with particular reference to the role of local government.

This study took account of available literature and consultations with Commonwealth agencies (including the Department of Infrastructure, Transport, Local Government and Regional Development and the National Transport Commission), State road traffic authorities and transport departments and local government associations.

The freight industry was not consulted reflecting that the purpose of this project was to conduct a high-level review of governance arrangements, mainly concerning relationships between different levels of government, and not a more fundamental and wide-ranging study of road access and funding in Australia.

1.3 Report outline

The remainder of this report is structured as follows.

- In *Chapter 2* the existing arrangements for providing roads in Australia, particularly noting the role of local government and any important variations between States, are documented.
- In *Chapter 3* the main issues with the delivery of local roads in Australia are identified and discussed.
- In *Chapter 4* the factors that cause the problems with the delivery of local roads in Australia, as described in Chapter 3, are discussed.
- In *Chapter 5* options for improving the integration of the road transport system with particular focus on the role of local government are developed and assessed.

Chapter 2

Road arrangements in Australia

2.4 Introduction

In this chapter, factual information about the road transport arrangements in Australia is presented, particularly as the arrangements relate to local government. The purpose of this chapter is to ensure a common understanding of existing arrangements in Australia that will inform discussion in subsequent chapters on the issues surrounding the supply of local roads, factors contributing to those issues and potential solutions.

The information provided in this chapter includes:

- a broad description of responsibilities for owning, planning, funding, maintaining and operating road infrastructure in Australia;
- identification of the main bodies with a role in the management of road infrastructure in Australia;
- a discussion of the revenues sources available to local government for expenditure on local roads;
- the arrangements for establishing asset management plans; and
- the process for allowing access by heavy vehicles to the road network and the role of local government in this process.

2.5 Australian road network

In Australia responsibilities for owning, planning, funding, maintaining and operating road infrastructure are shared between the three levels of government (Commonwealth, State and local).

The allocation of responsibilities between levels of government depends upon the type of road based upon definitions of road classes. The road network can be broadly classified as:

- arterial roads, which are roads that predominantly carry through traffic from one region to another, forming principal avenues of travel for traffic movements; and
- local roads, which are roads or streets primarily used for access to abutting properties (Austroads 2008).[1]

State governments generally own the arterial road network and local governments generally own the local road network. Both State and local governments receive financial contributions from the Commonwealth government for the road networks that they own.

[1] Both arterial and local roads are usually subdivided into rural and urban roads.

In this report, an informal but important distinction is made between two different 'types' of local roads. One type of local road is that used predominantly for local access to properties and are used primarily by people and businesses that operate within the boundaries of an individual local government authority. The second type of local road comprises those that form part of supply chains that extend beyond an individual local government area and are used by industries and businesses whose travel may not originate or terminate within the boundaries of the local government in question. The main focus of this report will be on the latter type of local road.

In addition to arterial and local roads, some roads of 'national significance' have been identified, which are collectively referred to as the National Land Transport Network. The network of such roads comprises important national and inter-regional land transport corridors and is funded by the both the Commonwealth and State governments (DOITRDLG 2009a).

In practice, the actual allocation of road responsibilities within Australia lacks transparency for two reasons. One reason is that definitions of road classes are complex and the different jurisdictions use different methods to categorise road classes. All State road traffic authorities (with the exception of New South Wales, Victoria and Queensland) use the NAASRA (National Association of Australia State Road Authorities) or Austroads classification system. The remaining States use systems that are specific to their State and New South Wales and Queensland use two systems concurrently (Intergovernmental Committee on Surveying and Mapping (ICSM) 2006). Efforts are underway to develop a nationally uniform road classification system under the auspices of the ICSM.

A second reason is that the allocation of responsibilities across road classes varies from State to State.

> For example, in South Australia and New South Wales, State Governments are responsible for local roads in unincorporated areas, while a substantial amount of bridgework on local roads in Western Australia is carried out by the State, without the funds going through the accounts of local government.
>
> There are other differences between States. For example, arterial roads are generally the responsibility of State government in Victoria but of local government authorities in New South Wales. Councils in both States carry out work on arterial roads but under different financial arrangements. In practical terms, councils receive 'contract payments' in Victoria but assistance grants in New South Wales.
>
> Bureau of Transport Economics 2001

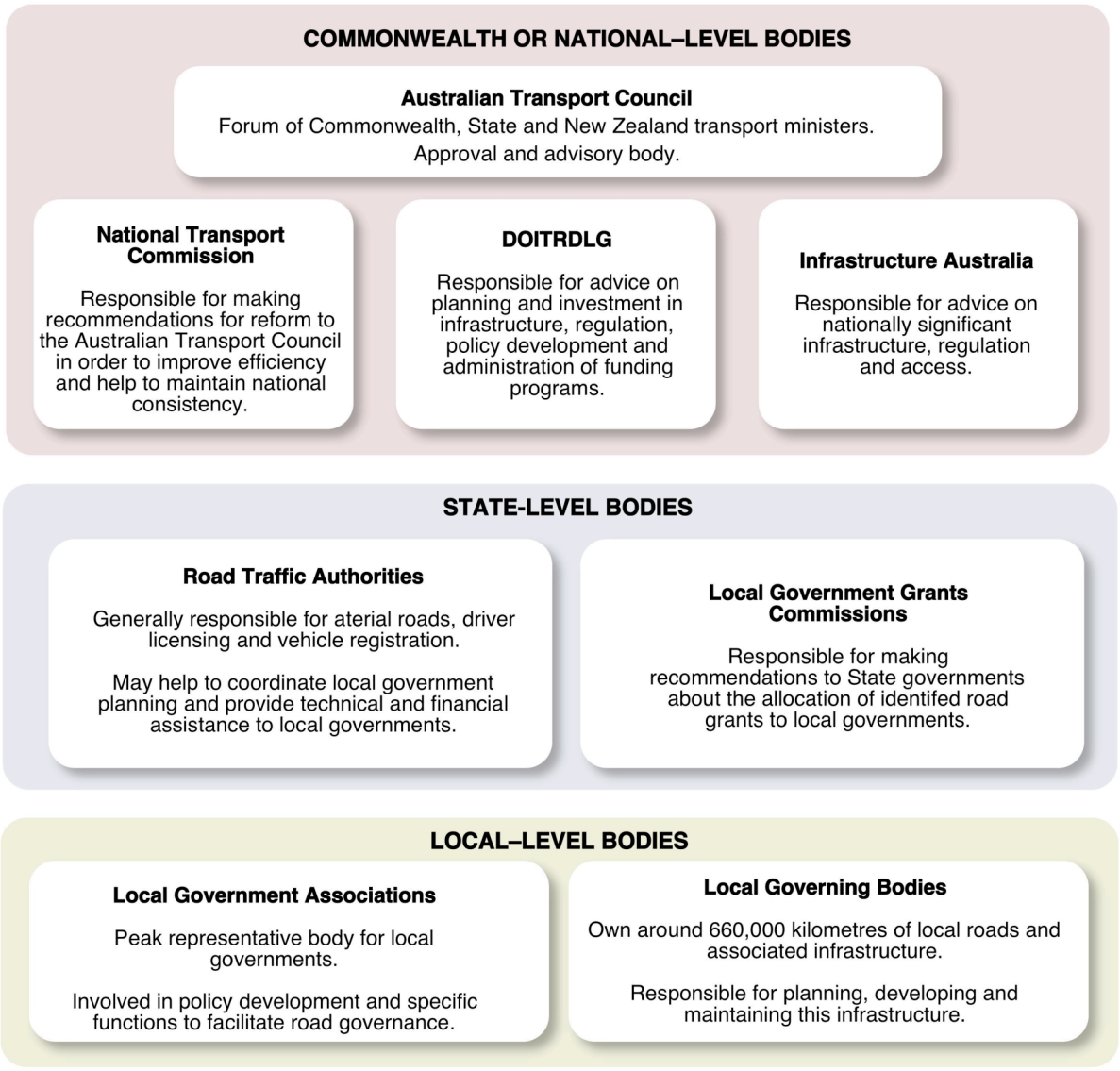
Although different levels of government take responsibility for different aspects of the road network, the road network needs to function as a nationally integrated system in order that freight can be transported efficiently end to end. This requires a high degree of collaboration between the three levels of government.

2.6 Road governance structure

There are a number of bodies at each level of government with responsibilities for roads (including planning, funding, operating and maintaining roads). In this section a high-level description of the roles and processes governing the interactions of these bodies with other responsible parties is provided. The following organisational chart is a summary of the information provided below.

Figure 2.1

ORGANISATIONAL CHART FOR DELIVERY OF LOCAL ROADS IN AUSTRALIA



Australian Transport Council

The Australian Transport Council is a forum for Commonwealth, State, Territory and New Zealand Ministers with responsibilities for transport, roads, marine and port issues.[2] The role of the Australian Transport Council is to provide advice to governments on the co-ordination and integration of all transport and road policy issues.

[2] The Papua-New Guinea Minister responsible for transport matters and the Australian Local Government Association (ALGA) have formal observer status on the Council.

National Transport Commission

The National Transport Commission is an independent statutory body with responsibility for advising and making recommendations to the Australian Transport Council on reform of the land transport system (road, rail and inter-modal connections), including improving uniformity across jurisdictions. The National Transport Commission assists with the co-ordination and implementation of approved reforms and ensuring that national uniformity is maintained over time (including in relation to heavy vehicle access regimes).

Funding for National Transport Commission is contributed by all governments with States contributing 65 per cent, and the Commonwealth Government providing 35 per cent.

Department of Infrastructure, Transport, Regional Development and Local Government

The Department assists the Commonwealth Government to promote, evaluate, plan and invest in infrastructure, including roads. The Department provides advice to the Commonwealth government, fulfils a regulatory and policy development role and administers programs. The Department administers funding for transport infrastructure (including the Nation Building Program and local government grants).

Infrastructure Australia

Infrastructure Australia is responsible for coordinating a national approach to Australia's economic infrastructure. Infrastructure Australia reports to Federal Minister for Infrastructure, Transport, Regional Development and Local Government, but also provides advice to all levels of Australian government and the private sector.

Infrastructure Australia provides advice on:

- Australia's current and future needs for nationally significant infrastructure;
- policy, pricing and regulatory issues that affect the utilisation of infrastructure;
- impediments to the efficient utilisation of national infrastructure networks;
- options and reforms, including regulatory reforms, to make the utilisation of national infrastructure networks more efficient;
- the needs of users of infrastructure;
- mechanisms for financing investment in infrastructure (Infrastructure Australia Act, 2008).

Road traffic authorities

Each Australian State has the equivalent of a road traffic authority. The precise detail of the responsibilities of these authorities will vary from State to State, but in general road traffic authorities may be responsible for:

- planning and managing the arterial road network (including maintaining road traffic signals, road markings and signage);
- implementing strategies to improve road safety;

- testing and licensing drivers and registering and inspecting vehicles; and
- regulating heavy vehicle access to the arterial road network.

Road traffic authorities in some jurisdictions interact quite closely with local governments to ensure integrated delivery of the arterial and local road network. For example, the road traffic authorities in Queensland and Western Australia operate Regional Road Groups, which are made up of representatives from State and local government road traffic authorities that meet on a regular basis to establish priorities for regional road networks.

