

Address to the Australian Trucking Association Conference

Local Government and the Road Transport Industry

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by

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Thank you for inviting me to speak to you today about local government and how it interacts with the road transport industry.

This is often referred to as the “Last Mile” issue.

Today I want speak about the importance of local roads and the role of local government in transport reform. I also want raise some issues of concern to local government and finally I want to make some suggestions on new ways forward.

I want to leave you in no doubt today that in regards to road transport reform, local government wants to be part of the solution and not be part of the problem.

Importance of local roads

Let me start by saying that the local roads, controlled and managed by local government, are important.

- They are important to councils as they have responsibility for their maintenance;
- They are important nationally because of the key role they play in the national transport system.
- They are important to the road transport industry because most journeys begin and end on a local road.

Let’s look at each of these three elements in more detail.

Importance to Local government

Roads are the single biggest item of infrastructure for which councils are responsible. Expenditure on roads is usually the single largest item on a council's budget. In total, local government spends more than \$3.5 billion annually on the construction and maintenance of roads. This represents 16% of total expenditure by councils.

It is worth pointing out that local government is largely self-funded, relying only to limited extent on grants from the other two levels of government. It consistently raises more than 80 per cent of its total revenue from its own sources and the Productivity Commission recently concluded that local government is utilising "almost 90 per cent of its total theoretical maximum own-source revenue capacity". This means that local government has little scope for raising additional revenue from its own sources.

This is an important point that I will come back to later.

Councils are responsible, democratically-elected bodies. They take their responsibilities for ensuring access to properties and maintaining local amenity very seriously and so must balance competing demands of residents and other users.

Importance of local roads to National Transport

In terms of national transport, the reality is that local roads are a key link in just about all transport chains. We like to refer to local roads as the last mile because of their role as the final, or in some cases, the first mile (or

kilometre!) of the transport journey whether it is a trip to work, delivery of grain to export ports or the delivery of the latest electronic gadget from the port to our local store.

We sometimes forget in this digital age that we all rely on the physical transport of goods. While we might be able to order our groceries over the internet there is a long and complex supply chain that delivers them to our front door and roads, including local roads, are an integral part of that supply chain. It is a supply chain that you, the road transport industry, are pivotal in and you rightly have an expectation that the infrastructure you use every day is properly built and maintained.

Local government is responsible for some 650,000 kilometres, or nearly 80% by length of all roads in Australia. The National Transport Commission (the NTC) has estimated that some 18% of kilometres traveled by vehicles over 4.5 tonnes and 28% of commercial kilometres is on local roads.

This is a significant part of the national transport task and if not undertaken efficiently has the potential to impact on the overall performance of the economy.

Importance of local roads to the Road Transport Industry

The road transport industry as one of the major users of the local road system and relies on its safety, good construction and maintenance.

Due to Australia's unique geography, transport, including access to local roads, is particularly important to our national economic and social cohesion. We export resources and agricultural products from remote locations and we move raw and finished product across great distances to serve a widely dispersed population. Road transport plays a pivotal role in our nation's ability to link and trade with the rest of the world and with each other. In an increasingly integrated and competitive world economy road transport systems and infrastructure underpins Australia's long term growth and prosperity.

Local Government recognises that the Australian road transport sector is the backbone of our nation's economic and social connectivity and the vital link between raw materials and markets, enabling the distribution of goods and services, and mobility for work, business and social needs.

Local Government response to Road Transport reforms

The NTC in its recent Draft Position Paper on Supply Chain Pilots noted that in the course of consultations, the following issues were consistently raised about road network access:

- Lack of last mile connectivity with major supply chain points for high productivity vehicles;
- Lack of Higher Mass Limits(HML)/ Performance Based Standards (PBS) network availability at regional supply points and the capacity of bridges and other road infrastructure to withstand higher loads; and

- local governments in particular being hesitant to specify HML/PBS roads due to concerns around the future maintenance cost of those roads.

This is an unfortunate perception.

Local Government, through ALGA, has been, and continues to be a strong supporter of reforms to improve the productivity of the road transport industry. Local government has supported HML, PBS and more recently Incremental Pricing as important micro economic reforms that are necessary if Australia is to meet the freight challenge of the coming decades and avoid the road system becoming clogged with trucks. In many cases local government has been ahead of some of the states in its support of reforms.

However I am also aware of the difficulties that truck operators can have when dealing with individual councils to gain access for freight efficient vehicles. As President of ALGA, however, I am committed to doing what I can to improve the way we work together.

ALGA is a member of the Council of Australian Governments - COAG and is also represented on the Transport Ministers Council. Our track record on these bodies demonstrates that ALGA has been, and, will continue to be, a strong supporter of road transport reforms which offer the opportunity to boost the productivity of the road transport industry and provide an answer to coping with the doubling in the volume of road freight by 2020.

I want to make it clear that local government supports the introduction of new freight efficient vehicles as a very significant micro-economic reform for the economy. But there needs to be the recognition that introducing these vehicles onto local roads requires careful planning.

As I mentioned earlier there is little scope for local government itself to raise any significant additional revenue.

If there is extra investment required on local roads to allow access for these vehicles then there must be extra funding to local government. The NTC, in the report about supply chains I mentioned earlier, also made the observation that industry perceived that there was a long and difficult process to obtain funding for critical routes.

