

Roads Preservation Model - Urbanisation Allowance and Cost Adjustor Reviews

Discussion Paper – DP17-02

December 2016



Tasmania
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Review Background

The State Grants Commission is an independent statutory body responsible for recommending the distribution of Australian Government and State Government funds to Tasmanian local government authorities. To ensure that the distribution of available funds is as equitable and contemporary as possible, the Commission continually monitors council practices and updates assessment methods and data where appropriate.

To provide some structure to updating the distribution methods of the Australian Government Financial Assistance Grants (FAGs), the Commission operates a triennial review policy whereby major method changes are introduced only every three years, with data updates and minor changes applied every year.

Overview of Triennial Review Period (FAGs)

| Distribution | Action |
|--------------|-------------------------------|
| 2015-16 | Method Changes + Data Updates |
| 2016-17 | Data Updates |
| 2016-18 | Data Updates |
| 2018-19 | Method Changes + Data Updates |

Part of the Commission's 2018-19 Triennium Work Plan included reviewing its Road Preservation Model (RPM).

During 2016 the Commission sought high level engineering advice as to the appropriateness of the RPM from a Road Engineer. While the Road Engineer assessed the RPM as being appropriate for Tasmanian circumstances, the Road Engineer suggested certain aspects for closer review. The Commission also included several matters raised by councils in its review of the RPM.

This paper seeks council's feedback and views on matters relating to urbanisation. The paper also reports on the results of the aspects of the RPM review that have now been concluded.

The Commission wishes to discuss the urbanisation issues raised in this paper with councils prior to determining any process or methodology changes to its RPM.

I. Urbanisation Allowance Review

Background

The National Principle for the distribution of the Road Grant funding requires the Commission to recognise needs of councils in order to preserve their road and bridge assets. The National Principle issued under the *Local Government (Financial Assistance) Act 1995* states as follows:

National principle for the distribution of Road Grant funds

Identified Road Component

The identified road component of the financial assistance grants should be allocated to local governing bodies, as far as practicable, based on the relative need of each local governing body for road expenditure to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area

To accord with the Road Grant National Principle, the Commission determines each council's relative road expenditure needs using the RPM. To ensure that the grant distribution reflects the mix of road and bridge assets maintained by councils, including all the relative advantages and disadvantages that councils face in managing and maintaining their road network, the RPM estimates the cost of asset preservation for both roads and bridges.

Since 2000-01, the Commission's RPM has included "3 times urbanisation" allowance in respect of some portion of six council's Urban Sealed roads to recognise the above-average costs incurred by councils when undertaking road works in heavily urbanised environments.

As noted on Page 18 of the Commission's Financial Assistance Grant Distribution Methodology, the Commission defines heavily urbanised environments as:

Characterised by commercial activity and high volumes of traffic that add to the complexity and cost of road works.

Although it was acknowledged in 2000 that most councils would experience road works problems to some extent, the Commission decided to specifically recognise one distinct central business district for six larger councils. Based on a period of sourcing data from councils, the Commission was advised by engineers that the additional cost imposed to councils was a factor of 3 times.

The “3 times urbanisation allowance” is achieved by augmenting the agreed CBD road length to the councils’ reported Urban Road lengths.

As the actual length of the recognised CBD roads is already reported in each council’s annual Consolidated Data Collection Return, and thus already accounted for in the road lengths used in the RPM, the recognised CBD road lengths are recognised a further two times in the RPM as recognition for the above average/extra costs for managing these road lengths.

The CBD road lengths currently used by the Commission are detailed in Table 1. A graphical representation of these road lengths are also reflected in the Appendix.

Table 1: Urbanisation Allowance: Central Business District Recognised Urban Road Lengths

| Council | Recognised Urban Road Length |
|------------|------------------------------|
| Burnie | 4.695km |
| Clarence | 1.435km |
| Devonport | 6.300km |
| Glenorchy | 4.759km |
| Hobart | 9.331km |
| Launceston | 8.127km |

These road lengths were last revised during the 2012 Triennial Review.

The final calculated road lengths are then assessed as normal within the RPM.

Review of the 3 Times Factor

Based on information currently available to the Commission, the Commission wishes to consider this matter in order to determine if the factor should continue to be included in the Model, and if so, what parameters should be utilised.