Road traffic authorities may also assist local governments by providing technical advice about improvements to local roads and helping to conduct road assessments (Main Roads Western Australia 2006). In some cases, State government funding may be directed through State road traffic authorities to local governments. For example, under the *State Road Funds to Local Government Agreement* the Western Australian Government provides local government with a proportion of vehicle license fee revenue through the annual funding appropriations provided to Main Roads Western Australia (Western Australian Government 2005).

Local government grants commissions

Local governing bodies receive two main types of 'untied' grants from the Commonwealth Government, which are paid as specific purpose payments 'through' the State governments. These grants are paid under the *Local Government (Financial Assistance) Act 1995* (the Act).

It is the responsibility of a local government grants commission in each State and the Northern Territory to make recommendations on the allocation of untied grants from the Commonwealth to local governments in their State or the Northern Territory. The Act specifies national principles for the allocation of these grants to local government. However, it does not specify the actual method, which is left to the discretion of each grants commission. The method for allocation may have effect the incentives of local government for allowing heavy vehicles access to the local road network. This issue is discussed in more detail in section 2.7 (below).

Local government associations

Local government associations are the peak representative bodies for local governments. They lobby and negotiate on behalf of the local governments in their jurisdiction.

Local government associations may have an involvement in policy development and drafting for road infrastructure, including negotiating road funding arrangements. Local government associations may also have an involvement in operating programs to support road governance. For example, the Western Australian Local Government Association (WALGA) manages the database for local government's road inventory – ROMAN (Road Management System) – for the owners being Main Roads Western Australia and Institute of Public Works Engineering Australia (WALGA 2009).

Local governing bodies

There are 565 local governing bodies in Australia as defined under the *Local Government (Financial Assistance) Act 1995* (Australian Council of Local Government (ACLG) 2008). These local governing bodies are eligible for general purpose grants and identified road grants from the Commonwealth Government (DOITRDLG 2009).

Collectively, local governing bodies own around 660,000 kilometres of local roads (ACLG 2008). Their responsibilities include planning, developing and maintaining local roads, bridges, footpaths (House of Representatives 2001). Responsibilities also include road safety works and road traffic management.

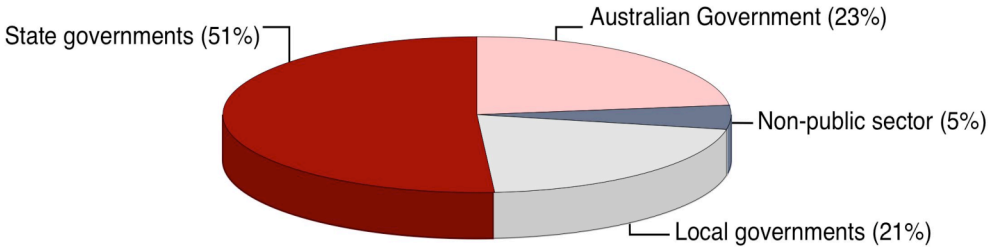
Local governments may also receive funding from State governments to provide and maintain arterial roads, which are a State government responsibility (Productivity Commission 2006).

2.7 Local government road revenue and expenditure

Local governments are responsible for local roads, which account for around 80 per cent of the Australian road network (Department of Transport and Regional Services (DOTARS) 2007). However, local governments are heavily reliant on other levels of government for assistance to fund their road responsibilities, with local governments accounting for only 21 per cent of total government expenditure on roads when measured net of grants from higher levels of government (BITRE 2008).

Figure 2.2

FUNDING OF ROAD RELATED EXPENDITURE



Source: BITRE 2008

This proportion of expenditure is funded from local government own source revenue (such as local government rates). Local governments generally do not collect any revenue directly from road users for use of the road network or specific roads[3] unlike the Commonwealth and State Governments (refer to section below on heavy vehicle charges). Expenditure on transport and communications accounts for around one-fifth of the total expenditures of local governments (DOTARS 2007).

[3] There may be some minor exceptions, such as tolls on local bridges or ferry crossings

Apart from own-source revenues, local governments receive funding for road expenditures from several sources including general purpose and specific purpose grants from the Commonwealth Government and in some cases assistance from State governments for both local government roads and arterial roads (which are generally the responsibility of State governments).

Commonwealth grants

Untied grants

Local governing bodies receive two main types of 'untied' grants from the Commonwealth Government, which are paid as specific purpose payments 'through' the State governments. These grants are paid under the *Local Government (Financial Assistance) Act 1995* (the Act).

The main type of untied grant is general purpose grants, which account for about 70 per cent of Commonwealth general purpose grant funding for local governments and are distributed between the State governments on an equal per capita basis (DOITRDLG 2009).

The second type of untied grants are identified local road grants, which account for the remaining 30 per cent of grant funding (DOITRDLG 2009). These grants are distributed between the State governments according to fixed historical shares. South Australia receives supplementary local road funding in recognition of its low historical share of identified local road grants.

The total pool of untied grants for local government is escalated annually in line with population growth and changes in the consumer price index (DOITRDLG 2009).

Both of the general purpose grants and the identified local road grants are considered to be untied because they can be spent by local governments as they see fit rather than on a specific purpose. The grants are however tied for the purposes of State governments, which are required to on-pass them to local governments.

It is the responsibility of a local government grants commission in each State and the Northern Territory to make recommendations on the allocation of grants amongst local governments in their State. While the Act specifies national principles for the allocation of general purpose and identified local road grants, it does not specify the actual method, which is left to the discretion of each grants commission.

The National Principle for the allocation of local roads grants is as follows:-

> The identified road component of the financial assistance grants should be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing body for roads expenditure and to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area.
>
> (DOITRDLG 2008)

The methods for allocating the identified local road grants in each State and the Northern Territory are summarised in Box 2.1. Notably, in New South Wales, South Australia and the Northern Territory the methods for allocating identified local road grants provided by the Commonwealth Government do not take account differences in road use by heavy vehicles amongst local governments in these jurisdictions. Western Australia takes account of these differences in a very limited way (that is, only on gravel roads and only when local governments provide sufficient data) (pers. comm. Mr Clive Shepherd, WALGGC 2009).

Box 2.1

METHODS FOR ALLOCATING IDENTIFIED LOCAL ROAD GRANTS AMONGST LOCAL GOVERNMENTS

New South Wales – Identified local road grants are distributed between local governments on the basis of councils' proportion of the State's population and the lengths of local roads and bridges (NSWLGGC undated).

Victoria – Identified local road grants are distributed to local governments on the basis of road lengths and traffic volumes in each municipality. The method takes account of local characteristics using cost modifiers for freight, climate, materials, sub-grade conditions and strategic routes (DPCD 2008). The freight cost modifier recognises local roads in some municipalities carry relatively high volumes of heavy vehicles compared to others, which impacts on the cost of asset preservation (Victoria Grants Commission 2006).

Queensland – Identified local road grants are distributed to local governments on the basis of an engineering assessment of costs to maintain a council's road network, including bridges, in average condition. Each council has a mix of bridges, floodways, traffic and road length which is used to derive its physical network. Allowances are given for climate, soil sub-grade, locality, terrain, heavy vehicles and the provision of plant and material to islands (QLGGC 2004).

Western Australia – In Western Australia 93 per cent of identified local road grants are distributed according to an Asset Preservation Model and the remaining 7 per cent of the funds are allocated for special projects (one-third for roads serving remote Aboriginal communities and two-thirds for bridges) (WALGGC 2008).

Grants are allocated between local governments on a pro-rata basis reflecting the relative whole-of-life costs of maintaining local road infrastructure. Asset preservation costs used in calculating whole of life costs for sealed roads are based on costs currently incurred by local governments and therefore take current heavy vehicle use into account. However, there are no general provisions in the model to relate preservation needs directly to heavy vehicle use because comprehensive data on heavy vehicle use is not available. Many local governments have been concerned about heavy vehicle use on gravel roads. To allay these concerns allowances are made where local governments provide reliable traffic data. The Grants Commission will take account of the effects of heavy vehicle use on all roads when reliable traffic data on which to calculate these effects become available (pers. comm. Mr Clive Shepherd WALGGC 2009).

South Australia – In the metropolitan area, allocations to individual Councils are determined by an equal weighting of population and road length. In the non-metropolitan area, allocations are made on an equal weighting of population, road length and area of Council (SALGGC undated).

Tasmania – In Tasmania, 90 per cent of identified local road grants are directed towards road preservation and the remaining 10 per cent are directed towards bridge expenditure. The road preservation component is distributed between councils according to a roads preservation model, which assesses the total asset preservation requirement for each council in four road classes: urban sealed, urban unsealed, rural sealed and rural unsealed roads. Cost adjustors are applied to provide a measure of costs adjusted to account for rainfall, terrain, traffic and remoteness. The cost adjustor for traffic provides a measure of the relative cost disadvantage associated with heavy vehicle traffic on council road networks (State Grants Commission undated).

Northern Territory – In the Northern Territory grants are allocated by applying a weighting to each council by road length and surface type. These weightings are:

10 x Kerbed and Sealed road + 8 x Sealed road + 4 x Gravel road + 1 x Formed road + 0.4 x Unformed road + 2 x Cycle Paths.

An Isolation Works cost adjustor for each council is then applied to the total weightings for each council (NTGC 2008).

Tied grants

The other major source of Commonwealth funding for local government roads is the Nation Building Program, which has replaced Auslink. The Nation Building Program has funding of around $27 billion for the period 2008-09 to 2013-14. Funds will be allocated to road and rail programs and projects across the National Land Transport Network. The network is comprised of important national and inter-regional land transport corridors (DOITRDLG 2009a).

There are several components of the Nation Building Program through which funding is made available for local government roads, including the following.

- Roads to Recovery, which will make $1.75 billion from the five years from 1 July 2009 available to local government authorities and State governments with responsibilities for roads in unincorporated areas (DOITRDLG 2009b).
- Off-Network projects, which delivers funding to State and local governments for road, rail and intermodal projects not situated on the National Network (DOITRDLG 2009c).
- Black Spot program, which directs funding to roads where there are a high number of accidents (DOITRDLG 2009d).

State grants

Local governments also receive funding from State governments for expenditure on arterial and local roads. Recently consolidated data is not readily available, but historical data indicates that the level of funding from State to local governments per capita is highly variable between States. In 2004-05, the Western Australian Government provided around $66 per capita to local governments for transport and communication expenditure, whereas the Northern Territory government only provided around $10 per capita. The national average was around $30 per capita (DOTARS 2007).

2.8 Asset management plans

Asset management has been described by DOTARS as follows.

> Asset management aims to maintain assets to deliver services in the most cost effective manner for present and future consumers. Good asset management will prolong the life of assets and minimise their whole of life costs.
>
> DOTARS 2006

A good asset management plan will provide accurate and up-to-date information to governments about road inventory (including bridges) and the condition that the road inventory is in. This information is critical for planning needs for future upgrades and maintenance requirements for the road network based upon likely patterns of road use and the accompanying funding requirements for infrastructure works.

An appropriate system of asset management will also help to ensure that roads are properly maintained over their life cycle, rather than leaving an excessive funding burden for future generations. An asset management system may help to provide legal protection for local governments against claims of negligence (refer to Box 2.2).