This is a point of view that local government would support. For example, local government has previously called on the Federal Government to provide \$250 million per year for 4 years to renew and replace timber bridges to support road transport reform. The need to replace timber bridges remains a major deficiency, especially on the rural local road system, and is a serious impediment to wider adoption to higher mass limits and performance based standards.

Local road needs will remain an important issue while there continues to be a disconnect between local road usage and funding.

At this point I want to briefly discuss Incremental Pricing for heavy vehicles. This is a COAG initiative being developed by the NTC which has significant

implications for local government especially if it becomes a stepping stone towards full road pricing for heavy vehicles.

Under current funding arrangements for local roads there is no linkage between usage of local roads and their funding and this is clearly undesirable from a local government perspective. This means that over 80% of Australia's road system has no guaranteed funding source except council rates revenue, which is already severely stretched meeting other responsibilities. Local government relies on very welcome, but ad hoc funding arrangements, such as Roads to Recovery and the Financial Assistance Grants identified for Roads to supplement its own efforts on the local road system.

In 2006, following a Productivity Commission inquiry into transport pricing, COAG agreed to trial incremental road pricing for heavy vehicles. The Labor Government has continued with this reform as part of its National Transport Plan. Local government, through ALGA's membership of COAG, has supported the work by the NTC on incremental pricing.

The concept behind incremental pricing for roads is simple – a truck operator is able to buy additional weight on a truck above the legally allowed limit. The price the operator pays reflects the damage to the road pavement and bridges caused by the additional mass.

While the concept is simple the practicalities of implementing an arrangement of this nature are extremely complex involving engineering, administrative and legal issues.

Local Government sees incremental pricing as an important micro-economic reform and has supported its development, because the methodology may well provide the basis for true road pricing for heavy vehicles in the future and in that way link road usage to road funding.

The establishment of the link between road usage and road funding is important to local government, as it would create a permanent funding arrangement for local roads. Such a funding arrangement is not only in local government's interests, it is also in your interests. The trucking industry wants access to good quality local roads and from what I understand you are willing to pay for it by seeing an appropriate part of the money you pay going to local government.

A direct funding link in the future is a priority for local government.

Austrroads Guidelines

Of course, access is not just a question of money.

Earlier I made the point that councils are responsible, democratically elected bodies. Trucking operators cannot assume they will automatically have access to local roads for high productivity vehicles. They need to properly engage with councils and plan for these vehicles on local roads. These vehicles need to be introduced in a considered way, with coordination between the operators, state road authorities and local government.

The local roads to be used by these vehicles need to be identified and assessed to ensure that they can cope with the new demands, and if there is a need for upgrading these roads, then adequate time and funding has to be provided.

ALGA appreciates the frustration that some trucking operators feel in dealing with multiple councils with different processes.

ALGA has taken the lead in an Austroads project to develop guidelines to standardise the process by which council assess applications for heavy vehicle access to their road system. The guidelines are currently being rolled out to councils through a series of workshops around the country. Some of you may have attended the workshops and we have received positive and useful feedback from the ATA on the Guidelines.

A key component of the guidelines is the need for individual councils to recognise and take into account how a local road section in their council fits into the overall transport route and to understand the impact that denial of access can have on the wider economy. Councils need to understand more fully the wider context of their decision about access to the last mile in what could be a very long and complex transport chain. They need to understand that such a decision can ultimately impact on the viability of a business.

The guidelines will not however automatically give access rights. Built into the guidelines is the provision for councils to take into account their local community concerns. As I have said, councils are democratically elected

and will make their own decision in terms of how they perceive their community's priorities.

Working Together Better in the Future

I can understand the frustrations some of you may face when dealing with individual councils.

I recently took the initiative to write to the Chairman of the ATA to explore possible approaches for the trucking industry in dealing with councils and to see whether there is an opportunity to develop a more efficient model that better serves the interests of our respective members.

I subsequently met with your chairman Mr Trevor Martyn in Melbourne on 6 April. I can report that the meeting was very positive and we agreed that our two organisations would work together on developing a Memorandum of Understanding which councils could sign and which would provide a standard approach to considering access arrangements and hopefully expedite the process. I will be looking for some substantial progress on this issue by the time ALGA holds its 2009 Local Roads and Transport Congress in Mackay, Queensland, in November this year.

In addition, ALGA is committed to a broad approach to improving our relationship through finalising and implementing the Austroads guidelines that I mentioned earlier, reinforcing the importance of freight to councils, highlighting the value of councils developing freight plans to deal more effectively with the needs of the transport industry and identifying some best practice councils that could be used as models.

Conclusion

Local roads are important to the local community, the national economy and the efficient operation of the road transport industry

There are issues about access to local roads for heavy vehicles but local government on the whole wants be seen as part of the solution rather than being the problem. We have a history of supporting road transport reforms as a key microeconomic reform that is necessary to meet the expected growth in freight.

The road transport industry, however, has to be mindful that councils are democratically elected bodies that have responsibilities to their electors and communities and they must make their own decisions as they see fit on a range of priorities, each of them critical to different sectors of the community.

At national level, local government, through ALGA, recognises the importance of access to the final mile and seeks to work with the industry by providing greater certainty about process through development of guidelines and a Memorandum of Understanding for individual councils. I am looking forward to working with the ATA in developing some practical tools that will improve on the current arrangements for access for heavy vehicles to local roads.