The Commission is seeking submissions from councils detailing the current imposts on council’s road expenditure as a consequence of urbanisation. This includes the types of costs and extent of those costs that are incurred that are above average for maintaining these CDB type roads. Any other relevant data should also be provided, including whether the costs are reflected solely against road expenditure, or may be reflected in other expenditure categories in council Consolidated Data Collection returns.

Definition of the CBD road length

The Commission wishes to define, in finer detail, what constitutes a CBD road length and therefore what constitutes eligibility for the urbanisation allowance.

The Commission is seeking submissions from councils as to whether “CBD road lengths” need to meet any benchmark attributes, e.g. whether they are of similar design and construction, whether they must satisfy only a location test, and/or pass any traffic and concentration of trade and services test, e.g. retail districts, for inclusion as “agreed CBD road length”.

2. Cost Adjustor Reviews

Remoteness Cost Adjustor

During 2016 the Commission reviewed the RPM Remoteness Cost Adjustor as a consequence of concerns raised regarding accessibility to materials and remoteness of some roads.

The Commission reviewed its current approach used for assessing council remoteness and noted the concerns being raised. Having considered different measures of remoteness and the nominally named midpoints being used for calculation of distances, the Commission determined that the current ranking of councils was the appropriate representation of road remoteness.

As a result, the Commission determined that the Remoteness Cost Adjustor did not require modification.

Terrain Cost Adjustor

During 2016 the Commission reviewed the Terrain Cost Adjustor as a consequence of concerns raised by a number of councils relating to terrain, such as landslips, retaining walls and cross gradients.

Advice regarding availability and challenges of data sources was sought from the GeoData Services of Department of Primary Industries, Parks, Water and Environment and a road engineer. Following consideration of the advice, the Commission noted that the RPM is already using various council's actual maintenance costs to derive the standard road practices, which inform the Road Preservation Cost per kilometre. As such, the RPM is already reflecting the wide variety of terrain and terrain related cost advantages and disadvantages incurred by councils.

As a result, the Commission determined that the Terrain Cost Adjustor did not require modification.

Submissions and timeframes

The Commission invites comments and input from councils on the issues raised within this discussion paper. However, council input need not be confined to the issues identified. Councils should feel free to provide comments on other pertinent issues regarding the Commission assessment methodologies.

Submissions should be forwarded to the Commission Executive Officer as follows:

- By post: Executive Officer
State Grants Commission
GPO Box 147
HOBART TAS 7001
- By email: pam.marriott@treasury.tas.gov.au

Further details regarding the annual assessments can be found in the 2015-16 Annual Report that is available on the Commission website. Go to the Department of Treasury and Finance webpage (www.treasury.tas.gov.au) and click the State Grants Commission 'Quick Link', then click Publications.