Box 2.2

LEGAL REQUIREMENTS FOR ASSET MANAGEMENT

Prior to May 2001, road authorities were not liable for failures of the road network under the 'highway immunity', also called the 'non-feasance' immunity (AMQ International 2001). However, a High Court decision on two cases which it considered at the same time (Ghantous –v– Hawkesbury City Council and Brodie –v– Singleton Shire Council) over-turned the non-feasance immunity and determined that road authorities should be 'governed by ordinary principles of negligence' (AMQ International 2001). An appropriate level of asset management planning is now a fundamental protection against legal liability for accidents on roads.

Under the non-feasance immunity road authorities had no duty to remove dangers that were not of its own making, including if road assets (including footpaths and nature strips) fell into disrepair. However, road authorities could be held liable for 'misfeasance'. Misfeasance would occur if the road authority caused a danger, even through misdirected attempts to rectify a danger caused by another party.

Some States – such as Victoria (VicRoads undated) and Western Australia (WALGA undated) – have subsequently reinstated the non-feasance protection in legislation to varying degrees.

Subsequent to the High Court decision (in States where the non-feasance protection has not been reinstated), a court would need to consider four issues in applying ordinary principles of negligence and in determining a road authority's liability for accidents. These factors are:

- the road authority's resources;
- the road authority's awareness of a potential danger;
- the length of time it should take a road authority to identify a potential danger; and
- the appropriate action to be taken by a road authority in response to a danger (AMQ International 2001).

An appropriate level of asset management planning is now a fundamental protection for local governments against legal liability for accidents on roads and in establishing a defence against a finding of negligence (based upon the four issues above). An asset management plan will help to:

- identify any short-falls in resources and demonstrate that a road authority has appropriately allocated its resource across all of its responsibilities;
- demonstrate that a road authority firstly took appropriate steps to be aware of potential dangers (for example, through audits of infrastructure) and secondly did so in a timely manner; and
- demonstrate that a local authority took appropriate action to rectify any dangers.

Arrangements for conducting asset management plans vary from State to State. Some State governments (such as Victoria and Queensland) require local governments to prepare asset management plans, while others have no such requirements. (A selection of asset management arrangements in several States are presented in Box 2.3.) However, even in States that require local governments to prepare asset management plans, the quality of these plans may vary substantially from one local government to another depending upon the skills and resources available to the local government.

Box 2.3

ASSET MANAGEMENT INITIATIVES

Victoria

Under the Victorian *Road Management Act 2004* local governments are required to assess the need to establish a formal road management plan. If local governments do not have effective policies, administrative processes and systems in place to manage roads they may not be eligible for statutory protection against civil liability claims under the Act (VicRoads undated).

The Victorian Government has established a code of practice for road management plans, which amongst other things specifies the matters that should be included in a road management plan. Under this code, a road management plan should include standards for and prioritisation of inspection, maintenance and repair of roadways, pathways, road infrastructure and road-related infrastructure (Victorian Government 2004).

Queensland

Under the *Local Government Act 2009*, local governments are required to prepare a long-term asset management plan and a long-term financial plan (covering at least ten years) to fund the asset management requirements. Queensland Main Roads has provided some funding to local governments for road asset management systems from which local governments are required to produce common outputs and data-sets according to a specification.

Queensland Main Roads and the Local Government Association of Queensland (LGAQ) are working together to establish a data management system or "Hub" to support better decision making about investment in the road network (LGAQ 2006). Initially, the Hub will contain aggregated road and bridge data on an identified network of important State and local roads called the Local Roads of Regional Significance. However, the Hub is being extended to encompass all local roads in Queensland and will allow for consistent reporting by all local governments of basic inventory and condition status of roads and bridges. The data that will be required from local governments will be based upon a state-wide specification and will be fairly basic reflecting different capabilities amongst local governments. It is expected that the first consistent state-wide data will become available in around 18 months.

Western Australia

Western Australia does not specifically require local governments to prepare asset management plans on a regular basis. However, several initiatives have been established to facilitate data collection (ROMAN), prioritisation for upgrades and maintenance of significant roads (Roads 2025) and awareness-raising amongst local governments of the importance of asset management plans (WAAMI).

The Western Australian Local Government Association (WALGA) maintains a database called ROMAN (Road Management System). All local governments are required to enter information on their road inventory into this database (for example, kilometres of sealed and unsealed roads, bridges). The database is quite complete because a local government's share of untied local road grants depends upon the information included in the database. The database does not include information on the condition of the road inventory (pers. comm. MRWA, 29 June 2009).

The documents which comprise Roads 2025 establish priorities for major upgrades of State and local roads of significance. Through Regional Road Groups, local governments reviewed and updated their road development strategies in consultation with Main Roads (MRWA 2009).

Western Australian Asset Management Improvement (WAAMI) is a two-year training and asset management plan development programme aimed at improving the knowledge and awareness of the need for asset management at the Council and Corporate Management level and to assist Councils in determining their asset renewal funding gap using a structured asset management process (WALGA undated).

The Local Government and Planning Ministers' Council (LGPMC) has agreed to an accelerated implementation of nationally consistent frameworks for local government asset and financial management (LGPMC 2009). The frameworks 'aim to provide a consistent reporting mechanism for all local government authorities and a clearer picture for State and Territory governments of the financial and management "health" of local governments' (LGPMC 2009).

National level efforts are being made to improve the availability of data on the local road network in order to enhance the basis for planning and prioritising expenditure on the road network. These efforts include the following.

- National Local Roads Database system – an aggregation of existing sources of local road information (such as from the grants commissions and transport authorities) into a single national local roads database. This is a project of the Australian Local Government Association (ALGA 2007).
- National Local Roads Information Project – a mechanism for collecting local roads data from councils and its aggregation, value adding and use by stakeholders. This project is being conducted by ALGA, the Local Government Association of Queensland and the Municipal Association of Victoria (ALGA 2007).

2.9 Heavy vehicle access

Heavy vehicle access systems

There are a number of different types of heavy vehicles operating in Australia. Some types of heavy vehicles are automatically permitted 'general' access to the Australian road network (this includes most heavy vehicles up to 42.5 tonne semi-trailers) (NTC 2009b). Larger and heavier types of heavy vehicle are said to have 'restricted' or 'conditional' access to the road network (NTC 2009b).

Currently, each State has its own system of regulating the movements of restricted heavy vehicles on roads within its jurisdiction. These systems are generally administered by the road traffic authorities in each State.

There are two main ways through which access to the road network by restricted heavy vehicles is regulated. In some States heavy vehicle operators may be allowed access by complying with conditions set out in a notice scheme. In other States, heavy vehicle operators must apply to the state road traffic authority for a permit. In States with the latter type of system, there may be some specific vehicle classes that may access the road system provided that they comply with conditions in a gazettal notice (NTC 2009b).

There are also some national policies in operation which provide 'special' access to certain parts of the road network for heavy vehicles. These policies include Higher Mass Limits[4] and the Performance Based Standards scheme[5].

[4] Under the Higher Mass Limits scheme heavy vehicles are permitted to operate with additional mass (compared to normal standards) on certain types of axle groups, on a restricted road network and subject to conditions. Participants in the Higher Mass Limits scheme must be registered in each State that they operate in (NTC 2009c).

[5] The Performance Based Standards scheme provides the opportunity for transport operators to apply to use non-standard, innovative heavy vehicles on specified road networks in order to achieve productivity improvements. Such vehicles would generally not be recognized under State-based heavy vehicle access schemes. Vehicles must be approved for use with approval based upon the performance of the vehicle design (NTC 2009d).

Local governments do not have a formal role in the development, implementation or administration of heavy vehicle regulation in Australia (DOITRDLG 2009f). However, in recognition that local governments are the asset owners and managers for many roads, bridges and associated structures, heavy vehicle operators often need to apply to local governments for access to this infrastructure under State schemes and national policies. This includes determining whether roads under local government authority should be included in the networks to which the Higher Mass Limits and Performance Based Standard schemes apply. The authority under which local governments have the power to determine whether heavy vehicles can access local roads and the process for granting approval will vary from State to State (National Road Transport Commission (NRTC) 2002). As an example, the arrangements in Western Australia are briefly summarized in Box 2.4.

Box 2.4

THE ROLE OF LOCAL GOVERNMENT IN DETERMING HEAVY VEHICLE ACCESS IN WESTERN AUSTRALIA

In Western Australia the road traffic authority Main Roads Western Australia (MRWA) is responsible for issuing all heavy vehicle permits. MRWA is not required by legislation to seek the approval of local government before issuing permits for heavy vehicles to access local roads. In practice, MRWA has a policy of not issuing permits for heavy vehicles against the wishes of local governments (pers. comm. MRWA, 29 June 2009).

MRWA has identified 10 permit road networks covering Western Australia. These networks indicate which roads different types of heavy vehicles can travel on, with progressively larger heavy vehicles being constrained to operating on increasingly restricted networks (MRWA 2009a). If a heavy vehicle wishes to travel on a local road that is not part of the approved network for that class of heavy vehicle, the heavy vehicle operator must write to the local government for approval to travel on that road. There is an extensive process in place for extending the defined network on which heavy vehicles can travel, including whether roads and bridges are capable of handling the anticipated traffic. MRWA works closely with local governments through this process (pers. comm. MRWA, 29 June 2009). If the local government provides approval then the heavy vehicle operator must apply to MRWA to have the road included on the appropriate permit road network.

Heavy vehicle charges

The two main sources of revenue that are collected from heavy vehicles are diesel fuel excise and annual registration fees. Diesel fuel excise is paid to the Commonwealth Government. Heavy vehicle operators pay a diesel excise rate of 38.14 cents per litre (Productivity Commission 2006).

Annual heavy vehicle registration fees are levied by each of the State governments, although the system is administered by the National Transport Commission (Productivity Commission 2006). Administration by the National Transport Commission ensures that heavy vehicle registration fees are nationally uniform, although variable between classes of vehicles.

In total, two-thirds of the revenues collected from heavy vehicle charges goes to the Australian Government and the remaining third goes to the State governments (Productivity Commission 2006). Local governments do not currently receive any revenues specifically from heavy vehicles for use of the local road network.

The National Transport Commission is responsible for making determinations on heavy vehicle charges and making recommendations to the Australian Transport Council on annual adjustments. Heavy vehicle charges are set to recover heavy vehicles' share of road expenditure and continue to do so on a year-to-year basis (NTC 2009, pp. 1). Heavy vehicle registration charges are adjusted annually according to a formula that takes into account changes in road expenditure and road use by heavy vehicles (NTC 2009, pp. 1).

Chapter 3

Issues in local government roads

3.10 Introduction

Problems with the local government road network manifest to users in a number of ways and are often particularly acute in rural and regional areas. The main issues were identified by reviewing past studies of road arrangements in Australia and through consultation with key stakeholders and have been described in this chapter. These issues include the following.

- Some heavy vehicle operators have had difficulty negotiating a desired level of access to the local road network.
- In some cases, the local road network is provided to a standard that is sub-optimal relative to industry demands.
- The local road network is not always well-integrated with other modes of transport and land uses.
- Some parts of the local road network are in a poor state of repair, perhaps in addition to being of a sub-optimal design.

Each of these issues is discussed in turn in the following sections.

