



Response to 2010 Review Draft Report

“Roads Expenses”

Department of Treasury and Finance

September 2009

Tasmanian Position

1. Tasmania is generally supportive of the assessment methodology and data used by the Commission in its Draft Report assessment of Roads.
2. Tasmania supports the Commission's intention to use mapped rural road lengths, adjusted for state differences in unsealed length. This will provide a reliable and comparable indicator of states' rural road maintenance task.
3. Tasmania accepts a policy neutral measure of unsealed rural road lengths, based on minor rural roads identified in the mapping approach.
4. We also consider the place-holder cost weight used in the Draft Report, which indicates that the cost of maintaining a kilometre of unsealed road is half that of a sealed road, is reflective of the cost differential between the two types of roads. This is consistent with Tasmania's experience.
5. Tasmania accepts that aligning urban populations with geographic definitions under the ABS Survey of Motor Vehicle Use (SMVU) provides a practical solution to determining urban road length shares.
6. We support a measure of traffic volume using vehicle kilometres travelled (VKT) and accept a measure of heavy vehicle use based on average gross mass kilometres (AGM-km).
7. Tasmania accepts a measure of the local road task based on the length of minor roads in sparsely populated remote areas.
8. In relation to combining the disabilities, we believe that the Commission's approach has conceptual merit, however, further refinement of the NTC cost allocation model is necessary to develop robust disability weights.
9. Tasmania considers the evidence shows that the weight attributed to heavy vehicle use is higher than it should be.

Combining the Disabilities

10. The Commission intends combining urban road length, rural road length, traffic volume, heavy vehicle use, local roads and other services using NTC expense proportions and a modified version of the NTC cost allocation model.
11. While this approach has conceptual merit, Tasmania is mindful that the NTC cost allocation model is used for determining heavy vehicle charges, with an objective to achieve full cost recovery.

12. This may result in the component weight for road use being larger than it should, which could be further impacted by a method whereby expenses are split between those that can be attributed to road use and those that cannot (as opposed to an express judgement whether expenses are influenced by road length).

Treatment of NTC G2. Expenses - Enforcement of Heavy Vehicle Regulations

13. Tasmania appreciates that, at this point, the Commission is unlikely to engage in debate around which NTC expense categories (or in what proportion) should be attributed to road use or road length. Furthermore, it is recognised that state views are likely to differ in this regard, based on their experience.
14. The NTC provides an expert independent and impartial view as to the attribution of expenses to road use or road length.
15. The Commission must, nonetheless, be mindful of the context with which the NTC cost allocation model is used. In seeking to achieve full cost recovery for heavy vehicle charging, the NTC cost allocation model includes allocated (or common) costs, but for the purposes of the Commission's assessment, they are not directly related to road use.
16. An example of this is expenses arising from the enforcement of heavy vehicle regulations (NTC category G2). Enforcement expenditure relates to the costs involved in ensuring that heavy vehicles comply with laws associated with their access to the road network. The most relevant laws relate to safety (ie the prevention of driver fatigue and safety) and mass (ie constraints on loading).
17. Heavy vehicle enforcement expenditure includes costs associated with on-road vehicle inspections, construction and maintenance of weigh bridges and heavy vehicle monitoring and surveillance.
18. Actual enforcement expenditure will depend on the enforcement powers of state road authorities and the sophistication of enforcement programs, such as permanent weighing stations. These differ significantly across the states. The NTC acknowledge that:

“there are very large differences between the states and territories in the level of heavy vehicle enforcement expenditure. In addition, it is not clear what enforcement costs should be recovered through national heavy vehicle charges (eg should safety enforcement as well as enforcement of mass limits be included?).”¹

¹ NTC Third Heavy Vehicle Road Pricing Determination, Draft Regulatory Impact Statement, October 2005, page 3.

19. In addition to significant variation among the states, the data does not show any correlation between the level of enforcement expenditure and heavy vehicle use.
20. Table 1 shows that the level of heavy vehicle enforcement expenditure in New South Wales is almost double the national average. This is despite NSW having a lower per capita heavy vehicle use than the national average. The level of heavy vehicle enforcement expenditure in NSW reflects the relatively wide enforcement powers of the Roads and Traffic Authority (RTA) and its operation of sophisticated enforcement programs, such as weigh stations and Safe-T-Cam².
21. In addition, Queensland and Western Australia have above average heavy vehicle use, but below average heavy vehicle enforcement expenditure.