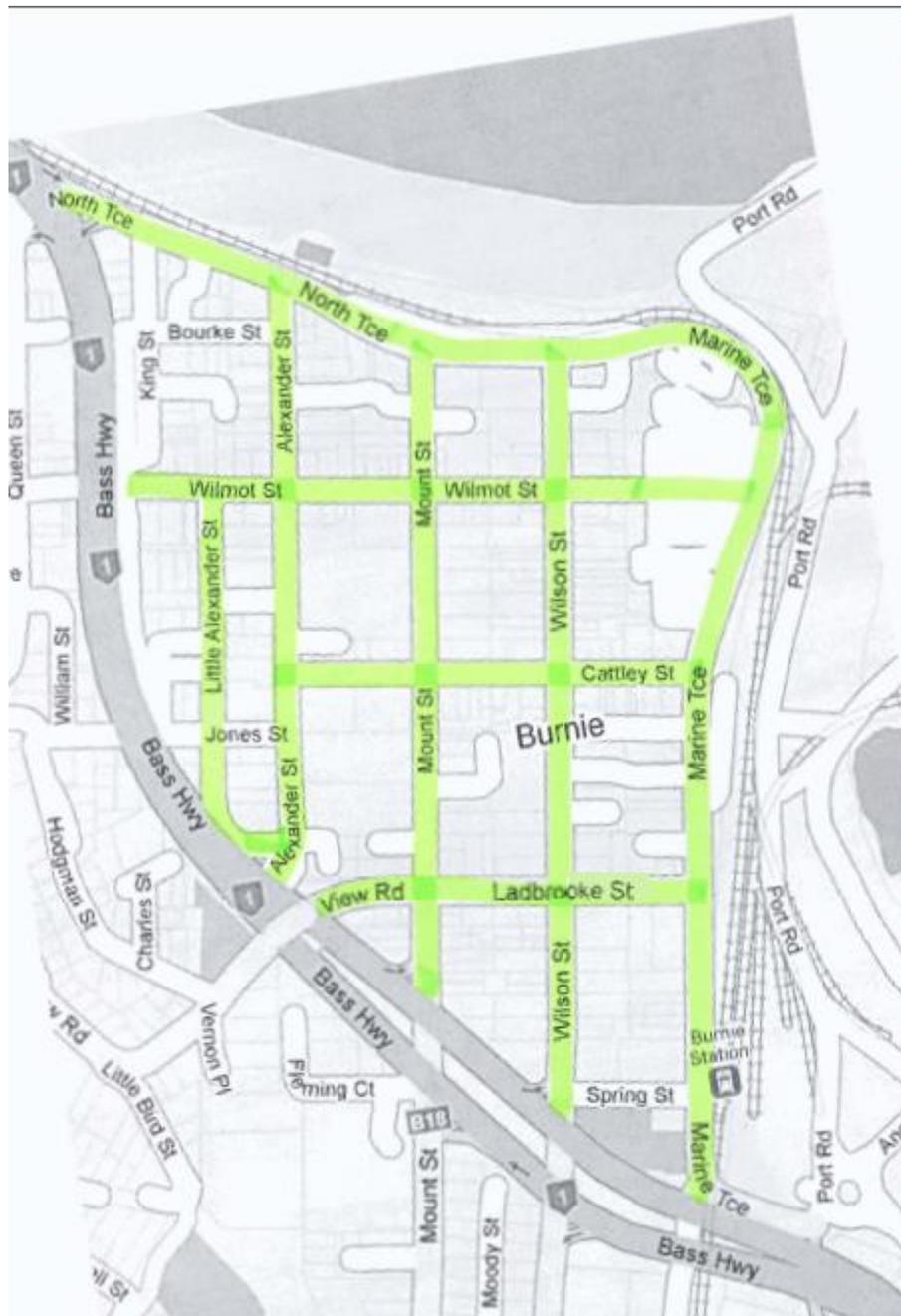
Submissions close on Friday 27 January 2017.

Any queries should be directed to the Executive Officer on (03) 6166 4274.

2017 Hearings and Visits

The Commission will provide councils with an opportunity to discuss this paper and any other concerns during the 2017 Hearings and Visits program that will begin in February 2017.

