Submission to COAG Road Reform Plan: Funding and Implementation Issues Paper

C-MARC is pleased to be able to make this submission to the Australian Government's COAG Road Reform Plan on the Funding and Implementation Issues Paper.

From a safety perspective the Issues Paper is disappointing due to its avoidance of safety as an objective or an issue. This omission contradicts both best practice transport policy development and the objectives of the highest transport policy making body in Australia, the Australian Transport Council. The COAG Road Reform Plan presents an opportunity to make a significant contribution to improving road safety, so it would be unfortunate if health and safety benefits to the Australian community remained unrealised.

Therefore, the Plan would benefit from substantial strengthening, with respect to the following aspects regarding safety:

- including road safety as an objective of the COAG Road Reform Plan;
- assessing road safety outcomes should be in the COAG Road Reform Plan; and
- incorporating safety benefits which can accrue from the COAG Road Reform Plan, even at little cost.

The report notes that prices will be higher for travel on lower quality roads or for lower quality vehicle use. However, the plan is logically inconsistent in that it applies economic principles to transport productivity and efficiency but fails to apply the same principles to road safety which is an equally valid outcome. Therefore the road safety benefits of higher prices for travel on less safe roads and for use by less safe vehicles should be included in the plan.

Safety outcomes could be a net benefit to the plan, at little or no cost, and a positive outcome which should not be ignored.

Yours sincerely,

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Introduction

Human safety and health are fundamental human rights. Therefore maximising safety is essential in transport and the community at large. All sections of Government, industry and the community need to regard road safety as common good practice. Therefore safety must be integrated in the COAG Road Reform Plan.

The COAG Road Reform Plan needs to be refocussed to incorporate road safety outcomes which Australians deserve. The following key points describe improvements to the Plan to address unresolved safety policy issues, subsequent to the Funding and Implementation Issues Paper.

1. Safety as an objective of the COAG Road Reform Plan

Safety is a core government objective, but it is not reflected in the COAG Road Reform Plan reports. The Australian Transport Council's key objectives specifically include safety:

“To provide a safe transport system that meets Australia’s mobility, social and economic objectives with maximum safety for its user.”

On one hand Australian Governments are prepared to propose:

“No death or serious injury on the roads is acceptable, and bold steps will be needed to reduce further the number of deaths and serious injuries.”

At the same time, Governments appear oblivious to safety opportunities and consequences in policy development such as the COAG Road Reform Plan or simply reject them. The focus to 'promote efficient use of the road transport network' is recognised and valid, but safety must never be compromised in the interest of cutting costs or maximising profits, especially at the expense of vulnerable or defenceless people.

The paper is unnecessarily self-limiting in its scope, despite the broad purpose to "explain the expected benefits and costs of road reform". For instance, in many places there are phrases which are incomplete descriptions of the transport system, such as "... efficient provision and use of roads requires sufficient funds to flow to the road provider for maintenance and investment in the road network...". In reality, the roles and responsibilities of Governments, based on policy statements such as those by ATC above are much broader, so more holistic positions need to be taken, such as: "... efficient and safe provision and use of roads requires sufficient funds to flow to the road provider for maintenance and investment in the road network, including safety programs ...".

Similarly, the first of the benefits described would be better as "... heavy vehicle prices that are more closely aligned to the actual costs of a heavy vehicle trip will promote safe and efficient use of the road transport network (ensuring the right trucks and the right roads are used for the freight task) ...". In this case the 'right' trucks are safe trucks and the right roads are safe roads.

Safety should be an objective for all three Government functions described: high-level policy making, lower level rule making within the policy parameters set out in legislation, and regulatory practice.

Road safety should be included as an objective of the COAG Road Reform Plan.

2. Draft National Road Safety Strategy, December 2010, Safety Standing Sub-Committee, Standing Committee on Transport
2. Safety outcomes assessment in COAG Road Reform Plan

As it describes, the COAG Road Reform Plan follows the intent of the Productivity Commission to improve the market operation for road freight transport which indicated:
"Direct user pricing of major freight routes would also allow for commercially oriented road management. This could bring significant additional efficiency benefits by promoting optimal maintenance and pavement durability, and by encouraging more innovative responses to user demand (such as guaranteeing travel times and providing safety features)."

The Productivity Commission review also describes that the Road Fund is responsible for road safety outcomes. Therefore, road safety is an integral part of road costs, pricing and outcomes road safety is not an additional part of road pricing as is occurring in the COAG Road Reform Plan.

The Productivity Commission Inquiry description is equally valid for the COAG Road Reform Plan:
"While the focus of the inquiry is on freight infrastructure use, issues such as road safety, urban road congestion and other externalities of infrastructure use, and appropriate recovery of common costs of providing road and rail infrastructure, are affected by, and have implications for, passenger transport as well."

In this case the COAG Road Reform Plan has selectively taken some of the benefits identified by the Productivity Commission (and limiting efficiency only to productivity), but ignored the potential safety benefits.