Table 1 – Heavy Vehicle Use and Heavy Vehicle Enforcement Expenditure

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
HV use (million AGM-km)	112 648	83 500	87 272	50 886	30 835	7 647	1 556	4 740	379 094
HV use per '000 population	16.223	15.867	20.569	23.800	19.350	15.437	4.550	21.846	17.852
HV enforcement expenditure (\$m)	67	13	18	7	10	0	0	2	119
Population ('000)	6 944	5 262	4 243	2 138	1 593	495	342	217	21 236
HV enforcement expenditure per capita \$	9.65	2.47	4.24	3.27	6.28	0.0	0.0	9.22	5.60

Source: NTC Annual Report 2008, Table 3, page 30 and Third Heavy Vehicle Road Pricing Determination Technical Report, Table 6.

22. As a matter of data comparability, it may be the case that some heavy vehicle enforcement expenditure is included in police expenditure in some states (and not included in road expenditure).
23. Tasmania notes that in the NTC's First and Second Determination for Heavy Vehicle Charging, heavy vehicle enforcement costs were not included in the allocation of costs to vehicle use on the basis that they are not road construction or maintenance expenditure.
24. Under the terms of the Heavy Vehicle Agreement that governed the First and Second Determination, charges could only recover road construction and maintenance costs.

² Safe-T-Cam is part of NSW's overall enforcement program which includes: 280 heavy vehicle regulation inspectors, 100 cars fitted with in-car technology that allows inspectors to randomly check heavy vehicles are in compliance with RTA Regulations, 7 heavy vehicle checking stations, 24 Safe-T-Cam sites and 170 roadside inspection areas.

25. For the Third Determination for Heavy Vehicle Charging, enforcement of heavy vehicle regulation expenditure has been included in allocated costs.
26. This follows a wider mandate to recover costs, through heavy vehicle charging, which include allocated or common costs. In February 2008, the Australian Transport Commission approved national reform to ensure that heavy vehicles pay a share of increased road spending.
27. Tasmania's discussion with the NTC confirms that expenses relating to the enforcement of heavy vehicle regulations represent an allocated (or common cost). The NTC use a broad measure of road use (in this instance, heavy vehicle kilometres travelled) to allocate these costs across the user base.
28. The Productivity Commission (in 2007) examined the NTC cost allocation model and its underlying principles and supported the inclusion of common costs within the context of heavy vehicle charging. This is consistent with an objective of achieving full cost recovery, as opposed to an explicit link between road use and these particular costs.
29. Tasmania contends that for the purposes of the Commission, common costs (such as expenditure relating to the enforcement of heavy vehicle regulations) are not directly related to road use.
30. Tasmania does not believe it appropriate for enforcement of heavy vehicle regulation expenses to be allocated to heavy vehicle use. The gain in increased safety from enforcement is shared by the community as a whole and the way states achieve this is clearly not directly attributable to heavy vehicle use.
31. Consistent with the Commission's proposed treatment of other NTC category "G items", such as corporate services, vehicle registration and driver licensing, Tasmania believes it appropriate for enforcement of heavy vehicle regulation expenses to also be allocated to "other services" in the 2010 Roads assessment (and assessed EPC).

Treatment of NTC Category F1. & F2 Expenses – Pavement Improvements & Bridge Improvements

32. The Commission has modified the NTC cost allocation model to specifically exclude F3 expenses relating to land acquisition, earthworks and extensions. The Commission has decided that holdings and transactions in land should not influence the relativities.
33. The Draft Report does, however, include other capital expenses (F1 and F2 items) in the modified NTC cost allocation model. These expenses relate to pavement improvements and bridge improvements, respectively.

34. Tasmania recognises that, conceptually, both F1 and F2 expenses could be excluded if all the state expenditure reported to the NTC in these categories is recorded in GFS as capital expenditure and not road expenses. The reality is, however, that these datasets do not align. There is also doubt that states have been consistent in their treatment of capital and recurrent transactions.
35. We understand that the Commission intends to use the disabilities calculated for road expenses in its capital investment assessment.
36. Given this, Tasmania supports the inclusion of both F1 and F2 expenses in the Commission's modified NTC cost allocation model. This recognises the limitations on data alignment and, in the interest of simplicity, will avoid the Commission need to have two sets of road disabilities.