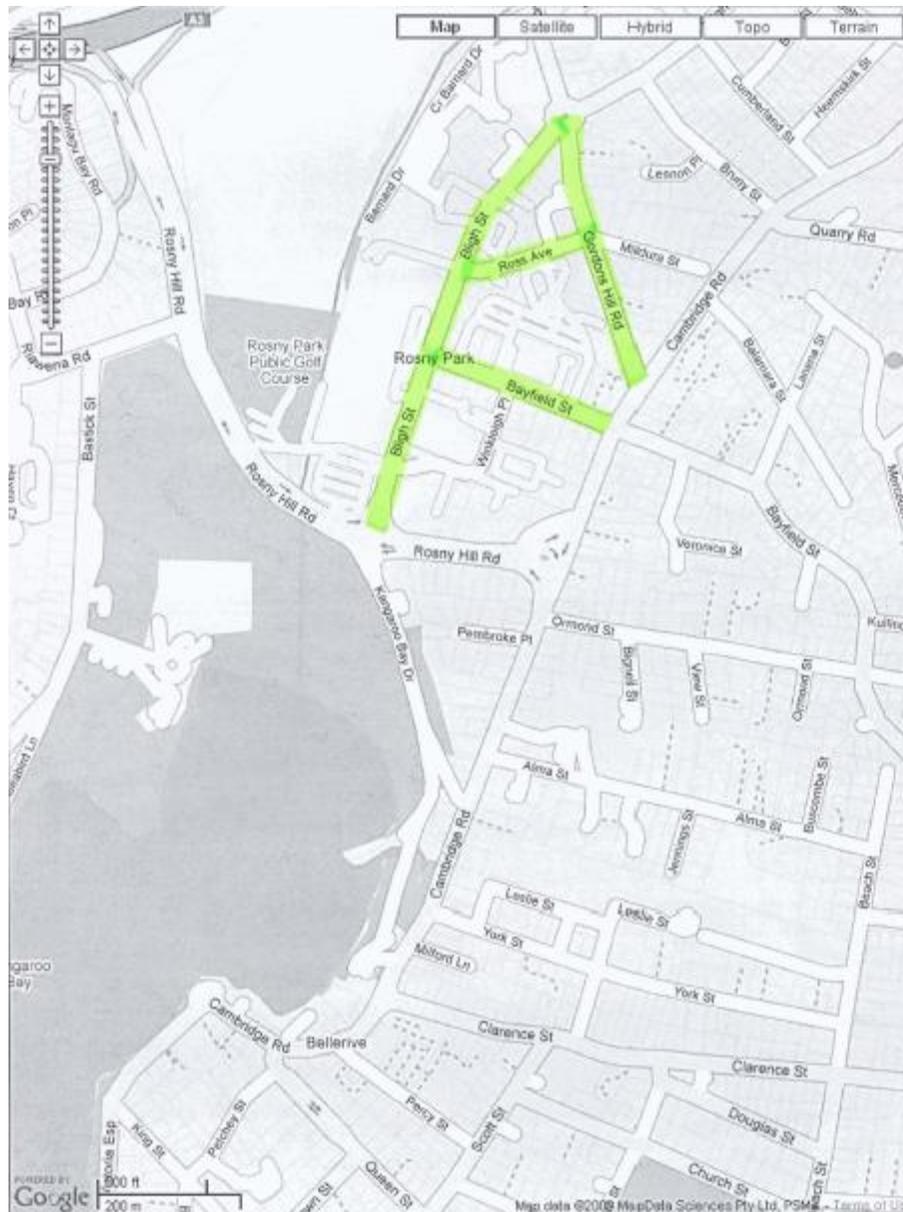
Appendices



URBANISATION ALLOWANCE

| Burnie City Council | CBD (km) |
|------------------------------|--------------|
| North Terrace/Marine Terrace | 1.387 |
| Wilson Street | 0.631 |
| Mount Street | 0.562 |
| Alexander Street | 0.520 |
| View Road/Ladbrooke Street | 0.328 |
| Cattle Street | 0.346 |
| Wilmot Street | 0.565 |
| Little Alexander | 0.356 |
| Total | 4.695 |

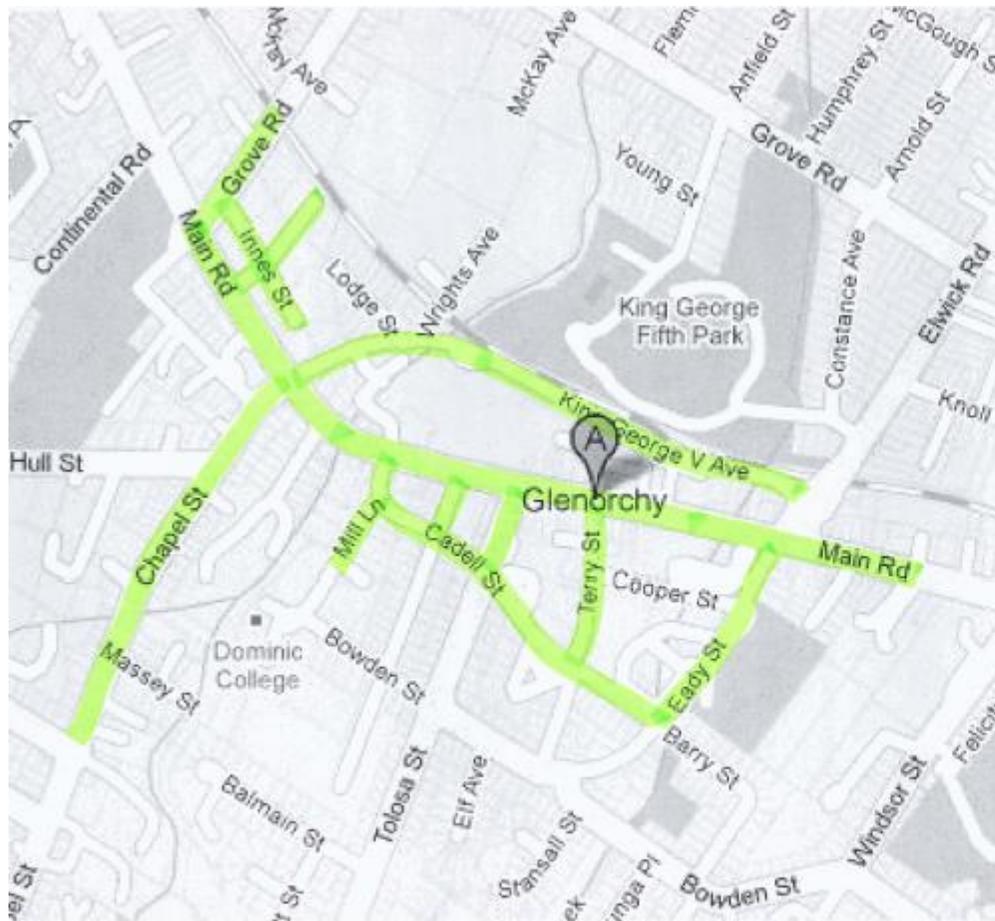
*CBD Road Lengths used for Urbanisation Allowance
Collected and confirmed by councils December 2011*