3.11 Access to the local road network

Members of the road transport industry have expressed concern about the outcomes of decision-making by local governments on access by heavy vehicles to local roads. Some transport operators have expressed the view that local governments 'lack objectivity and consistency' when considering applications for access by heavy vehicles and in some cases impose "inconsistent" and "unfair" restrictions on access (NRTC 2002).

In general, the majority of distances travelled by freight vehicles through supply chains will be on highways and arterial roads provided by the State governments. Heavy vehicles will generally only travel on local roads for the last few kilometres to the final destination, otherwise commonly referred to as the 'last mile'.

As described in Chapter 2, local governments generally have some authority to regulate the movement of heavy vehicles on local roads within their boundaries. The authority under which local governments have the power to determine whether heavy vehicles can access local roads and the process for granting approval varies from State to State (NRTC 2002).

In some cases, difficulties negotiating access to the last mile creates bottlenecks to efficient freight movements as illustrated by excerpts from a 2007 speech given by the Chairman of the National Transport Commission (refer Box 3.5).

Box 3.5

EXAMPLES OF LAST MILE ISSUES

While many councils are 'open for business' and receptive to the transport industry's needs, misunderstandings and genuine concerns about cost and responsibility shifting to local government are blocking national productivity reforms.

For example, New South Wales recently opened-up access on some routes to Higher Mass Limits trucks, but this is academic if operators are unable to reach the delivery point in Sydney – we're talking about a few kilometres of local road on an 860 kilometre trip.

Indecision and uncertainty about road impacts are holding up access permits – even though the Roads and Traffic Authority's Information Pack assures councils that road-friendly suspensions mitigate the impact of higher mass loads.

In South Australia, the ongoing gazettal of 3,000 local roads to replace the existing permit system for B-doubles is being hampered by a stalemate with some local councils.

A manufacturer in Tasmania wanted to move product 12 kilometres from the plant to the local port in heavy containers for export. The savings were estimated at around $1,000 per TEU [twenty foot equivalent unit]. No permit could be obtained for a quad-axle truck and the product is now sourced from New Zealand.

Another local council approved access to a warehouse for an operator's own B-doubles, but – for some reason – not their contractors'. Every time a subcontractors' B-double rolls up, the driver has to park at a separate yard, disconnect the trailers and do two trips.

Source: Deegan 2007.

In response to these concerns, the National Road Transport Commission (NRTC) developed guidelines for local governments to apply in assessing the applications of transport operators to access local roads (NRTC 2002). These guidelines include template forms for applications and assessments. It is understood that these guidelines have been superseded by guidelines developed more recently by Austroads. Austroads issued a consultation draft of its *Guidelines for Assessing Heavy Vehicle Access to Local Roads* in January 2009 (Austroads 2009).

Notwithstanding the development of these guidelines for local government, there are some outstanding concerns about whether local governments are facilitating an efficient level of access to local government roads by heavy vehicles.

Local governments may be reluctant to 'open up' roads to heavy vehicle because heavy vehicles can cause considerable damage to roads. Local governments do not receive direct compensation in recognition for the damage caused by heavy vehicles (either through adjustments to grant funding or through user-payments) and are therefore incentivized to 'protect' their road network. The basis for this reluctance is discussed in more detail in Chapter 4.

3.12 Sub-optimal network

There are sections of the Australian local road network as it currently exists that are not constructed to efficient standards relative to demand from industry. That is, the potential marginal revenues generated from improved freight productivity exceed the marginal costs of improvements to the network required to achieve those productivity improvements. Of course, it is recognised that local governments have limited funds with which to upgrade roads and also need to balance the needs of the freight industry with urban amenity.

The design of a road encompasses a number of things: lane width; number of lanes (including frequency of overtaking lanes); pavement thickness; and surrounding land use (for example, parking bays).

The standard to which a road is constructed has important implications for the types of vehicles and the amount of traffic that the road can tolerate and hence the use of the road (that is, local passenger traffic or heavy freight traffic). At a minimum, the road network is built to facilitate passenger movements. However, a road network designed for passenger traffic may be insufficient for use by heavy vehicle because roads used by heavy vehicles will require thicker pavements and bridges that are capable of supporting heavier weights.

In some cases, roads and bridges are being constructed to a much lower standard than would actually be required (for example, some roads and bridges could arguably be built to a higher standard to facilitate use by heavy industry) (Fraser 2008). From the perspective of the freight industry, a road network may be considered sub-optimal compared to efficient standards if it results in heavy vehicles travelling excessive distances (for example, to circumvent local roads or bridges that will not tolerate heavy vehicles) or an excessive number of vehicles on the road (because freight needs to be split between a number of smaller heavy vehicles because the network will not tolerate more efficient, larger heavy vehicles (Fraser 2008).

Relative to an optimally designed network, a sub-optimal road network will impose additional economic costs on industry related to the costs associated with travelling additional distances or requiring additional vehicle movements (Fraser 2008). There will also be additional environmental costs in terms of greenhouse gas emissions, and potentially some safety costs associated with the extra traffic caused by a sub-optimal network (Fraser 2008).

Box 3.6

CASE STUDY: ROCKHAMPTON LIVESTOCK INDUSTRY FREIGHT INFRASTRUCTURE IMPROVEMENTS

The Australian Livestock Transporters Association (ALTA) made a formal submission to Infrastructure Australia providing case studies quantifying the effects of capacity constraints in local road infrastructure on the livestock transport industry.

One of the case-studies presented related to Rockhampton in Queensland. Rockhampton is one of Australia's main cattle processing centres with two major abattoirs employing more than 4 000 staff and processing nearly 600 000 cattle per annum.

Abattoirs rely heavily on livestock transport efficiency for their competitiveness (for every $100 of 'ex-works' meat and meat products produced, road transport accounts for around $9 of input cost).

The ALTA case study of Rockhampton identified six possible route upgrades, which would upgrade access from either a B-double to a Type-1 road train or a Type-1 road train to a Type-2 road train. ALTA considers that these route upgrades would result in significant freight efficiency improvements and consequent reduction in transport-related costs. These efficiency improvements would arise from: more efficient use of vehicles due to increased cattle capacity per vehicle thus reducing the number of trucks required; fewer kilometres per trip as vehicles would no longer be forced to use longer, less efficient routes; and reduced need to 'break up' road trains into smaller loads for lower capacity roads. Such improvements in transport efficiency are also expected to result in improved road safety and a reduction in greenhouse gas emissions because fewer vehicle kilometres would be required.

The following table shows the estimated aggregate savings of the six upgrades to the Rockhampton meat and livestock industry and community.

	Task: now	Task: preferred outcome
Total annual cattle delivered	1.3 million head	1.3 million head
Total annual cost of task	$29.491 million	$17.205 million
Total annual movements required	14 409 trucks	9 221 trucks
Total annual emissions	8 792 tonnes	5 180 tonnes
Annual financial savings		**$12.286 million**
Annual road safety dividend		**5 759 fewer truck movements**
Annual CO2 emissions savings		**3 612 tonnes**

ALTA has not estimated the cost of the route upgrades required to create these net benefits. It considers that the benefits could be achieved through a mix of infrastructure and regulatory measures. ALTA estimates that there would be positive financial benefits arising from the physical infrastructure investments assuming a 30 year life of the investments.

Source: Fraser 2008.

3.13 Integration with other transport infrastructure and land use

For a number of industries, the road network is one component of a 'supply chain'. In such cases, the productivity of the industry is dependent not only upon the road network, but the way in which the road network interacts with other components of the supply chain (including rail, ports, airports) and land use. For this reason, planning of local road networks needs to be integrated with planning of other transport infrastructure and land use.

Addressing capacity constraints and supply chain performance is one of ten priority areas identified for assessment under the National Transport Policy Framework. In 2009, the National Transport Commission released a draft position paper (Supply Chain Pilots). The objective of the position paper was to provide governments with better information on supply chains by evaluating four case studies (coal, meat and livestock, grain and inter-modal) and to identify challenges requiring government intervention.

The various infrastructure components of a supply chain may be provided by different levels of government or the private sector. For example, ports and rail are generally a responsibility of State governments, while local roads are generally a matter for local governments.

Issues may arise when actions by one level of government or the private sector do not take into account the effects (both positive and negative) on other levels of government or the private sector within a supply chain. An example of this is provided with reference to possible decisions to close rail spurs in the grain supply chain in Western Australia and the potential consequential increases in the amount of heavy traffic on local roads and hence the cost to local government of upgrading and maintaining these roads (refer to Box 3.7).

Box 3.7

WESTERN AUSTRALIAN GRAIN SUPPLY CHAIN

Western Australia is the country's largest grain producing State, responsible for 35 per cent of the country's total grain production (WEA 2007).

The major grain production areas in Western Australia are: the central (Kwinana) region (50 per cent of total grain production); the northern (Geraldton) region (27 per cent); the southern (Albany) region (14 per cent); and the Esperance region (nine per cent) (CCIWA 2007).

The significance of this for the export supply chain is that production in Western Australia is widely distributed, and reliant on storage and transportation links that have to be well coordinated at harvest, and effectively integrated with port facilities. The absence of a large domestic market in Western Australia accentuates this requirement.

In Western Australia rail is the primary means through which grain is transported from receival sites to export ports, accounting for the delivery of 65 per cent of the State's grain for export (SVGA 2007). However, as this percentage implies, road is also an important method of transporting grain in Western Australia.

The private below ground rail operator in Western Australia (WestNet Rail) has indicated that it may close most parts of the narrow gauge line across the Albany region, large parts of the Kwinana region and parts of the Geraldton region in 2010 (The West Australian 2009). WestNet Rail has guaranteed to keep all lines open if the State Government will provide $45 million of interim funding to re-sleeper the Northam to Albany line (The West Australian 2009).

It appears that the immediate risk of rail closures has been averted. However, Western Australia's bulk grain handler (CBH) has indicated that in response to rail line closures it would need to make provisions to transport three million tonnes of grain, or a third of the State's grain harvest, by roads. This would significantly increase heavy vehicle road traffic movements in affected areas.

Source: WEA 2007, CCIWA 2007, SVGA 2007 and The West Australian 2009.

3.14 Asset management

In addition to problems of the local road network not being designed to an efficient standard, the existing infrastructure assets are not being maintained at to their original standard. Poorly maintained road infrastructure can lead to safety problems, result in roads not being useable for the purpose that they were originally designed for, reduce the useful life of road assets and increase the cost of returning the roads to original standards.

In addition, economic efficiency requires that responsibilities for assessing, planning and upgrading the road network are allocated to the level of government with the financial capacity and that bears the financial risk for the network, as well as being consistent and integrated across levels of government. This issue is discussed in more detail in Chapter 4 and Chapter 5 of this report.

In the past decade, a number of studies have indicated that the local road network is not well maintained and that road assets are not being preserved.[6] The most recent nationally consistent study appears to be that of Engineers Australia as part of the Infrastructure Report Card series.

According to Engineers Australia the condition of local roads in rural areas is of 'particular concern' and notes that some existing infrastructure is 'in a disturbing state' (Engineers Australia 2005). In the Infrastructure Report Card series, local roads were given ratings between a 'C+' (Western Australia 2005) and a 'D' (South Australia in 2005). Under Engineer Australia ratings:

- a 'C' is 'adequate' – major changes required in one or more of the above areas[7] to enable infrastructure to be fit for its current and anticipated purpose; and
- a 'D' is 'poor' – critical changes required in one or more of the above areas to be fit for its current and anticipated purpose.

