OPTIONS FOR SETTING HEAVY VEHICLE CHARGES FOR 2023-24 AND BEYOND

AUSTRALIAN TRUCKING ASSOCIATION SUBMISSION
12 OCTOBER 2022

About the Australian Trucking Association

1. The Australian Trucking Association is a united voice for our members on trucking issues of national importance. Together, we represent the 50,000 businesses and 200,000 people who make up the Australian trucking industry.

Summary

2. The National Transport Commission's consultation paper on options for setting heavy vehicle charges for 2023-24 and beyond proposes that transport ministers should set heavy vehicle charges for a three-year period. The paper proposes three options—

    Option 1: increase heavy vehicle charges by 2.75 per cent per year. This would be the same increase that was adopted for 2022-23

    Option 2: increase heavy vehicle charges by 6 per cent per year. This is close to the current rate of consumer price (CPI) inflation, although it would result in charge increases for 2024-25 and 2025-26 that are substantially higher than forecast CPI[1]

    Option 3: increase heavy vehicle charges by 10 per cent per year. This higher rate of increase would seek to reduce the revenue gap between charges and the PAYGO cost base.[2]

3. The problem with all three options is that the PAYGO model is dead. For a time, it was an adequate proxy for broader road pricing reforms. But governments have failed to deliver those reforms.

4. The PAYGO cost base is now meaningless. The funding included in the cost base does not reflect the needs of industry. Governments cannot tell the industry what their charges will pay for and how the industry's priorities will be implemented.

5. Rather than one of the NTC's three options, the ATA recommends that transport ministers adopt the following charging trajectory—

2023-24	0 per cent
2024-25	2.75 per cent
2025-26	2.75 per cent.

[1] Reserve Bank of Australia, Statement on monetary policy. August 2022. 58-60.
[2] National Transport Commission, Options for setting heavy vehicle charges for 2023-24 and beyond. Consultation paper, September 2022. 7.

ATA response to consultation questions

Question 1: Are you aware of any relevant information we have not considered sufficiently in developing the forecast heavy vehicle cost bases for 2022-23 and 2023-24?

6. There is extensive relevant information available that shows the existing heavy vehicle cost base is meaningless and should be scrapped. The NTC has not considered this information sufficiently.

7. The cost base uses state governments' road expenditure figures without audit or appraisal, despite the industry's long held concerns.[3]

8. The spending included in the cost base is entirely driven by governments' budget decisions. There is no direct and systematic link to the needs of the industry[4] or broader transport policy priorities, such as increasing productivity.

9. Instead, the model requires heavy vehicle operators to pay a share of the cost of road investments that are not freight priorities, such as projects to increase capacity for commuter traffic or for opening up new residential developments.

10. The current system prioritises new projects over road maintenance spending. There is no funding certainty for road authorities to make optimal lifecycle decisions.[5] The recent increase in rain and floods has led to a noticeable decrease in road quality. The impact of weather events is expected to increase due to climate change; the funding system does not prioritise road maintenance appropriately.

11. The consultation paper concedes that the cost base includes stimulus expenditure designed to support economic growth in the face of challenging conditions.[6] No attempt has been made to separate out this expenditure, which is properly a cost that should be borne by the whole community.

12. The cost base is also inflated by poor project estimation and delivery.

13. From 2001 to 2015, governments spent $28 billion more on transport infrastructure projects than originally announced. The main cause of the cost overruns was found to be premature announcements ahead of proper planning and assessment.[7]

14. The Australian Government recently indicated upcoming changes to infrastructure funding to move towards a shorter, sharper focus on national priorities and a smoother pipeline of funding projects.[8]

---

[3] NTC, Heavy vehicle charges determination: consultation regulation impact statement. June 2021, 32.
[4] Productivity Commission, Shifting the dial: 5 year productivity review. Inquiry report no 84, August 2017. 136.
[5] Deloitte Access Economics. Economic analysis of potential end-states for the heavy vehicle road reform. June 2017. vii-viii.
[6] NTC, September 2022, 21.
[7] Terrell, M. Cost overruns in transport infrastructure. Grattan Institute, October 2016. 3.
[8] Crowe, D. Federal infrastructure spending to be overhauled to maintain flow of money. *Sydney Morning Herald*. 10 October 2022.

15. Consistent with this approach, the PAYGO cost base should be recalculated so that the major projects included—

    a. are endorsed by an independent infrastructure agency such as Infrastructure Australia

    b. are based on integrated transport planning, including trucking industry and community consultation

    c. include rest areas and access improvements in project planning and delivery.

16. Further, there is an urgent and unfulfilled reform priority for governments to improve the transparency of the cost base. Governments should make it clear what road user charges are paying for and how industry priorities will be implemented.

