

Address by NHVR CEO, Sal Petrocchio, to the
Trucking Australia 2014
Hamilton Island, 6 June 2014
“Roll out, review and the future”

Good morning delegates and thank you Stuart for the opportunity to be part of your program and my first Trucking Australia as CEO of the NHVR. I'm really pleased to be here so soon after taking on the role of CEO. I've met a number of you already and look forward to meeting more of you as I settle in.

OVERVIEW

I'd like to speak with you about:

- the introduction of the Heavy Vehicle National Law on 10 February this year, how that went, what we've learnt, and what's being done to fix what didn't go well
- share with you an overview of our performance to date across our responsibilities
- what the NHVR has planned to help your businesses going forward and deliver on the nearly \$13 Billion in efficiency gains we were set up to achieve over the next 20 years.

INTRODUCTION OF HEAVY VEHICLE NATIONAL LAW

When the Heavy Vehicle National Law came into effect on 10 February this year in Victoria, Queensland, New South Wales, South Australia, Tasmania and the Australian Capital Territory, all those jurisdictions began operating under a single heavy vehicle law for the first time in Australia's history as opposed to their own interpretation of it. Something that industry and governments have been trying to achieve for some time.

That's important for now, but also means that unlike previous attempts to achieve regulatory consistency, it's more likely to stay that way as the law is hosted in the Queensland parliament and then applied by the parliaments of other states and territories.

With the commencement of the law, the National Heavy Vehicle Regulator took on responsibility via legislation for:

- fatigue management
- mass, dimension and loading
- compliance and enforcement
- vehicle standards, and
- heavy vehicle access

As you may be aware, the NHVR has been responsible for the National Heavy Vehicle Accreditation Scheme and the Performance Based Standards initiative for high productivity heavy vehicles since January 2013 and this has been performing well.

So WHAT has that delivered?

- A single consistent compliance and enforcement environment in all participating states and territories. More work needs to be done, but the foundations are in place.
 - That starts the journey to reduced compliance costs for business
 - But right away, we have the power to deal with annoying inconsistencies in enforcement practices. (You've seen us use that power a couple of times already.)
- More accessible entry to flexible options to comply with the law such as the Advanced Fatigue Management (AFM) scheme resulting in greater business flexibility for you as transport operators to meet the needs of your customers
- Replacement of multiple application fees to multiple road authorities with a single national application fee, thereby reducing costs to industry.

ROLL-OUT AND PERFORMANCE TO DATE

The first thing I would like to say in regard to HOW the Heavy Vehicle National Law was introduced is that while some elements of our business were rolled out quietly and smoothly, the way heavy vehicle access was rolled out caused considerable pain for industry, especially for those of you in the oversize and overmass sector. This has been clearly acknowledged.

What's important when things don't go well is to learn from that and improve the way things are done to try and prevent them happening again. In response to these findings, substantial effort has been invested in developing a comprehensive Access Management Remediation Plan and progressing it with the support of senior representatives from the Commonwealth, states and territories. I am also keen to work more collaboratively with local government and industry to get things right.

We have conducted an extensive diagnostic review in partnership with industry and government representatives. This work found that the key issues, which adversely impacted our customers, were:

- First and foremost, within the NHVR, our computer systems and administrative processes were not satisfactory.
- The decision to “go-live” across all participating states on the same day significantly increased the risk of something going wrong.
- Local government being underprepared for and/or overwhelmed by the volume of consent requests they received. What has become evident is that significant movements were occurring on Local Government roads – more than anybody was really aware of – and in many cases without the consent of councils. *(Cross referencing known heavy vehicle movements with applications to councils strongly suggests that a large number of heavy vehicle movements on local government roads prior to the commencement of the Heavy Vehicle National Law did not gain consent from local councils in line with the condition of the permit they were issued by the state road agency.)*
- The inclusion in the law of a 28 day outer limit for assessment of permit applications by road managers, especially for local government, which has significant impacts on timeframes. *(Should note that under the Heavy Vehicle National Law, road owners, be they state and territory road agencies, councils, or toll road operators all still retain control of what vehicles can access their roads and under what conditions)*
- An absence of agreed turnaround times with road managers for access permit applications impacted customer service

