

**Submission to:** Independent Pricing and Regulatory Tribunal

**Title:** The Impact of Local Government Regulation on  
the Australian Trucking Industry

**Date:** 26 October 2012



## Contents

<b>1. Introduction</b> .....	<b>3</b>
<b>2. About the Australian Trucking Association (ATA)</b> .....	<b>3</b>
<b>3. Recommendations</b> .....	<b>3</b>
<b>4. Overview of Impacts of Local Government Regulation</b> .....	<b>4</b>
<b>5. Conditions and Costs Imposed by Local Governments</b> .....	<b>4</b>
5.1. Protecting Sensitive Infrastructure.....	4
5.2. Preventing Increase in Noise Pollution and Road Congestion.....	6
5.3. Assessment Costs.....	6
<b>6. Local Government Application Processing Issues</b> .....	<b>6</b>
6.1. Delays and Lack of Due-Diligence.....	6
6.2. Inadequate Review Mechanisms.....	7
6.3. Performance Based Standards (PBS) Scheme Issues.....	7
<b>7. Result of Excessive Regulation</b> .....	<b>7</b>
<b>8. Conclusion</b> .....	<b>8</b>
<b>9. References</b> .....	<b>8</b>

## 1. Introduction

The Australian Trucking Association (ATA) would like to thank the Independent Pricing and Regulatory Tribunal (IPART) for the opportunity to comment on its review of local government compliance and enforcement activity in NSW. Our submission examines the impact of NSW local governments' compliance and enforcement activity on the trucking industry.

Australia has a federated system of government where power is shared between the Commonwealth, state and local levels of government. In NSW alone, there are over 150 local governments. An unfortunate evolutionary consequence of this disjointed system is the creation of inconsistent regulations across the different jurisdictions, which can result in compliance complexities, inefficiencies and unnecessary cost burdens for stakeholders. Such negative consequences are felt heavily by the trucking industry, as it operates across all jurisdictions. It follows that the burdens felt by the trucking industry can be passed on to the wider community. Thus, having consistent regulations and consistent administration of those regulations across all jurisdictions can alleviate unnecessary burdens on the Australian economy and ultimately make Australia a more competitive economy.

## 2. About the Australian Trucking Association (ATA)

The Australian Trucking Association (ATA) is the peak body that represents the trucking industry. Its members include the state and sector-based trucking associations, some of the nation's largest transport companies, and businesses with leading expertise in truck technology.

## 3. Recommendations

### Recommendation 1

There should be consistency in regulations affecting the trucking industry across different local government jurisdictions.

### Recommendation 2

Local governments should allow more productive heavy vehicles greater local road access and use.

### Recommendation 3

Any local government decisions to restrict local road access or use for more productive heavy vehicles must be grounded in objective evidence, be fair and be consistent in the interests of the trucking industry and the wider community.

### Recommendation 4

Engineering assessment costs imposed by local governments for local road access and use must be reasonable.

### Recommendation 5

Local governments need to improve their efficiency and due-diligence when processing applications for local road access and use for heavy vehicles.

**Recommendation 6**

Local governments must be required to provide a statement of reasons for any adverse decisions on applications for local road access and use for heavy vehicles, and local government decisions must be subject to external review options in order to improve accountability and ensure good decision-making.

**Recommendation 7**

Local governments need to ensure that PBS mapping is kept up-to-date.

**Recommendation 8**

Local governments should encourage engagement and interaction with the trucking industry.

**4. Overview of Impacts of Local Government Regulation**

Australian businesses are heavily dependent on the road network for delivering to their customer base and for the receipt and dispatch of goods. With Australia's freight task estimated to triple between 2008 and 2050, this dependence on road transport is likely to increase and place more demands on the road network (PriceWaterhouseCoopers, 2009). Thus, the accessibility and quality of the road network from origin to destination is critical to the performance of freight vehicles. Access constraints can impact on the efficiency of the entire supply chain and the economic productivity of freight industries and their customers (Australian Government Productivity Commission, 2012).