Engineers Australia attributes the 'generally poor quality of local roads' to inadequate renewal expenditure on the local road network and notes more generally that infrastructure grants often only cover capital works with no allowance for ongoing maintenance (Engineers Australia 2005).

The 'national local road deficit' (that is, the gap between what is spent on local roads and what needs to be spent on local roads to preserve their condition) was estimated to be around $400 million per annum in 2006 (DOTARS 2006). However, this estimate should be treated with caution as it was based upon extrapolations of old, inconsistent and incomplete data from State and local governments.

[6] These problems are by no means limited to the local road network only, with similar issues being identified with state roads.

[7] The 'above areas' referring to 'infrastructure being fit for its current and anticipated purpose in terms of infrastructure condition, committed investment, regulatory appropriateness and compliance, and planning processes' (Engineers Australia 2005).

Chapter 4

Factors contributing to issues with local roads

4.15 Introduction

In Chapter 3, four main issues were identified with the provision of local roads in Australia, specifically those local roads that form part of supply chains used by heavy vehicles that may be of national or State-level significance. In summary, the identified issues include: sometimes 'excessive' restrictions on heavy vehicles from accessing local roads; sub-optimal design of local road infrastructure; poor integration of local roads with other modes of transport; and inadequate levels of maintenance.

In this chapter, the main factors that contribute to these issues with local roads are described. The following is a summary description of these issues.

- *The governance structure is not well-aligned with the services that are being delivered* – ideally government services should be provided by the lowest level of government equipped to do so. In the context of roads, it is appropriate that local 'access' roads to properties should be provided by local governments. However, a case could be made for local roads that form part of supply chains that extend beyond local government areas should be provided by State governments.
- *Local governments lack incentives to provide access to heavy vehicles* – local governments do not receive a funding source that is directly linked to the use of the local road network by heavy vehicles, but they will generally bear costs in terms of 'wear and tear' to local roads. Furthermore, local governments may also bear risks if the road infrastructure they provide is not sufficient for the task and they face legal action for misadventures. Funds for the road network should be allocated according to where the economics pay-offs – which includes safety gains – are greatest.
- *Funding for local roads may not be of the quantum and structure required* – local governments may not have a sufficient quantity of funding to maintain the road network. The role of local government has expanded significantly and local government revenues have not necessarily kept up with tasks that have been set for local governments. In addition, grants from higher levels of government may only fund new infrastructure and not assessments and on-going maintenance.
- *Lack of information upon which to plan networks on* – there is significant variation in the standard to which local governments perform asset management assessments and planning, both between and within States. The conduct of asset assessments and the development of asset management plans and financial plans are central to the efficient planning and delivery of road networks and integration with other transport infrastructure and land use.

Each of these issues is discussed in more detail in the following sections.

4.16 Governance structure

In some circumstances local governments are responsible for delivering roads that form part of supply chains that extend beyond the boundaries of individual local governments. This responsibility may have been too highly devolved and it is possible that service delivery outcomes could be improved by placing responsibility for such roles with a higher level of government. Alternatively, the formation of 'regional road groups' (refer Box 4.8) as has been done in Queensland and Western Australia could help to ensure better delivery of road networks across regional areas.

Australia has a three-tiered federal system of government, whereby there is one central or national government at the highest tier, eight State and Territory governments at the second tier and many hundreds of local governments at the third tier.

An important principle of government service delivery within a federal system is that of subsidiarity.

> Subsidiarity is the principle that powers and responsibilities should be left with the lowest level of government practicable. Such a devolved system means there is greater local input into decision-making and States and Territories can customise policies and services to suit local preferences.
>
> Council for the Australian Federation 2009

The principle of subsidiarity recognises that lower levels of government will generally have greater knowledge of the needs of their local communities and are therefore best placed to respond flexibly to deliver the services demanded by their constituents. For example, local governments may best be able to factor in different local circumstances into the design of the local road network (for example, because of soil conditions or other geographical factors, variation in usage patterns or suchlike that are very particular to a localised area).

Under the principle of subsidiarity it is appropriate that local 'access' roads to properties should be provided by local governments. These roads will predominantly be used by people and businesses that operate within the boundaries of an individual local government authority and should therefore be designed to meet their needs. Local governments, being the most accessible level of government, will be most aware of what these needs are likely to be.

However, some roads that are classified as local roads form part of supply chains that extend beyond an individual local government area and are used by industries and businesses whose travel may not originate or terminate within the boundaries of the local government in question.

Where infrastructure is of national or state-significance, it should ideally be delivered by national or state governments as they have the capacity to understand the strategic significance of the infrastructure that is being delivered. Alternatively, the provision of such infrastructure by local governments could be organised through 'regional road groups' through which local governments act in a coordinated way with other State and local governments to achieve outcomes that will result in benefits beyond the boundaries of an individual local government area. The model operating in Queensland is described in Box 4.8.

Box 4.8

QUEENSLAND ROAD ALLIANCE

In 2002, the Queensland Government established a Road Alliance consisting of representatives from State and local governments.

The Road Alliance is a collaborative approach to managing a network of roads that are collectively called Local Roads of Regional Significance (LRRS). The LRRS network is made up of 32,000 kilometres of roads with similar functions and which are owned by both the State and local governments.

The Road Alliance is comprised of 18 Regional Road Groups (RRGs), which manage the LRRS network to achieve the best outcomes across a region. RRGs develop investment strategies, prepare regional works programs based on five-year road network priorities and deliver regional road outcomes.

Under this cooperative approach efforts by each level of government are not strictly focussed on the basis of ownership with the result being that local government may spend their money on State-owned parts of the network and vice versa.

According to Main Roads, this cooperative approach results in improved planning, increased capability, better resource sharing and joint purchasing, and more efficient project delivery.

Source: Main Roads Queensland 2008 and Main Roads Queensland undated.

4.17 Incentives

Local governments are not provided with specific incentives to grant access to local roads within their boundaries by heavy vehicles as they do not receive a funding source that is directly linked to the use of the local road network by heavy vehicles. This lack of incentives will be particularly acute where heavy vehicles are passing through a local government area instead of originating or terminating within a local government area as a result of an industry that is based there and which provides economic benefits to the local community.

Not only are local governments not specifically incentivised to provide access to heavy vehicles but they may incur additional costs and risks as a consequence of providing access. Heavy vehicles result in more 'wear and tear' to roads than light passenger vehicles, for which local governments may not be adequately compensated through adjustments to grant funding. Notably, in New South Wales, South Australia and the Northern Territory the methods for allocating identified local road grants provided by the Commonwealth Government do not take account differences in road use by heavy vehicles amongst local governments in these jurisdictions (refer to Box 2.1).

Access pricing

As noted in Chapter 2, local governments do not currently receive any specific financial benefits for allowing heavy vehicles to access their network and in some States allocations of grant funding are not calculated to compensate local governments for the additional damage to roads caused by these vehicles. As a consequence, local governments may only be inclined to construct roads to support local passenger traffic or to refuse access to local roads by heavy vehicles. Local governments could be incentivised to develop roads to a standard that support heavy vehicles through the introduction of an access pricing system that involves payments by heavy vehicle operators to local governments.

It is widely acknowledged that the current framework for delivering roads in Australia does not result in appropriate signals to either road users (about the effect of their road use on road expenditures) or to road providers (about the road network that would provide greatest value to road users). This view is clearly expressed by the Ministerial Taskforce for an Economic Framework for an Efficient Transportation Marketplace.

> The current institutional and regulatory arrangements for the provision of road infrastructure involve a combination of national, state and local institutions, with limited linkage between usage, revenue or charges and investment decisions. This provides little incentive for road agencies to improve the efficiency with which road infrastructure is provided.
>
> Ministerial Taskforce 2008

According to the National Transport Commission:

> Better pricing signals will encourage use of the right truck on the right road at the right price; and investment on the right roads in the right place at the right time.
>
> National Transport Commission 2008

There are several reasons why the existing system of road user charges may not be yielding incentives for governments to deliver an appropriate and efficient level of road infrastructure. Firstly, the Productivity Commission has found that 'there is a substantial mismatch between road-use related revenues received by different levels of government and their road expenditure responsibilities' (Productivity Commission 2006, pp. 255) As discussed in Chapter 2, the Commonwealth and State governments collect revenues from road users through a number of means. Local governments do not receive any revenues that are directly related to road usage and so the lack of incentives will be particularly at the local government level.

Secondly, although COAG requires heavy vehicle charges to recover expenditures related to use by heavy vehicles, this link is 'backward looking' in that charges are based on past expenditures rather than expenditures required in future to deliver an efficient level of infrastructure (Productivity Commission 2006, pp. 254).

Finally, revenues collected from road users are not hypothecated for road expenditures instead being directed to the consolidated funds of the governments that collect them. So even if road user charges were set to recover an amount required to supply a future efficient level of infrastructure, they may still not send appropriate signals to governments.

4.18 Resources

Structure of funding

The structure of funding to local governments for road networks encourage local governments to take a 'defensive' position in terms of allowing access to 'their' road networks, rather than permitting the most efficient use of the network. In addition, existing funding regimes may not provide sufficient certainty to permit optimal management of road networks by local governments, including because funding is subject to budget processes and infrastructure grants may not include an ongoing component for maintenance.

As noted in Chapter 2, local governments may fund road expenditures through their own sources (primarily rate revenue) and through grants from higher levels of government, particularly the Commonwealth Government.

These revenues are generally not related to road use. A possible exception to this is that in some States local government grant commissions (which are responsible for recommending the distribution of untied Commonwealth grants between local governments) may recognise differences in heavy vehicle use between local governments and adjust funding amounts accordingly. However, because the total quantum of grant funding is fixed, if one local government receives additional funding for heavy vehicle traffic other local government will have their funding reduced by an equal amount (that is, it is a zero sum game).

Because local governments generally do not receive direct 'compensation' for use by heavy vehicles they do not have an incentive to 'open up' their road network to heavy vehicles. In fact, the funding arrangements provide incentives for local governments to protect their road assets by restricting access by heavy vehicles.

> Strong incentives currently exist to protect or preserve road assets rather than make better use of them. Road agencies can be reluctant to allow increased mass, knowing that this will lead to more rapid deterioration of 'their' asset without any assurance that they will receive the revenue required to maintain or enhance it. At the same time, from the perspective of road users, there is no effective mechanism to allow them to choose to pay for a higher level of asset consumption, irrespective of the potential productivity gains.
>
> Productivity Commission 2006

Another problem is that existing funding regimes may not provide sufficient certainty to permit optimal management of road networks by local governments because funding is subject to budget processes.

> Because roads currently are financed from general revenues, road agencies effectively compete for funds against other government policy priorities. This creates a level of funding uncertainty and can leave road funding vulnerable as political priorities change and fiscal constraints arise. Unpredictable budget funding can be particularly problematic for managing large road construction projects, most of which last many years. It can also mean that annual road maintenance and rehabilitation expenditure may be vulnerable to budgetary stress.
>
> Productivity Commission 2006

Another potential problem for local governments is that infrastructure grants often only cover capital works with no allowance for ongoing maintenance (Engineers Australia 2005).