- Previous failed starts resulted in decisions, which affected system development, which contributed to the 10 Feb failures
- Better decisions could have been made around existing permits already in state systems – we should not have taken transitional applications
- Business processes around training, resourcing, systems, processes and governance were just not fully developed.
- More targeted engagement should have occurred, especially with local government and specialised transport sectors like oversize / overmass and special purpose vehicles

The analysis was confronting. But things needed to get fixed and work commenced to get things back on track.

In line with findings of the review, work being undertaken comprises short-term action to improve the current situation in relation to administering access, and planning for a longer-term sustainable solution for all of us. The areas of focus include:

- Process Optimisation – removing inefficiencies
- Stakeholder Engagement – and we will do more to understand our customers
- Demand Management
- Legislative Change requirements, and
- Future system requirements

Action to date includes a cause and effect analysis of the diagnostic review, process, systems and financial reviews to identify savings and improving customer service. Some system 'hot fixes' have been implemented, but short-term opportunities need to be managed with the financial constraints I have inherited. A number of process improvement initiatives have been identified and are being implemented, to reduce the number of processing steps and duplication, and more work is being done here.

Stakeholder engagement continues and hopefully you are seeing an improvement, **we will change the way we work with you** – my team will listen and consider the needs of industry – the answer/outcome may not always be favourable, but industry will be part of the process.

I need you to tell me when we are not listening.

Concurrent with short-term actions, planning is underway to identify a preferred course of action for the future delivery of a sustainable and efficient process and system for permit decision-making and administration.

Work in all of the streams identified above is underway. Process options have been shortlisted with Ministers, systems remediation is being scoped and a team established for 1 July 2014.

Complementary activities include establishing performance standards and agreements (for example with road managers on turn-around timeframes) in consultation with industry, opportunities to improve legislation and regulations, and harmonisation of access conditions.

It is proposed to bring a recommended course of action to Ministers for consideration in the fourth quarter of 2014. **If we can do it sooner we will.** But I do not intend to rush to a quick fix solution to only have it fail again. I am sure you will all agree with me that taking the right amount of time – **a balanced approach** – to get it right for industry is important.

Following Ministerial endorsement of the new business processes and system, it is currently expected that approximately 12 months will be required to deliver a robust and sustainable solution (subject to funding), and 'roll-out' will be staged (most likely over six months) – it is yet to be determined as to whether this will be by business type, jurisdiction, or a mix.

While we focus on getting the new process and system right, participating states will continue to deliver intra state permit functions for oversize-over mass and special purpose vehicles under delegation. We will also continue to work hard on improving our performance on interstate permit applications. **I would like to formally acknowledge the tremendous support that the participating states have provided to the NHVR to get industry moving again. (Our timeframes are improving. We need to work with road managers to improve their turnaround times.)**

In addition, we have been putting a lot of effort into pre-approval arrangements with road owners which reduce the need to seek consent; and also harmonising pre-existing individual gazette notices, permits, guidelines and policy instruments to bring the best elements and features of these into new national notices and permits using notices rather than period permits and individual trip permits.

Our objective here is to improve safety and efficiency for industry, reduce red tape, and reduce demand on the permit system and good progress has been made towards that goal.

On pre-approvals, we have registered 257 pre-approvals from 115 road managers, 112 of which are local governments. This makes it faster and easier for operators to access pre-approved routes, particularly roads within the critical first and last mile of journeys.

Indications are that these measures combined are resulting in improved access outcomes for our heavy vehicle access customers.

Heavy vehicle access is one part of our business, but as I mentioned earlier, our responsibilities under the National Law are much broader than just access. In other parts of the business, we've been getting on with the job too.