Local governments own and manage around 80 percent of Australia's total road network. Local governments are able to declare certain roads or bridges inaccessible to particular vehicle types, or place restrictions or conditions on access and use (including parking). Local government road access and use decisions frequently affect heavy vehicles (that is, vehicles that weigh more than 4.5 tonnes). Around 20 percent of all heavy vehicle travel is undertaken on local roads and this is where access and use issues arise for heavy vehicles most often (Australian Government Productivity Commission, 2012).

In NSW, the Roads and Maritime Services government agency coordinates road access and use requests with local governments on behalf of applicants. From 1 January 2013, the soon-to-be-established National Heavy Vehicle Regulator (NHVR) will coordinate access requests with local governments on behalf of all heavy vehicle applicants (COAG 2009). There will be no external appeals against local government decisions. As such, local governments will continue to be the responsible authority for determining road access and use for heavy vehicles on local roads.

**5. Conditions and Costs Imposed by Local Governments**

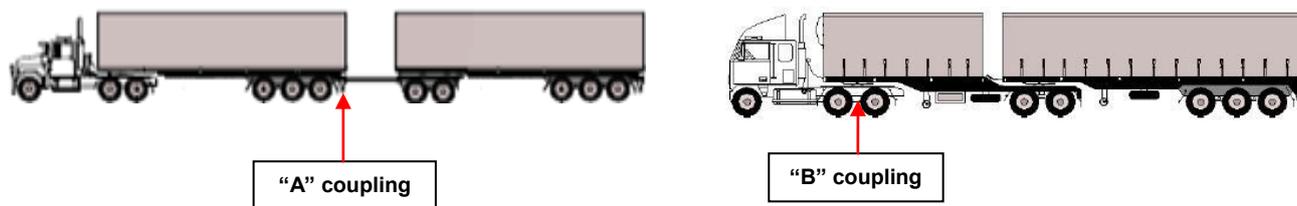
Reasons for local government decisions to refuse or restrict local road access or use to heavy vehicles generally include: protecting sensitive infrastructure; preventing increase in noise pollution; and preventing increase in road congestion. Where access and use to local roads is granted, the initial local government assessment costs can be prohibitive. These issues are discussed below.

**5.1. Protecting Sensitive Infrastructure**

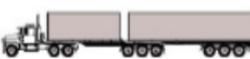
The heavy vehicle industry's workhorse is the B-double combination. This vehicle allows for improved productivity due to its size compared to a semi-trailer, and it has been the main contributor to the trucking industry's productivity gains over the past 20 years. For further explanation of productivity capabilities, see **Table 1** below. B-double vehicles, as well as B-triple vehicles, provide improved safety due to increased

stability because of the way the trailers are combined (using a “B” coupling) compare to the couplings in traditional road trains or truck and dog combinations (using an “A” coupling) (see **Picture 1** below). Despite their size, because of the way they are built, B-double and B-triple vehicles are also less likely to cause significant infrastructure damage compared to, for example, rigid trucks and semi-trailers. To further clarify, damage to roads is caused by axle weights, not by a vehicle’s gross mass. Axle weights and impact can be measured by Equivalent Standard Axles (ESA) per 1000 tonnes. The more axles a vehicle’s gross mass is spread over, the less impact there is to roads. For further explanation of axle impact, see **Table 1** below.

**Picture 1: Types of Trailer Connection Coupling**



**Table 1: ESA Measurements**

	Heavy vehicle type	No. of trips per 1000 tonnes	ESA
	Traditional 3 axle rigid	77	316
	Traditional 6 axle semi-trailer	42	257
	Innovative 9 axle B-double	26	195
	Innovative 12 axle B-triple	20	178
	Traditional 16 axle road train	15	197

Source: ATA and Barkwood Consulting Pty Ltd

What can be seen from **Table 1** above is that more productive heavy vehicles (B-doubles and B-triples) are safer, take fewer trips to complete a freight task of moving 1000 tonnes and impact to infrastructure (ESA) is lower compared to traditional heavy vehicles. These vehicles have even less impact on roads when equipped with road friendly suspension (air-bag suspension) as opposed to traditional steel spring suspension found in many traditional trucks, such as rigid trucks. These facts have been accepted by the Australian Transport Council based on OECD research as far back as 2000. Yet, despite all of this evidence, these innovative heavy vehicles are often denied access to local roads by local governments under the guise of protecting sensitive infrastructure assets.