Quantum of funding

In addition to problems with the structure of funding, the amount of funding that is available to local governments for the road network may be insufficient.

An accurate value can not be placed on the extent to which local government roads are under-maintained because a full assessment of the local government road network has not been conducted. However, as discussed in Chapter 3, there have been claims that local government roads are 'under-maintained' to a value of hundreds of millions of dollars (DOTARS 2006).

As a consequence of insufficient funding local governments may not have the capability to attract appropriate specialists to design road networks or to conduct proper maintenance programs. The high variability in the size and fiscal capacity of local governments underlies the problem – and although funding mechanisms do attempt to ensure a consistent level of capacity among local governments, small size does impose limitations regardless.

4.19 Assessments

There is significant variation in the standard to which local governments perform asset management assessments and planning, both between and within States. The conduct of asset assessments and the development of asset management plans and financial plans are central to the efficient planning and delivery of road networks and integration with other transport infrastructure and land use. The absence of information from rigorous asset assessments and planning could be a factor in the issues identified in Chapter 3 being: restrictions on heavy vehicle access; sub-optimal design of the road network; poor integration with other transport and land uses; and inadequate levels of maintenance.

As discussed in Chapter 2, there are no nationally consistent requirements for local governments to conduct asset assessments or to develop asset management plans and long term financial plans in Australia.[8] While Some State governments (such as Victoria and Queensland) require local governments to prepare asset management plans, even in these States the quality of these plans may vary substantially from one local government to another depending upon the skills and resources available to the local government.

In the absence of a formal requirement, local governments may lack incentives to conduct asset assessments. Part of the reason is that even if local governments do conduct asset assessment it will not directly result in an increase in funding to fix any problems that they identify. In addition, local governments may conduct a less than optimal level of assessments because a portion of the economic benefits of assessments and resulting road works are likely to be captured by other local government authorities (that is, creating a positive externality that is not factored into decision-making about the conduct of asset assessments).

The absence of information from rigorous asset assessments and planning could be a factor in all of the issues identified in Chapter 3.

- *Restrictions on heavy vehicle access* – if local governments do not have a good understanding of the condition of their road infrastructure they may tend to be overly conservative in restricting heavy vehicle access. For example, a local government may not know how much weight a bridge can bear and may therefore restrict heavy vehicle access on an otherwise sound bridge rather than take the risk that it will not bear the weight.

[8] However, the Local Government and Planning Ministers' Council (LGPMC) has agreed to an accelerated implementation of nationally consistent frameworks for local government asset and financial management (LGPMC 2009). The frameworks 'aim to provide a consistent reporting mechanism for all local government authorities and a clearer picture for State and Territory governments of the financial and management "health" of local governments' (LGPMC 2009).

- *Sub-optimal design of the road network and poor integration with other transport and land uses* – without the rigor of an assessment management plan, local governments may not have properly considered the future uses of the road network with a likely consequence being inadequate planning and sub-optimal design. A lack of information may also inhibit coordination and integration of planning and related tasks within States (that is, between regions) and across them.
- *Inadequate levels of maintenance* – in the absence of an asset management plan and financial plan, local governments are unlikely to be setting aside enough money to maintain the network. Current short-falls will place an excessive burden upon future generations of rate-payers and tax-payers.

There is no lack of opportunities for investment in the local government road network. However, investment is hampered by lack of expenditure on engineering and economic assessments of the adequacy of local government roads and associated infrastructure (such as bridges). There may be a case for higher levels of government to fund local governments specifically to conduct assessments or for a higher level of government to prioritise and conduct assessments itself.

Chapter 5

Recommended framework

5.20 Introduction

The objective of this study is to identify practical solutions for improving the existing arrangements for road governance in Australia with the aim of enhancing freight productivity, particularly on the last mile of supply chains.

In this chapter a framework is described for addressing the issues with the local road network that were identified in Chapter 3 and having consideration for the likely causes of these issues as identified in Chapter 4.

The framework outlined in this chapter is premised on the road network being nationally integrated and that road classifications and distinctions about ownership are 'artificial' concepts that should not interfere with the planning and operation of the road network. Reflecting this, the framework is based upon a multi-level planning process involving all three levels of government.

In the remainder of this chapter, the principles on which the framework is based are described, followed by a high-level overview of the framework and a more detailed description of each of the individual elements of the framework.

5.21 Principles underlying the framework

The framework set out in this chapter is based upon a number of key principles, which are described in this section.

Integration and collaboration

The Australian road network needs to function as a single nationally integrated system for freight to be transported efficiently end to end. In order for this to occur the three levels of Australian government must act with a high degree of collaboration and reflecting the principle of subsidiarity (as described in section 4.16).

Application of the principle of subsidiarity to the Australian road network suggests the following broad allocation of roles for each level of government.

- The role of the Commonwealth Government should be limited to a high-level involvement in planning and prioritising projects in collaboration with the States on freight networks of national significance.
- State governments should have primary responsibility for planning and delivering arterial roads and should have a close involvement in the planning and prioritisation projects in collaboration with local governments on freight networks of State-level significance (including local roads).
- Local governments should have primary responsibility for planning and delivering local 'access' roads.

Private sector involvement

In setting priorities for upgrades of freight networks, governments should take into account the views of industry through a transparent and formal process.

Individuals industries will have a strong appreciation of the potential benefits to their industries of individual road projects, but may not have a strong understanding of the costs associated with delivering those projects. In contrast, road traffic authorities are likely to have a detailed understanding of the costs associated with delivering specific road projects, but not the potential flow-on benefits to industry from those projects (Fraser 2008). Prioritisation of road projects should be informed by rigorous cost-benefit analysis taking into account the information available from both road suppliers and users.

Provision of appropriate incentives

Governments should have the appropriate financial incentives to provide the road network that is required by industry. Achievement of this principle could be met:

- through the establishment of a road pricing system that is designed to compensate each level of government for the costs of meeting future demand for the road network; and
- tying a portion of grant funds paid to lower levels of government to the achievement of performance standards to help to ensure better prioritisation and outcomes by lower levels of government while allowing grant recipients flexibility to deliver the road network in a way that reflect local circumstances.

Transparent decision-making

The reasons behind decisions on funding and prioritisation should be highly transparent between the three levels of government reflecting the need for a high degree of collaboration. This will help to avoid decision-making that is based upon political imperatives as opposed to independent and rigorous cost-benefit analysis.

5.22 Overview of the framework

Currently, responsibilities for planning, funding, maintaining and operating, and regulating road infrastructure are shared between the three levels of Australian government. The extent to which these complex intergovernmental arrangements inhibit effective planning and funding of the Australian road network appears to vary from State to State. Generally, the stakeholders that were consulted reported good collaborative arrangements with other levels of government within their jurisdictions. Nevertheless, there are some jurisdictions where collaboration has been less effective. A consequence of this for transport operators is that their experience of the road network may be disjointed, circuitous or slow and this has an adverse effect on the productivity of freight movements.

Centralising all responsibilities for roads with one level of government is not supported by stakeholders consulted in this project, would be contrary to the principle of subsidiarity, and likely to lead to diseconomies of scale. However, it is apparent that the three levels of government need to work together more effectively in order to deliver road infrastructure that forms part of important supply chains. The framework described in this chapter aims to achieve that, while meeting the principles described in the preceding section.

Under this framework we recommend drawing together existing governance arrangements already operating in Australia including the following.

- *COAG National Agreements* – Development of a 'National Road Transport Agreement' or a 'National Land Transport Agreement' similar to the six National Agreements already agreed by COAG for other areas of government service delivery. This Agreement would the establish mutually-agreed objectives, outcomes, outputs and performance indicators that would guide Commonwealth and State governments in service delivery across the transport sector, and clarify the roles and responsibilities of the respective governments.

- *An enhanced National Land Transport Network* – The existing network would continue as a single integrated network of land transport linkages of strategic national importance funded by Commonwealth and State Governments. This network would be complemented by an identified network of arterial and local roads that are critical to supply chains within each State with direct links into the National Land Transport Network. Such a combined national-state-local network would act as a focal point for the three levels of government to work together identify upgrade and maintenance priorities across an integrated network of transport infrastructure.

- *Enhanced collaboration between State and local governments based upon the best of the arrangements operating in Victoria, Queensland and Wester Australia* – The road traffic authorities in these three States appear to have good collaborative arrangements with the local governments in their respective jurisdictions. The arrangements in these States, with some enhancements, would make a good foundation for arrangements in other jurisdictions.

Under the recommended framework, these existing governance arrangements would be complemented by the following measures.

- *A formalised process for private sector involvement* – A transparent and formal process for the freight industry to have input into the planning processes of the national and state bodies is considered to be warranted recognising that the freight industry is a core 'customer' of the road network and is well-informed about the potential benefits of road upgrades.

- *An allocation of funding earmarked for conducting asset assessments and for road maintenance* – Assessments and maintenance of local roads appear to be two areas of work that receive insufficient funding. Consideration should be given to either an additional pool of funds for local governments that can only be used for assessments and maintenance or tying some a proportion of the identified road grants to expenditure on these activities.

- *'Tying' a portion of grant funding to the achievement of an appropriate performance standard* – Local governments have considerable discretion over how they spend the majority of grant funding that they receive from the Commonwealth Government. Tying a portion of grant funding to the achievement of appropriate performance standard for the road network would help improve accountability and focus attention on appropriate priorities for the road network.

In time, the framework would be enhanced by national reforms that are already under consideration.

- *COAG road pricing reforms* – A key problem with the existing road governance arrangements is that local governments do not receive a source of revenue that is related to use of the local road network by heavy vehicles. Because of this, local governments do not have incentives to improve access to the road network by heavy vehicles and in fact are more inclined to restrict access because they are not compensated for damage caused by heavy vehicles.
- *Introduction of a nationally consistent framework for local government asset and financial management* – This is an initiative of the Local Government and Planning Ministers' Council. Better information on the condition of the local road network may help to address problems of inadequate maintenance, sub-optimal design of the network and conservatism on access by heavy vehicles to the road network. Efforts should be made to monitor and support this work and to ensure that the frameworks are developed with consideration for the needs of maintaining the local road network.

Each elements of the recommended framework is discussed in more detail in section 5.23.

5.23 Elements of the framework

National Agreements

It is recommended that COAG enter into a 'National Road Transport Agreement' or 'National Land Transport Agreement' to establish mutually-agreed objectives, outcomes, outputs and performance indicators that will guide Commonwealth and State governments in service delivery in the road sector, as well as clarify the roles and responsibilities of the two levels of government.

Such an agreement would have a similar structure to the six National Agreements already agreed by COAG for other areas of government service delivery[9]. These National Agreements are the currently accepted approach for collaboration between the Commonwealth and State governments on nationally significant policy and financial relations.

Entering into a National Agreement for roads would be consistent with the principles of improving collaboration and integration between the Commonwealth and State Governments, linking funding to the achievement of performance and improving transparency of decision-making and prioritisation through mutually agreed objectives.

Prior to 2009, the Commonwealth Government used over ninety Specific Purpose Payments (SPPs) as the primary vehicle to help fund functions that are the constitutional responsibility of the States but in which the Commonwealth has a strong policy interest. From 1 January 2009, federal financial relations were significantly reformed with the implementation of a new Intergovernmental Agreement on Federal Financial Relations (IGA).