URBANISATION ALLOWANCE

| Clarence City Council | CBD (km) |
|-----------------------|--------------|
| Bligh Street | 0.622 |
| Gordon's Hill Road | 0.369 |
| Bayfield Street | 0.267 |
| Ross Avenue | 0.177 |
| Total | 1.435 |

*CBD Road Lengths used for Urbanisation Allowance
Collected and confirmed by councils December 2011*



URBANISATION ALLOWANCE

| Glenorchy City Council | CBD (km) |
|------------------------|--------------|
| Main Road | 1.192 |
| King George V Avenue | 0.744 |
| Chapel Street | 0.578 |
| Cadell Street | 0.403 |
| Barry Street | 0.142 |
| Eady Street | 0.296 |
| Cooper Street | 0.208 |
| Terry Street | 0.222 |
| Tulosa Street | 0.123 |
| Regina Street | 0.085 |
| Peltro Street | 0.104 |
| Grove Road | 0.186 |
| Innes Street | 0.205 |
| Nichols Street | 0.178 |
| Mill Lane | 0.093 |
| Total | 4.759 |

*CBD Road Lengths used for Urbanisation Allowance
Collected and confirmed by councils December 2011*



URBANISATION ALLOWANCE

| Devonport City Council | CBD (km) |
|------------------------|--------------|
| Formby Road | 1.643 |
| Oldaker Street | 0.849 |
| Best Street | 0.980 |
| Stewart Street | 0.394 |
| Steele Street | 0.384 |
| King Street | 0.210 |
| Rooke Street | 0.512 |
| Edward Street | 0.176 |
| Fenton Street | 0.338 |
| Rooke Lane | 0.305 |
| Wenvoe Street | 0.320 |
| William Street | 0.189 |
| Total | 6.300 |

*CBD Road Lengths used for Urbanisation Allowance
Collected and confirmed by councils December 2011*