Compliance and safety - As a regulator we have started to play a role in delivering improved compliance and safety outcomes for the heavy vehicle industry.

For drivers and many operators, compliance often means nothing more than enforcement. And enforcement is most often what they experience at the roadside. The experience you get at the roadside is a product of a number of factors – the words in the law itself, how the law is interpreted, how enforcement officers are trained on that interpretation, and the individual circumstances of any offence.

I'm sure you will agree with our aim that whatever road you're on when you get intercepted, that you get treated the same with the same outcome in the same circumstance.

And on that front, there has been progress with the national law being interpreted in a consistent manner and with enforcement officers trained the same way, a consistent outcome is far more likely to occur than was the case with separate state laws were in place.

That's an important step on the journey to consistent compliance and enforcement. We all know it will take time, but it is the right outcome and industry will benefit significantly from this consistency.

To date six enforcement guidelines have been issued on how we require inspectors to approach key aspects of their role and seven field instructions about the specific details of enforcement of specific provisions of the HVNL have also been released. We also share all of this information with state police agencies, which while independent of the NHVR, are cooperating well with us and road agency enforcement officers with whom they have longstanding cooperative relationships.

I am also keen to strengthen the relationship with all police agencies and look forward to working collaboratively with them as we achieve our intended outcomes.

It will take some time to ensure that we reliably are achieving the level of consistency that you would expect so I ask for your patience on that journey. But I want you to know there is a high level of cooperation from state and territory transport and police agencies in getting there.

The sharing of information is critical and we need to do more of it.

We also recognise that achieving consistency in enforcement procedures is only the beginning of our journey.

Enforcement, however its delivered, is really only a means to an end.

What I would really like to achieve is:

- an improvement to the level of compliance – so that everyone is competing on a level playing field; and
- an improvement in safety, so that the vital work this industry does, and the jobs and wealth you help create, aren't put at risk because of a loss of trust and confidence amongst the community or amongst our elected leaders.

It's pleasing that some of the areas where the NHVR's been able to deliver early, successful changes have gone to safety issues.

In partnership with the NTC, we have delivered something very practical, a national work diary based on strong industry input. The outcome is a diary that requires less information to be filled out, that better explains the national fatigue laws and has examples to show drivers how to count time.

The National Law also removed some prescriptive work and rest limits and brought in a totally new risk based approach to managing fatigue. A clear outcome of that is an Advanced Fatigue Management scheme option that's more accessible, more flexible and delivers greater safety outcomes.

More national initiatives are planned to improve safety and our recently endorsed corporate plan identifies these. The plan is available on our website.

Involvement in national projects – The NHVR is actively involved in two major national projects that will improve compliance and safety in partnership with the NTC and Commonwealth, state and territory governments. These include:

- The Heavy Vehicle Roadworthiness Program – (with recommendations due to be made to ministers late this year), and
- Electronic Work Diaries – with policy work recently completed and preparation underway for implementation by mid-2015.

National Heavy Vehicle Accreditation Scheme (NHVAS) - The NHVR helps operators achieve accreditation in Mass Management, Maintenance Management, Basic Fatigue Management (BFM) and Advanced Fatigue Management (AFM) modules. The scheme recognises those operators who have robust safety and other management systems in place. Operators are increasingly using the scheme to show compliance with the law.

Performance-Based Standards scheme (PBS scheme) – The PBS scheme is continuing to help owners and operators achieve higher productivity and safety outcomes. Once approved, these innovative and optimised vehicle designs are granted automatic road access to associated networks. Not only are we enhancing productivity but we are also improving safety outcomes with the reduction in the number of heavy vehicles required to do a particular task.

In the past three months, the NHVR has processed 52 vehicle design approvals and delivered 177 vehicle approvals. This compares with 43 applications for 138 vehicle approvals in the same period in 2013 – a 20% improvement on approvals and a 28% improvement on vehicle approvals for the same period in 2013.

