



LOCAL GOVERNMENT
ASSOCIATION
OF QUEENSLAND INC.

SUBMISSION

TO

**THE REVIEW OF ECONOMIC COSTS OF
FREIGHT INFRASTRUCTURE AND EFFICIENT
APPROACHES TO TRANSPORT PRICING**

1. Background

This submission has been prepared by the Local Government Association of Queensland (LGAQ) in response to the Terms of Reference of the Review and the Issues Paper released by the Productivity Commission in March 2006.

The purpose of the Review as set out in the Terms of Reference is to assist COAG to implement efficient pricing of road and rail freight infrastructure through consistent and competitively neutral pricing regimes, in a manner that optimises efficiency and productivity in the freight transport task and maximises net benefits to the community.

2. Scope of Inquiry

While the Terms of Reference (TOR) refer to the impact of proposals on users and specific locations, the COAG Communique appears to place more emphasis on issues for rural, regional and remote Australia in particular than do the Terms of Reference. For example, the Communique requires proposals in a manner that *"...maximises net benefits to the community, in particular rural, regional and remote Australia."*

From the LGAQ perspective, there is a clear need for proposals to identify impacts at a disaggregated level, particularly from a locational perspective. In a decentralised State such as Queensland, where distances are significant and communities dispersed, the freight task is magnified.

In addition, there is a strong dependence on road transport for the freight task across Queensland, so movement of freight from road to rail in response to any increases in road use pricing relative to rail is often not possible. The results of the Inquiry could therefore have adverse impacts on many rural and remote communities as a result of increases in freight costs.

There will be a need to consider mechanisms to moderate price increases where there is a heavy dependence on road transport without other transport modes. It could, for example, be possible to consider charging regimes based on the geographic location of road transport movements.

It is noted that the TOR require the Commission to estimate the impact of charging regime options, including on transport operators and users and specific locations. The TOR also require that consideration is given to economic, social and environmental matters when such impacts are assessed. LGAQ believes it is important that the investigation of social impacts is given an appropriate emphasis.

Consideration should also be given to how pricing regimes can lead to unintended consequences as road transport operators change their route selection (eg rat running through urban streets to avoid tolls, or to use roads with lower pricing structures). Such scenarios reinforce the need for a change in pricing regime to be supported by clear implementation and enforcement strategy such as the Intelligent Access Program.

It is noted that the Commission intends to broadly interpret economic costs of infrastructure provision rather than simply being constrained by a narrow interpretation of financial costs. This approach is supported.

Consideration of external costs will also be important. These externalities include environmental impacts (noise, dust, fumes, greenhouse gases), safety and health issues and congestion costs. These are key concerns in major urban areas (eg in the Brisbane Urban Corridor) where significant freight movement take place. The quality of life of residents can be significantly impaired by use of suburban streets by heavy vehicles.

3. Local Government Road Responsibilities

It must be recognised that Local Government is a significant stakeholder in the national road network with local roads estimated as 650,000 kilometres (80%) of the total national road network of some 810,000 kilometres. Queensland Local Government is responsible for 147,000 kilometres of road, some 22.6% of the national local road task.

Councils in Queensland outlay over \$650 million annually on this local road task of which less than \$160 million is provided by the Commonwealth through local roads financial assistance grants (untied), and through Roads to Recovery or Black Spot funding.

This Inquiry has potential to increase charges for road use, consistent with costs imposed by users. However, no mechanisms are in place to ensure that funds collected in relation to use of the local road system by freight vehicles are returned to Local Government to supplement their revenue base and allow upgrading of the local road system to facilitate freight movements.

As the Commission notes “ ... the current disconnect between infrastructure charges and investment decisions, especially for road infrastructure, may be a fundamental constraint on efficient infrastructure provision. More efficient pricing by itself would not be sufficient to close this divide and ensure efficient investment.”

The current allocation of AusLink funds, for example, is not based on needs, and Queensland with its rapid population growth (and consequent rapid growth in the freight task) is not being adequately funded.

This is evidenced by the increasing congestion in the Brisbane metropolitan area without adequate funding support for the key national highway links and by the initial lack of attention to the upgrade needs of the Bruce Highway (and other elements of the National Highway system) in the initial AusLink funding. While some additional funding has been announced for flood proofing of the Bruce Highway, it is not sufficient for this key freight arterial and is more of a political reaction rather than a proper assessment of needs.