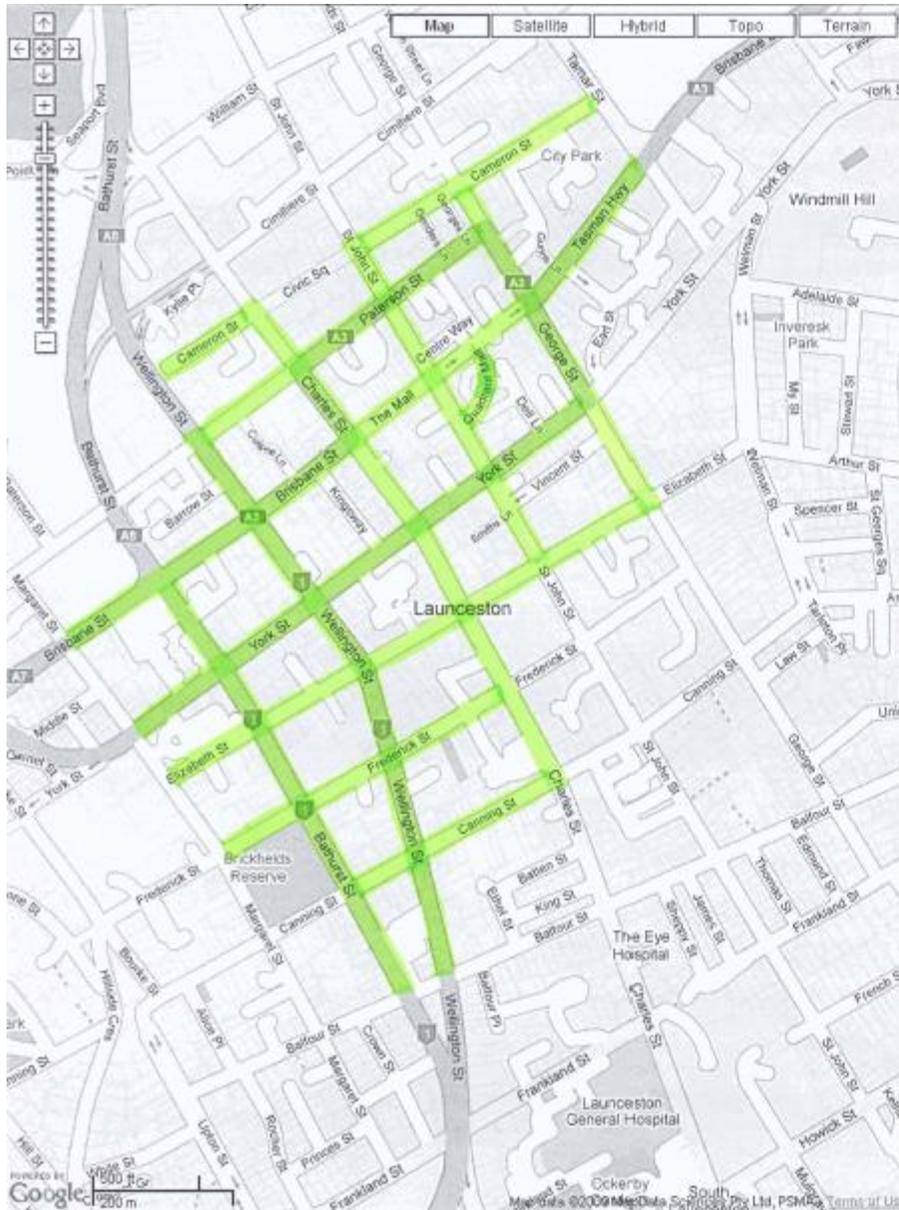


URBANISATION ALLOWANCE

| Hobart City Council | CBD (km) |
|-------------------------------|--------------|
| Salamanca Place | 0.322 |
| Davey Street | 0.543 |
| Macquarie Street | 0.773 |
| Collins Street | 0.946 |
| Liverpool Street | 0.779 |
| Bathurst Street | 0.552 |
| Melville Street | 0.401 |
| Brisbane Street | 0.419 |
| Campbell Street | 0.526 |
| Argyle Street | 0.931 |
| Elizabeth Street | 1.146 |
| Murray Street | 0.777 |
| Harrington Street | 0.523 |
| Criterion Street | 0.130 |
| Watchorn Street | 0.152 |
| Victoria Street | 0.232 |
| Collins Court/Trafalgar Place | 0.179 |
| Total | 9.331 |

CBD Road Lengths used for Urbanisation Allowance

Collected and confirmed by councils December 2011



URBANISATION ALLOWANCE

| Launceston City Council | CBD (km) |
|--------------------------------|--------------|
| Canning Street | 0.336 |
| Frederick Street | 0.459 |
| Elizabeth Street | 0.785 |
| York Street | 0.807 |
| Brisbane Street (inc The Mall) | 1.076 |
| Patterson Street | 0.509 |
| Cameron Street | 0.570 |
| George Street | 0.515 |
| St John Street | 0.500 |
| Vincent Street | 0.158 |
| Charles Street | 0.767 |
| Wellington Street | 0.841 |
| Bathurst Street | 0.683 |
| The Quadrant | 0.121 |
| Total | 8.127 |

*CBD Road Lengths used for Urbanisation Allowance
Collected and confirmed by councils December 2011*