A practical consequence of such misinformed restrictions is that during ‘first and last mile’ freight movements, safer and longer combinations need to have their trailers de-coupled and moved with additional prime movers in order to pass in and out of local jurisdictions. This results in lost time and additional costs. An alternative practical consequence is that, where operators view the task of de-coupling to be too costly and time-consuming, operators may make a business decision to use more less productive heavy vehicle combinations for the whole journey. Either way, the result is that more costs fall on operators, businesses who rely on road freight transfer and ultimately those who consume the commodities transported. It also, ironically, this creates more infrastructure wear because more trucks are needed to move the freight. Thus, local governments are short-changing local business possibilities and the productive futures of their own communities, and are exposing their infrastructure to more wear. If local governments do not want to see

prices of goods and services rise at their local stores and service providers, then greater local road access for innovative combinations must be considered.

## 5.2. Preventing Increases in Noise Pollution and Road Congestion

Further reasons given by local governments for refusal or restriction of local road access or use for heavy vehicles are: to prevent increases in noise pollution and to prevent increases in road congestion. In relation to the noise issue, there appears to be inconsistent application of the rules to noisy vehicles by local governments. Both heavy vehicles and motorcycles (at 25 feet) have an exact same sound level of 90 decibels (Beranek, 1988). One study found there were even some motorcycles 'with noise levels exceeding that of the heaviest trucks, but they could not be measured since the levels exceeded the range set on [the] sound level meters' (Sandberg, 2002). Another study also found that motorcycle noise has been identified as the most annoying of all noises from vehicles (Berglund & Nilsson, 2000).

One of the reasons offered for this finding is that motorcycle noise 'is considered by many as "unnecessary" and often a matter of abuse', whereas trucks are recognised as essential to society because of its purpose of transportation of goods (Sandberg, 2002). Thus, it is illogical to refuse or restrict local road access or use based on the reason of loud noise if motorcycles are not subjected to the same limitations as heavy vehicles. If local governments want reasons for their decisions to have some recognised legitimacy grounded in evidence, this inconsistent application must be reviewed.

In relation to the congestion issue, currently some local governments do not allow heavy vehicle access and use of certain local roads and loading areas during off-peak hours, typically between 6pm and 7am, due to noise issues. This means there will be more heavy vehicles on the roads during the peak hours between 7am and 6pm (so that drivers do not have to wait around at loading docks during off-peak hours), thereby adding to road congestion. If local governments want to reduce road congestion, then consideration needs to be paid to the proposition of allowing access to and use of certain local roads and loading areas during off-peak hours. Essentially, local governments cannot have it both ways: either noise levels will have to increase or road congestion will have to increase.

## 5.3. Assessment Costs

Where local road access or use is granted to heavy vehicles, this can follow the operator having to pay hefty engineering assessment costs imposed by local governments. For example, one of our member transport companies was charged \$1,975.60 by the Jerilderie Shire Council in NSW for a bridge assessment. These assessment costs multiply as operators usually need to make numerous applications. Any fees set by local governments for engineering assessments need to be reasonable, not prohibitive.

# 6. Local Government Application Processing Issues

Trucking companies have identified various frustrations in having applications for road access and use approved by local government. These include: delays and a lack of due diligence in processing, inadequate review mechanisms, and non-compliance with the Performance Based Standard (PBS) scheme requirements. These issues are discussed below.