One recently approved heavy vehicle combination alone is expected to realise 1.2 million less truck kilometres a year and a saving of up to 304,000 litres of fuel a year for the same freight task through those reduced kilometres and improved fuel efficiency due to the vehicle design (using super single tyres on the trailer, improved aerodynamic design, and optimised prime mover engines for the operation).

Vehicle standards – We assist by granting:

- vehicle standards exemptions (permit);
- approvals to modify heavy vehicles;
- and in-principle support for special purpose vehicles.

In the past three months we have granted 577 vehicle exemption permits with 43 in-principle supports issued. A single national law also means that it will be smoother to purchase a vehicle from someone in another participating state or territory as it will be assessed against the same interpretation of vehicle standards.

Other improvements – In regard to other improvements, we are looking for faster ways to improve things and have identified some improvements able to be made to outcomes for industry via amendments to regulations rather than the primary Act which requires parliamentary consideration and approval. For example, this will speed up delivery of improvements in areas such as Higher Mass Limits access in potentially weeks rather than months.

As you can see, while the short comings of the access permit system have taken the majority of the attention and lime light, we have still been busy working on other initiatives which are improving the way the heavy vehicle industry goes about its business.

NHVR – THE FUTURE

I would now like to turn to how the NHVR is going about charting its future. This is best captured in our Corporate plan for 2014 to 2017 which was approved by ministers on Friday, 23 May and is up on our website if you want to explore this further.

Some of our priorities include:

- Continuing to fulfil all our obligations and functions under the Heavy Vehicle National Law
- Implementing the Access Management Remediation Plan
- Reviewing our organisational design and business model to achieve value for money (just as you review your business practices in an ongoing way to remain responsive to your markets, customers and the funding available)
- Improving the safety of the heavy vehicle industry by activities such as:
 - monitoring safety performance across the on-road industry and the Chain of Responsibility
 - removing high risk hazards, behaviours and parties from the road and broader supply chain
 - rewarding safe operators
 - in partnership with the NTC, implementing effective Advanced Fatigue Management strategies across industry
 - continuing to improve national consistency in compliance and enforcement practices
 - Helping to make the nation's road networks available for innovative and higher productivity vehicles
- Working on our culture, our customer service and our engagement

Over the life of the corporate plan, we'll also:

- Convert transitional national notices and harmonise state based local productivity initiatives, which have been developed mindful of the unique transport circumstances in various parts of the country. *(On notices more broadly, we progressively want to get more heavy vehicle access via notices to reduce as much of the need for individual ongoing permit applications as possible)*
- Continue to establish stakeholder engagement structures that contribute to the above desired reforms – noting the learnings from our engagement to date that we need to be more targeted and accessible in how we go about this.

- Work with states and territories as our service delivery partners to develop agreed service standards, performance indicators and drive the performance you expect of us in the same way that your partners and customers do of you so that the country gets the optimum return on its investment in us. *(It's worth noting that service delivery by state and territory agencies on behalf of the NHVR in areas like compliance and enforcement makes up almost 70% of the NHVR budget).*

CLOSE

In closing, while we continue to deliver on these important initiatives, I can assure you all that I am determined and committed to getting our business back on track and fix the parts that have failed. We will rebuild our culture, define a new organisational structure and refocus our energies on responsiveness and improved customer service and stakeholder engagement.

This doesn't happen overnight but I can assure you that plans have already been put into action as part of the rebuilding. I am committed to working collaboratively with industry and government while clearly respecting each other's role and responsibilities. Those of you in industry who know me know that my door is always open and I will always listen to what you have to say.

The NHVR has appreciated the support of industry and associations like the ATA along the journey to date and I look forward to your support going forward ... that you'll continue to tell us when we get it right, when we get it wrong, and what we can do to keep reducing red tape and improving your productivity and efficiency, and Australia's economic prosperity.

I thank you for the opportunity to speak to you and I look forward to hearing your comments and answering any questions you may have.

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