[9] The National Agreements are in the areas of healthcare, education, skills and workforce development, disability, affordable housing and Indigenous reform.

The objective of the IGA is to provide a robust foundation for Commonwealth and State governments to collaborate on policy development and service delivery, and facilitate the implementation of economic and social reforms. The IGA has reduced the number of SPPs, improved collaborative working arrangements, simplified performance reporting requirements and reduced administration and compliance overheads.

The new IGA includes National Agreements in the areas of healthcare, education, skills and workforce development, disability, affordable housing and Indigenous reform. Each Agreement defines the mutually-agreed objectives, outcomes, outputs and performance indicators that will guide Commonwealth and State governments in service delivery across a particular sector, and clarifies the roles and responsibilities of the respective governments.

Under the IGA the Commonwealth is less reliant of prescriptions on service delivery in the form of financial or other input controls which inhibit state service delivery and priority setting. This gives the States greater flexibility to direct resources to areas where they will produce the best results in each State. However, States are also more accountable to the public through new reporting arrangements, with the performance of each jurisdiction being assessed by the independent COAG Reform Council.

In addition to funding provided under each National Agreement some amount of National Partnership payments may provided to the States with the aim of providing incentives for improved service delivery. These payments may be used to deliver specific outputs or projects; assist the implementation of reforms; or reward jurisdictions for undertaking nationally-significant reforms.

National Land Transport Network

It is recommended that the existing National Land Transport Network continue as a single integrated network of land transport linkages of strategic national importance funded by Commonwealth and State Governments. However, under the framework this network would be complemented by an identified network of arterial and local roads that are critical to supply chains within each State with direct links into the National Land Transport Network.

Such a combined national-state-local network would be consistent with the principle of improving collaboration and integration by acting as a focal point for the three levels of government to work together to identify upgrade and maintenance priorities across an integrated network of transport infrastructure.

Because freight is transported across State borders, planning of the road network also needs to operate smoothly between State borders. For this reason, there is a valid role for the Commonwealth Government in identifying a network of transport infrastructure of national significance and working to ensure good planning outcomes and consistency across State borders. Such a network has been identified and is overseen by the Commonwealth Department of Infrastructure, Transport, Regional Development and Local Government.

> The National Land Transport Network is a single integrated network of land transport linkages of strategic national importance, which is funded by Federal, State and Territory Governments. The National Network is based on national and inter-regional transport corridors including connections through urban areas, links to ports and airports, rail, road and intermodal connections that together are of critical importance to national and regional economic growth development and connectivity.
>
> DOITRDLG 2009e

To complement this network it is recommended that the road traffic authority in each State be responsible for coordinating identification of a network of arterial and local roads that are critical to supply chains within the State with direct links into the National Land Transport Network.

Identification of the network should be done in conjunction with the Commonwealth and local governments and the private sector. Such a combined national-state-local network could act as a focal point for the three levels of government to work together identify upgrade and maintenance priorities across an integrated network of transport infrastructure. Under this cooperative approach funding by each level of government would directed to projects with the greatest pay-offs.

In identifying a State-level network, some reclassification of roads from local roads to arterial roads (which are the responsibility of the State governments) may be warranted. Reclassification would be particularly warranted where local roads form part of important freight routes that, under the principle of subsidiarity, are the legitimate responsibility of the States to provide. It is understood that the State road traffic authority in Western Australia routinely reclassifies roads between State and local responsibilities according to set criteria (pers. comm. MRWA, 29 June 2009).

In some circumstances the most appropriate solution might be for State government authority to assume roads responsibility for a defined regional area, while leaving local government jurisdictions in place to undertake other local government functions in those areas. This is the approach recommended by the Local Government Shires Association of NSW (LGSA) in the face of difficulties experienced by some councils in remote parts of the State:

> The NSW Government assume responsibility for all regional roads in rural shires since such councils do not have the financial capacity and asset management systems to maintain and renew them.
>
> LGSA 2006

There, concerns related not only to financial resources but also the difficulties of finding suitably qualified engineering and other key staff in remote areas to undertake maintenance and assessment tasks.

National network planning

Under the national framework described above, each owner of an element of the network would be expected to have a network management plan aimed at ensuring the asset was meeting identified needs. The asset management plan for each significant segment would cover:

- target condition or performance standard
- expected future use
- maintenance and capital program to achieve target given expected use.

At present there is no formal Australia wide requirement for network or asset management plans in relation to roads. The Local Government and Planning Ministers' Council has however agreed a nationally consistent framework aimed at improving asset management performance by local governments (LGPMC 2009a) that would need to taken into account in developing Australia wide consistency in funding for road asset performance. The development of a national approach does not however imply moving to a single national standard for roads – provision for significant local variation will be necessary given the diversity of local conditions, road use patterns, climate and geography in different parts of Australia.

Intergovernmental payments for roads should take account of the extent to which performance standards in such plans are met (see below).

A fundamental driver of better governance is transparency: it improves accountability, encourages greater involvement from industry and community, and enables performance claims to be scrutinised. Road network plans should therefore be freely available online from the relevant jurisdictions.

Enhanced collaboration between State and local governments

The State road traffic authorities in Victoria, Queensland and Western Australia have strong collaborative relationships with local governments in their respective jurisdictions. The arrangements in these States, with some enhancements, would make a good foundation for arrangements in other jurisdictions and would be consistent with the principle of improving collaboration and integration between State and local governments. These arrangements include the following.

- Identification of a network of arterial and local roads that are critical to supply chains within the State (as described in the previous section). Ideally, the network in each State would directly link into the National Land Transport Network. The road traffic authority in each State would be responsible for coordinating identification of this network in conjunction with the Commonwealth and local governments and the private sector.
- Regular meetings between senior representatives of the road traffic authority and the local government association in each State to address any issues in a non-adversarial way. Such meetings are currently held quarterly in Victoria and Western Australia.
- Formation of a 'Road Alliance' (as it is termed in Queensland), which would be a State-level body with representatives from the State road traffic authority and local government representatives from each region of the State. The Road Alliance would over-see the management of the State-level network, including high-level identification of priorities for upgrades and determining funding allocations amongst the Regional Road Groups (see below) across the network.
- Formation of multiple 'Regional Road Groups', which would report to the Road Alliance and consist of representatives from the State road traffic authority and each of the local governments that make up a region. Each of the Regional Road Groups would be responsible for conducting asset assessments for their regions, developing investment strategies, preparing regional works programs based on medium to long-term road network priorities and delivering regional road outcomes.

- Flexible arrangements between State and local road traffic authorities in each regional area for allocating funds to priorities for road expenditures on the network in order to improve transport productivity. Under this cooperative approach funding by each level of government would not be strictly allocated on the basis of ownership with the result being that local government may spend their money on State-owned parts of the network and vice versa.
- A legislative requirement for local governments to establish formal road management plans and making access to a statutory defence against claims of negligence contingent upon local governments being able to demonstrate the achievement of performance standards for maintenance and repair of road infrastructure.
- Sharing of resources between local governments within Regional Road Groups, including machinery (for example, road graders) and human resources (such as engineering specialists). Over time, procurement arrangements might be centralised within the State traffic authority or individual Regional Road Groups to take advantage of economies of scale.

Private sector involvement

The involvement of the private sector in road network planning does not appear to have been well formalised in Australia. It is recommended that a transparent and formal structure be implemented for the views of the private sector to be considered by governments in the planning of road transport networks. This role would encompass not only maintenance and upgrade proposals, but also designated of freight routes (both new routes and declassification) and broader network issues.

The freight industry does have some power to influence the design and prioritisation of the road network, but this is generally through informal and non-transparent means such as lobbying efforts. The lack of a formal mechanism appears to be an important oversight given that the freight industry will be well-informed about bottlenecks in the road network and scope for improving freight productivity based upon prioritisation of development of the road network. The freight industry will have a strong appreciation of the potential benefits of any road projects, whereas road traffic authorities may have a greater focus on just the costs involved for government (Fraser 2008).

The Victorian Government appears to have collaborated effectively with industry on road infrastructure needs. However, this appears to have been largely achieved through relatively ad hoc arrangements with individual industries. For example, the timber industry has been assisted with grant funding for road upgrade priorities based upon the projects suggested by industry (pers. comm. VicRoads, 14 July 2009). The Victorian dairy industry has also received some funding support to assist farm gate access for larger vehicles (pers. comm. VicRoads, 14 July 2009).

It should be noted that the freight industry was not consulted during the preparation of this report. As a consequence views of the private sector on the preferred the form of involvement in road planning has not been canvassed. However, some comments have been gleaned from public available documents.

- In a submission to Infrastructure Australia, the Australian Livestock Transporters Association (ALTA) advocated assessing key elements of the road network from an industry perspective[10] and therefore identifying and involving industry stakeholders from the start to the finish of the network (Fraser 2008).
- The Australian Road Forum (ARF) notes that there is a number of industry groups involved in the road network (for example, engineers, motorists, road builders, researchers, and equipment suppliers) but they have never been together as an industry. The ARF has indicated that it would be supportive of:
  - industry-appointed advisory committees as a mechanism for consulting with governments;
  - active consultative committees established for specific purposes with clear end-points;
  - a minimum number of standing committees; and
  - government servicing being kept to a minimum (ARF undated).

Irrespective of the precise form of industry involvement in road planning some general principles should be observed in the interests of transparency.

- There should be one central entry point for lodgement and consideration of submissions on expenditure priorities for each jurisdiction.
- Cost benefit analysis in all submissions to the government should be on a consistent basis and in line with a set of approved guidelines.
- To the extent possible, all submissions should be publicly available.

Funding arrangements

It is recommended that a portion of grants paid from the Commonwealth to the local governments be restructured to allocate a pool of grants for expenditure on asset assessments and maintenance and to tie a portion of grant funding to the achievement of appropriate performance standard for the road network.

This would help to address the principle of ensuring that local governments have appropriate financial incentives to provide the road network that is required by industry and may help to address problems with the design and condition of the local road network by raising the priority of assessments and maintenance and ensuring the achievement of appropriate standards.

The underlying principle, consistent with other COAG initiatives, is that funding should be linked to outcomes achieved.

[10] That is, consider all bottlenecks at the network level from the perspective of individual industries as this allows the effects of multiple individual infrastructure bottlenecks to be assessed for a particular industry (Fraser 2008).

Funding for asset assessments and maintenance

Currently, local governments have considerable discretion over how they spend the majority of grant funding that they receive from the Commonwealth Government, being general purpose grants and identified road grants. Local governments are not required to spend these funds on any specific purpose or provide any performance reports in order to obtain the funds. Of Commonwealth funding that is 'tied', local governments are generally required to spend the funds on particular projects.[11] That is, the funding is not generally available for conducting asset assessments and road maintenance across all local roads within a jurisdiction.

There is some evidence that insufficient expenditure is being directed by local governments to conducting assets assessments and undertaking maintenance (refer to Chapter 3). In part this may reflect an overall inadequacy in total funding available to local governments for these tasks.

However, it could also indicate poor prioritisation of the funding that is available to local governments. For example, there is evidence that local governments are undertaking a much wider range of functions than they used to, either voluntarily or as a consequence of cost-shifting by other levels of government (Productivity Commission 2008).