LGAQ believes that there needs to be a strong emphasis on mechanisms to improve investment decisions as an element of this Inquiry.

4. Key Issues

4.1. Growth in Freight Movements

According to AustRoads in RoadFacts 2005, the total Australian freight task has grown significantly during the past 20 years and is set to almost double in the next two decades. Road freight has increased at about five per cent per annum recently and is growing as a proportion of the freight moved.

The significant growth in the freight transport task in recent years is revealed by the following figures presented by AustRoads in RoadFacts 2005.

Indices of Road Use Trends Australia

Indicator	1979	1988	1998	2003
Truck tonne kms	100	177	295	399
GDP	100	133	185	218
Vehicle kms travel	100	137	155	180

Source: RoadFacts 2005

Since 1979, truck tonne kilometers have increased by 300% compared with a 118% growth in GDP and an 80% increase in overall vehicle kilometers of travel. There was an increase of 34% in truck tonne kilometers in the five years from 1998 to 2003.

According to BTRE, the kilometers of travel by articulated vehicles in capital cities is estimated to increase by 80% between 2006 and 2020.

With Queensland facing a rate of population growth around twice the national average, the freight task in Queensland is expanding at a greater rate than for the nation as a whole.

4.2. Increasing Urban Congestion

Congestion costs in Brisbane are estimated by the BTRE to rise from \$2.6 billion per year in 1995 (\$1,800 per capita) to \$9.3 billion by 2015 (4,600 per capita), almost a 260% increase. The \$4,600 per capita annual congestion cost predicted for Brisbane compares with a congestion cost per capita of only \$2,000 for both Sydney and Melbourne. This highlights the serious nature of the current situation and the need for rapid investment in infrastructure in SEQ if these predicted congestion costs are to be avoided.

RoadFacts 2005 figures show that by 2002/03, the minutes of delay per kilometre in the Brisbane metropolitan area had increased to 0.47 minutes. On congested routes (eg NHS), the delay per kilometre over nominal travel speeds, is likely to be much higher than this figure.

For freight transport, with over 6 billion vehicle kilometers of travel projected for the Brisbane metropolitan area by 2020, a 0.5 minute additional delay per kilometre represents 50 million hours of lost productivity per year in the transport industry at current levels of congestion.

With congestion costs forecast to at least double by 2020, it can be estimated that road freight vehicles will lose over 100 million hours of productive time each year by 2020, which could amount to more than \$5 billion per annum additional cost by 2020 for the road freight industry alone in the Brisbane metropolitan area.

4.3. Accident Risk

The latest report (AusRAP, 2005) shows that Queensland motorists face the greatest accident risk on the NHS of any State in terms of the AusRAP rating system.

Queensland has the largest number of links of any State rated as 'worst' and therefore considered as investment priorities. Six of the 'worst' links in the AusRAP report are in SEQ, whereas in all other States almost all the links rated as 'worst' were outside the extended metropolitan region equivalent to SEQ.

Queensland was the only State where there were no sections of the NHS given the "best" rating by AusRAP.

The Ipswich Motorway, an important freight link for Brisbane, had over 1000 accidents in a five-year period.

The rapid increase in articulated vehicle movements is a key safety issues particularly where the routes used are key elements of the commuter traffic network.

5. Conclusions

LGAQ supports the scope of this Inquiry and its potential to provide a better way of pricing and funding transport infrastructure.

Some of the key issues and concerns of LGAQ as outlined in this submission include the need for:

1. proposals to identify impacts at a disaggregated level, particularly from a locational perspective;
2. recognition of potential impacts on rural and remote communities as a result of increases in road freight costs, particularly in situations where there is no competition between modes;

3. investigation of social impacts to be given an appropriate emphasis, including impacts on prices in rural and remote communities as well as the impacts on health, safety and quality of life in major urban centres subjected to significant road freight volumes in congested conditions.
4. consideration of charging regimes based on the geographic location of road transport movements;
5. a focus on mechanisms to improve transport infrastructure investment decisions;
6. consideration of how Local Government can receive appropriate revenue from road transport user charges related to use of the local road network.