## 6.1. Delays and Lack of Due Diligence

For many local governments, applications for heavy vehicle access to their local roads are infrequent and the processes for assessment are consequently not always well developed (Australian Government Productivity Commission, 2012). The response times by local governments for straightforward road access and use applications are usually between two to three months for each application. When applications are more complex, local government decisions can be delayed by several more months or ignored. Such delays add

to business inefficiencies. It has also been reported by some trucking companies that correspondence with local governments has been misinterpreted, misplaced or lost, thereby adding to delays and frustrations.

Such poor processes, delays and lack of due diligence should not be commonplace when Austroads and the National Road Transport Commission (now named the National Transport Commission) have each produced guidelines (to complement state-based guidelines) to assist local governments in making assessments of applications for heavy vehicle access to local roads and bridges. Oversight mechanisms, which can reduce time delays and negligent conduct by local governments in their decision-making, need to be implemented.

## 6.2. Inadequate Review Mechanisms

Currently, the only review mechanisms available to trucking companies that are adversely affected by local government decisions to refuse local road access or use are internal review mechanisms within local governments. Local governments do not have to provide a statement of reasons accompanying their decisions. As a consequence, trucking companies often do not take up the option of internal review due to the lack of confidence in local governments being able to objectively, transparently and fairly review their own decisions. Thus, the trucking industry should be legally entitled to a statement of reasons and access to external merits review mechanisms through the Administrative Decisions Tribunal. Over time, a series of tribunal decisions would establish precedents for local governments to use in order to make consistent and fair decisions.

## 6.3. Performance Based Standard (PBS) Scheme Issues

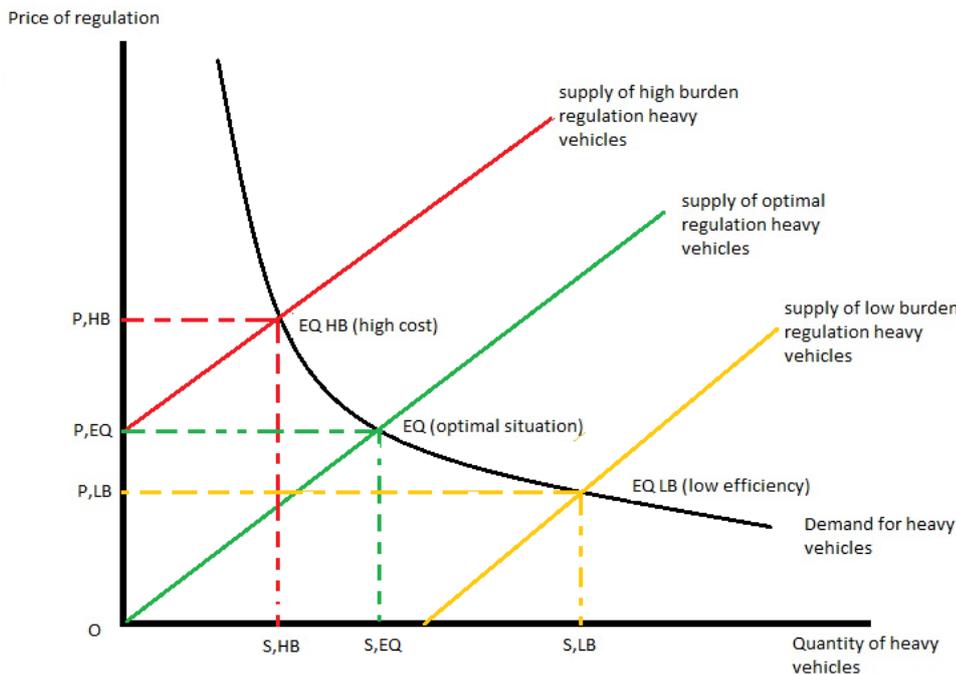
The Performance Based Standards (PBS) scheme was created to allow innovative heavy vehicles that comply with Australian design rules to meet select standards to prove their safety so they can operate as normal heavy vehicles. The rationale for the scheme is to make it easier for businesses to use innovative or specialised heavy vehicles. While businesses have complied with the set strict criteria, local governments and state government agencies have made the scheme ineffectual, as maps identifying PBS-compliant routes on the road network were supposed to have been produced by state governments, with local government input, in order to identify important information such as bridge capacity and rest stops for drivers. It appears that local governments are either not able to identify the routes for PBS maps because of a lack of resources or are not organised enough to do so.