If the primary reason behind inadequate expenditure on asset assessments and road maintenance is one of poor prioritisation this may be addressed by tying a portion of grant funding to these tasks. If the problem is one of inadequate funding, then an additional pool of funding may need to be created specifically for these purposes.

Bids for access to any pool of funds be set aside for local road upgrades would be likely to well exceed the funds available; a priority setting mechanism will be needed to assess the relative merits of those bids. As noted previously, assessments of roads provide essential information that would accompany any bids; industry input on priorities would also be a desirable feature and assisting in ranking projects for allocation of funding.

Following COAG reforms, as road pricing becomes more sophisticated and road usage is measured more accurately (see later in this chapter and at Attachment A) the linkages between road user charges and funding for road upgrades will become easier to determine.

It is noted that local governments in some jurisdictions are already preparing asset management plans quite effectively (particularly in States that have introduced mandatory requirements for local governments to do so such as Victoria) and have disclaimed the need for a specific source of funding from a higher level of government. However, even in States where the preparation of asset management plans is mandatory there may be considerable variation in the quality of these plans and a specific source of funds may help to improve the overall quality of plans.

Performance reporting

There is considerable scope for improving accountability by local governments for the disbursement of grant funding provided by the Commonwealth Government, particularly the identified road grants which do not currently need to be directed towards road expenditures.

[11] For example, under Roads for Recovery which is used to repair and upgrade specific road sites, and the Black Spot program which aims to address road accidents at specific road sites.

Tying a portion of funding to the achievement of performance standards may help to ensure better prioritisation and outcomes. However, it is noted that local governments in some jurisdictions already have strong incentives to demonstrate the achievement of performance standards for maintenance and repair of road infrastructure as this is necessary to access a statutory defence against claims of negligence. For example, under the Victorian *Roads Management Act 2004* each local government is required to produce road management plans and a statutory protection against negligence may be provided to a local government if it can demonstrate that it has met the standards set out in the road management plans (VicRoads undated).

However, requiring performance reporting for 'the sake of it' is not desirable. In designing a performance reporting regime care should be taken to ensure that: the performance reports provide meaningful and comparable information; and the effort required to prepare the reports is in proportion with the funding that it relates to.

The design of the performance reporting regime will need to strike an appropriate balance in setting standards. Setting standards at too low a level will result in under-investment in desirable infrastructure. Too high, and the funding agreement runs the risk of unfairly penalising jurisdictions that are unable to meet the standards. The performance regime should be reviewed regularly (as are other COAG agreements) and the standards revised in light of experience.

Although the overarching principle of linking funding to performance and outcomes is a key element of the framework, there needs to be recognition that from time to time unforeseen events can affect performance, and allowance should be made for such events.

Reform of road pricing

A key problem with the existing road governance arrangements is that local governments do not receive a source of revenue that is related to use of the local road network by heavy vehicles. Because of this, local governments do not have incentive to improve access to the road network by heavy vehicles and in fact are more inclined to restrict access because they are not compensated for damage caused by heavy vehicles.

The framework described in this Chapter would be enhanced by the road pricing reforms that are being considered by COAG. COAG has endorsed a three phase road reform plan which is in part aimed at more closely aligning revenues raised from road users with the costs of supplying the road network. These reform initiatives are described in more detail in Appendix A.

Nationally consistent framework for asset assessments

The Local Government and Planning Ministers' Council (LGPMC) has agreed to an accelerated implementation of three nationally consistent frameworks for local government asset and financial management (LGPMC 2009). Development of these frameworks will complement the other initiatives proposed in this report.

Efforts should be made to monitor and support this work and to ensure that the frameworks are developed with consideration for the needs of maintaining the local road network.

Presently, there are no nationally consistent requirements for local governments to conduct asset assessments or to develop asset management plans and long term financial plans in Australia. As a consequence, there is a high degree of variability in the standard to which asset management plans are prepared by local governments, if at all. Better information on the condition of the local road network may help to address problems of inadequate maintenance, sub-optimal design of the network and conservatism on access by heavy vehicles to the road network.

Efforts are being made through the LGPMC to introduce nationally consistent framework for the development by local governments of asset management plans and long term financial plans in Australia. Towards this end, the LGPMC has released a Local Government Sustainability Framework, which is comprised of three sub-frameworks for: assessing local government financial sustainability; asset planning and management; and financial planning and reporting.

The frameworks 'aim to provide a consistent reporting mechanism for all local government authorities and a clearer picture for State and Territory governments of the financial and management "health" of local governments' (LGPMC 2009).

The asset planning and management framework appears to be at a quite preliminary stage of development. The framework document for asset planning and management establishes some key principles (which are primarily aimed at providing States with flexibility in implementing the national approach) and some proposed elements for a national asset management framework.

Efforts should be made to monitor and support this work and to ensure that the frameworks are developed with consideration for the needs of maintaining the local road network.

Appendix A

Reform of access pricing

A.2 COAG road pricing reforms

COAG has endorsed a three phase road reform plan which is in part aimed at more closely aligning revenues raised from road users with the costs of supplying the road network. The actions of relevance to this study in each of the three phases are summarised in Table A.1.

The reforms contained in phase one of the road reform plan were aimed at improving institutional arrangements to provide a foundation from which to make further reforms to pricing frameworks. This is in recognition that the institutional settings in which direct user road charging operates will have an effect on the resulting net benefits (Productivity Commission 2006).

Phase two will involve an evaluation of incremental pricing schemes to provide a more direct link between road usage charges and revenue channelled to road providers. Phase three will evaluate mass-distance location based charges. The remainder of this section provides more detail on these two pricing schemes.

Incremental pricing schemes

Under an incremental pricing scheme heavy vehicles would be able to pay a higher or incremental charge to operate at mass levels higher than the current regulated limits (NTC 2009a). The incremental charge would reflect the additional costs (over the base heavy vehicle charging scheme) caused by the heavy vehicle as a consequence of extra road damage caused by carrying weight above the base mass limit.

According to the National Transport Commission, an incremental pricing scheme could improve freight productivity because it could allow more freight to be moved with fewer trips (NTC 2009a). Transport operators have expressed to the National Transport Commission 'reasonably strong interest' in accessing additional mass (NTC 2009a).

Implementation of an incremental pricing scheme is considered to 'an important first step' towards the development of a mass-distance location-based (MDL) charging scheme (discussed below) (NTC 2009a).

In January 2009, the National Transport Commission released a feasibility study into incremental pricing, consistent with phase two of the COAG road reform plan. The Commission has identified some barriers to feasibility but considers that some of these issues can be resolved in the short term with policy development, while others may require further infrastructure investment and/or research (NTC 2009a).

Mass-distance location-based charges

There are two components to mass-distance location-based charges. The first component is mass-distance, which measures the distance travelled by heavy vehicles in a specific time period (Productivity Commission 2006). The second component is location-based charging under which charges for heavy vehicles would vary by road type and could potentially vary by time as well to take into account congestion costs.

The introduction of these charges will be considered as part of the third phase of COAG reforms.

Table A.1

COAG'S ROAD REFORM PLAN

Phase	Action	Completion date
Phase I (2007-08)	• Implementation of National Guidelines for Transport System Management for project development and appraisal.	• Jul 2007
	• Implementation of revised heavy vehicle pricing determination formulation and cost estimation and allocation processes.	• Dec 2007
	• Continued implementation of agreed regulatory reforms, including Performance Based Standards.	• Dec 2007
	• Independent review of externalities of heavy vehicle road use and policies for abatement.	• Jul 2008
	• Independent review of heavy vehicle road use and costs to refine PAYGO, improvement investment decision making and provide an information base for examination of location-based charging.	• Jul 2008
	• Review of Community Service Obligations to inform future charging arrangements.	• Dec 2008
	• Detailed review, including trials (building on the Intelligent Access Program) to assess the impact and feasibility of incremental pricing schemes.	• Dec 2008
Phase II (2009-10)	• Evaluation study of incremental pricing schemes.	• Jul 2009
	• Each jurisdiction to consider examining alternative institutional arrangements to better link road freight revenues to investment and enhance decision-making.	• Jul 2010
	• Reviews of road freight infrastructure regulation under general annual best practice regulation review cycles.	• Jul 2010
	• Implementation of Phase I and Phase II work programs subject to cost-benefit analysis and COAG consideration	• Dec 2010
Phase III (2011-14)	• Feasibility study of mass-distance location-based charges.	• Dec 2011
	• Possible implementation of Phase III work subject to cost-benefit analysis and COAG consideration.	• Dec 2014

Source: COAG 2007

Appendix B

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Appendix C

Stakeholder consultation list

Table 5.1

STAKEHOLDER CONSULTATION LIST

Organisation	Name	Title
National Transport Commission	Mr Nick Dimopoulos	Chief Executive
National Transport Commission	Mr Paul Sullivan	General Manager, Strategy and Communications
National Transport Commission	Mr Matthew Clarke	Senior Manager, Economics
National Transport Commission	Mr Ian Hunter	Chief Planning and Development Officer
Infrastructure Australia	Mr John Austen	General Manager Planning
Australian Livestock Transporters Association	Mr Luke Fraser	Executive Director
Roads and Traffic Authority NSW	Mr Michael Bushby	Chief Executive Officer
Roads and Traffic Authority NSW	Mr Paul Duignan	General Manager, Compliance and Freight Strategy
Roads and Traffic Authority NSW	Mr John Statton	General Manager, Infrastructure Asset Management, Network Management
Roads and Traffic Authority NSW	Mr Sean O'Shannassy	Lead Policy Officer, Intelligent Heavy Vehicles and Access Management
Local Government and Shires Association of NSW	Mr Shaun McBride	Strategy Manager – Finance, Infrastructure, and Planning Policy and Research
Local Government and Shires Association of NSW	Mr Richard Connors	Senior Policy Officer – Roads and Transport Policy and Research
Local Government and Shires Association of NSW	Ms Sascha Moege	Senior Policy Officer – Policy and Research
VicRoads	Mr Gary Liddle	Chief Executive
VicRoads	Mr Lachlan McDonald	Executive Director – Intergovernmental Relations
VicRoads	Mr Robert Freemantle	Executive Director – Network and Asset Planning
Municipal Association of Victoria	Mr Rob Spence	Chief Executive Officer
Municipal Association of	Ms Kate Owen	Director – Research and

Organisation	Name	Title
Victoria		Policy
Municipal Association of Victoria	Mr Owen Harvey-Beavis	Economic Data and Policy Development Manager
Department of Transport and Main Roads (Queensland)	Ms Karen Peut	Executive Director – Strategic Asset Investment Management
Department of Transport and Main Roads (Queensland)	Mr Les Dunn	Executive Director – Investment Analysis and Evaluation
Department of Transport and Main Roads (Queensland)	Mr Neil Dawle	General Manager – Organisational Positioning and Stakeholder Relations
Department of Transport and Main Roads (Queensland)	Mr Charlie Moore	Manager – National Reform
Department of Transport and Main Roads (Queensland)	Ms Kathy Courier	Principle Advisor – Strategic Directions.
Local Government and Shires Association of Queensland	Ms Simone Talbot	Manager – Roads Transport and Infrastructure
Main Roads Western Australia	Mr Bob Peters	Manager – Road Asset Planning