With respect to the demand side, an efficient pricing system for heavy vehicles should reflect the full cost of road provision and externalities, including safety. Moreover, more 'economically' efficient road use, can naturally improves safety at the same time. Prices that reflect the costs of providing roads for heavy vehicles will encourage:
- an efficient and safer trucking fleet mix;
- better (safer) route selection for freight;
- efficient and safer use of the road network; and
- efficient and safer freight modal choice at the margin.

These benefits should therefore be an integral part of the COAG Road Reform Plan assessment. Alternatively if safety costs occur, they should equally be included in the assessment.

As suggested, road revenue collected from heavy vehicles should (transparently) compensate road providers for the costs they incur from road provision and use. However it is equally appropriate for others to be compensated for the costs they incur. At least, the revenue from heavy vehicles should reflect the full costs of use, including safety, and such revenue be applied to reducing crash outcomes.

Similarly, the benefits of road reform on the supply side of the market could include:
- optimisation of road network quality and safety;
- optimisation of vehicle operating costs including reduced crash costs;
- appropriate access and safety decisions;
- planning and road provision for safety and efficiency; and
- improved road expenditure accountability with respect to community safety.

The report rightly states "an assessment of the costs and risks associated with alternative pricing and funding options is essential to understanding feasibility". Therefore road safety outcomes should be included in the plan's assessment. The "vehicle operating cost model and

3. Productivity Commission, Road and Rail Freight Infrastructure Pricing, No. 41, December 2006, emphasis added
assessment of the wider economic benefits and costs", should naturally include safety costs and benefits. In the same way, the focus of service standards in the plan is on (transport) efficiency, but should be equally applied to safety.

Road safety can be a 'market failure' for the reasons outlined, with respect to public good, spillover effects and externalities which are not described or assessed. As described, mechanisms will be required to ensure that: (a) the relevant safety costs are allocated to the relevant users; and (b) the safety investments the heavy vehicle industry pay for are undertaken.

Funding reforms can be extended to road safety outcomes. The 'market' for road safety is incomplete since it imposes externalities on others and does not necessarily take account of all infrastructure costs to provide for road safety. When the safety costs are charged, the revenue can rightly flow to investments in road safety. This is what occurs in rail transport infrastructure and operations, and should rightly occur in road transport for identical reasons. Therefore, road safety costs should be appropriately charged, and linked to revenue and expenditure. These linkages will lead directly to safer road transport.

The concept of compliance and enforcement in the discussion only takes account of the charging outcomes of the activity. The other crucially important outcomes of compliance and enforcement are for safe access and operation as described in the draft 4 Draft National Road Safety Strategy, which should therefore be included in this plan.

Fundamentally the blithe position that pricing of externalities is not considered optimal at this time is unjustified and inconsistent with the roles and responsibilities of Governments.

Road safety outcomes should be assessed as an integral part of the COAG Road Reform Plan.

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4 Draft National Road Safety Strategy, December 2010, Safety Standing Sub-Committee, Standing Committee on Transport
3. **Incorporating safety benefits in the COAG Road Reform Plan**

While the key benefits and objectives of road reform are likely to arise from road pricing reform, and road infrastructure funding and expenditure reform, there are potential safety benefits as well. Better aligning heavy vehicle charges to the actual costs of a heavy vehicle trip, including safety is likely to encourage safer use of the road network, as noted above. This occurs through the demand and supply-side mechanisms already introduced in the plan which equally apply to safety:

- a safer trucking fleet mix;
- safer route selection for freight;
- safer use of the road network;
- safer freight modal choice at the margin;
- optimisation of road network safety;
- reduced vehicle crash costs;
- safety decisions;
- planning and road provision for safety; and
- improved road expenditure accountability with respect to community safety.

Essentially prices will be (or should be) higher for travel on less safe road and for less safe road use. The plan is logically inconsistent in that it applies economic principles to transport productivity and efficiency but fails to apply the same principles to road safety which is an equally valid outcome. This is despite the fact that safety outcomes could be a net benefit to the plan, and at little or no cost.

The paper describes that "pricing reforms could help achieve benefits from aligning with national transport reforms and initiatives such as the development of intelligent transport systems" (ITS). However one of the key benefits if ITS is described by Intelligent Transport Systems Australia in its mission "to promote the contribution of Intelligent Transport Systems (ITS) across Australia to the improvement of: ...transport safety and security". So, if road reform is to align with ITS initiatives, it needs to align with safety outcomes.

Currently there is a market failure with respect to the availability, accuracy and relevance of information with respect to heavy vehicle safety. To overcome this, the road user charging mechanism could include the collection of information regarding safety (such as exposure, time of travel, etc.) at little or no cost. It is suggested that information could be used for road planning (presumably meaning infrastructure provision) but could equally be used for road safety strategy, policy, planning and programs.

*Road safety outcomes (probably beneficial and at little or no cost) should be included in the COAG Road Reform Plan.*

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