Essentially, local governments are not providing services that businesses have paid for. This is a huge failing. The scheme has been operational since 2007, and 80 trucks and buses have been registered under the PBS scheme since January 2010. Yet PBS mapping is still incomplete. In areas where the lack of PBS mapping is particularly severe because local governments have not identified PBS-compliant routes, operators are constrained by applying individually to local governments for permission to use the road network. Thus, the intent of improving productivity under this scheme is considerably undermined. This issue needs to be addressed.

## 7. Result of Excessive Regulation

The differences in jurisdictional regulations and practice means truck fleets are not able to work at the optimal level for the Australian economy. The trucking industry faces two choices with inconsistent regulation across different jurisdictions: operators can use more productive heavy vehicles, but must invest more time and money in meeting the burdensome requirements in each local jurisdiction; or operators can use less productive heavy vehicles so that they invest less time and money in meeting less burdensome requirements in each local jurisdiction. Both of these choices are not the general equilibrium which should occur. As can be seen in the **Graph 1** below, a market failure is present because of the disconnect in regulation across different jurisdictions.

**Graph 1: Price Regulation of Heavy Vehicles**



The equilibrium where supply and demand for heavy vehicles is optimum is where regulation costs set by local government and operators using the correct combination of heavy vehicles should meet (EQ,SEQ,PEQ). However, we have two divergences from the optimum combination of supply and demand.

On the one hand, we have operators who want to use more productive heavy vehicles, but in order to reach the regulation required to access this, the costs associated with this regulation are high (P,HB). This causes the supply of these higher productive vehicles to be restricted (S,HB). This means fewer operators are using these vehicles than desired. On the other hand, we have an oversupply of vehicles that meet the basic regulation. The cost of meeting the regulation needed is a lower cost (P,LB rather than P,HB) and the equilibrium price (EQ LB). This means operators are using more of these lower hurdle regulation heavy vehicles, such as semi-trailers, instead of the higher-hurdle, heavily regulated, more productive vehicles such as B-doubles. Thus, trucking companies are receiving the wrong signals because regulation is either incorrectly aimed, excessively costly or adapted to suit a specific local government’s wish, regardless of the economic drawbacks of those decisions.

## 8. Conclusion

The trucking industry needs local governments to take on board its concerns, engage with the industry, avoid unnecessary restrictions on its movements and activities, not place onerous costs on the industry, and engage in objective, transparent and fair decision-making. Not only would such an approach improve productivity for the industry, the benefits will flow on to other businesses in the supply chain, the greater community and ultimately the Australian economy.

## 9. References

Australian Government Productivity Commission 2012, *Performance Benchmarking of Australian Business Regulation: The Role of Local Government as Regulator*, Commonwealth of Australia, Canberra.

Beranek, LL 1988, *Noise and Vibration Control*, Institute of Noise Control Engineering, Cambridge.

Berglund, B & Nilson, ME 2000, *Total Annoyance and Perceptually Discernible Noise Sources*, Presented at the Internoise 2000 Conference held by the International Congress on Noise Control Engineering, 27-31 August, Nice.

COAG (Council of Australian Governments) 2009, *Intergovernmental Agreement on Heavy Vehicle Regulatory Reform*, <<http://www.coag.gov.au/node/54>>, accessed 16 October 2012.

PriceWaterhouseCoopers 2009, *Meeting the 2050 Freight Challenge*, Prepared for Infrastructure Partnerships Australia, Sydney.

Sandberg, U 2002, *Noise Emission from Powered Two-Wheeled Vehicles – Position Paper*, Swedish National Road and Transport Research Institute, <[http://ec.europa.eu/environment/noise/pdf/noise\\_2wv\\_position\\_paper.pdf](http://ec.europa.eu/environment/noise/pdf/noise_2wv_position_paper.pdf)>, accessed 16 October 2012.