17. The WA Economic Regulation Authority's recent draft decision about the Western Power electricity network[9] is a model of the approach that the NTC and governments should adopt.

Question 2: Do you agree with the NTC's recommendation that ministers agree to set charges for a three-year period beginning in 2023-24?

18. The ATA supports the recommendation for a three-year pricing period commencing in 2023-24, on the basis that governments intend to move towards a forward-looking cost base or to reinstate the link between a new, more targeted cost base and heavy vehicle charges revenue.

Question 3: Is there anything not considered in the 2021 Determination C-RIS and this paper that needs to be considered when making the decision whether to set prices for a single year or three years?

19. The issues relating to the decision about whether to set prices for a single year or three years have now been fully canvassed.

Question 4: Do you consider that the NTC should retain the current approach to modelling heavy vehicle charges to multiple decimals and rounding the end result only, or do you support the alternative approach of applying percentage changes to rounded heavy vehicle charges, and then rounding the end result?

20. There is no reason to depart from the NTC's current approach, provided that both the headline percentage change and the specific registration charges/RUC rates are identified.

[9] Economic Regulation Authority. Draft decision on proposed revisions to the access arrangement for the Western Power Network 2022/23 – 2026/27. September 2022.

Question 5: What are your views on the NTC's initial analysis of options in section 9.2, and the ranking in table 16?

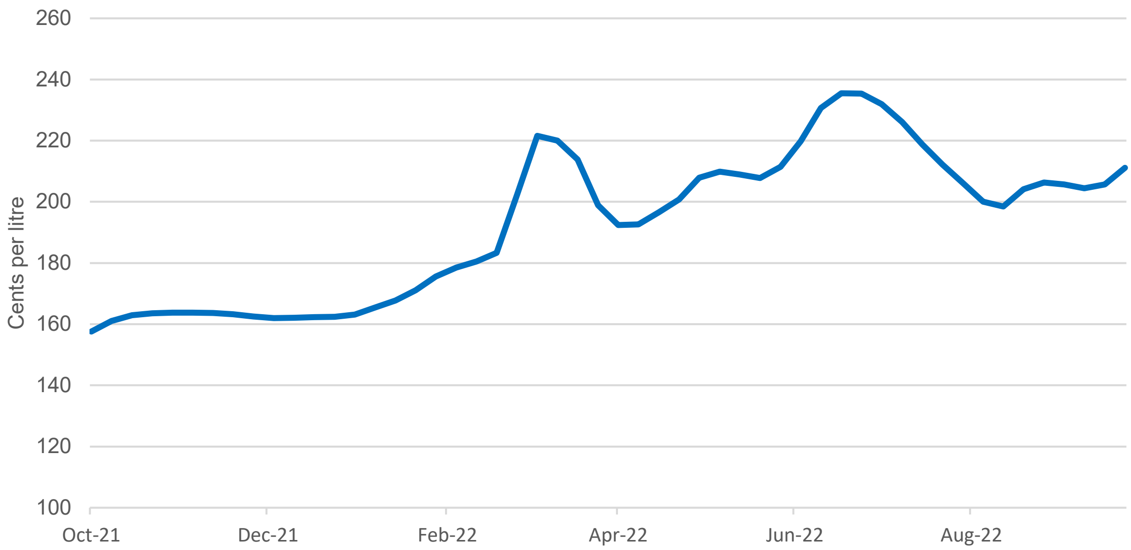
21. The ATA does not agree with the NTC's ranking of options against their ability to achieve full cost recovery over time. Given the fundamental issues with the heavy vehicle cost base set out in paragraphs 6-17, it is not fruitful to attempt to compare options against this inflated figure.

Question 6: Which of the options explored do you view most favourably, and what are the key reasons for this?

22. The ATA does not support the options considered in the paper.

23. Trucking businesses continue to face extremely high fuel costs. As figure 1 shows, the national average weekly retail diesel price was 211.1 cents per litre in the week ending 9 October 2022, markedly higher than the diesel price a year earlier. In an ATA survey, 54 per cent of trucking businesses reported they are not able to impose fuel surcharges to pass these costs on to their customers.[10]

Figure 1: National average weekly retail diesel price (inc GST)



Source: AIP

24. The previous government's six month fuel tax cut has added to the difficulties facing trucking businesses. The effective fuel tax reduction for trucking businesses was 4.3 cents per litre rather than the headline tax cut, 22.1 cents per litre, because of the

[10] ATA, 2021-22 heavy vehicle charges consultation report. Submission to the NTC, March 2021. 6

interaction between fuel tax and the fuel tax credits system.[11] This created the following issues—

a. customers expected to see a reduction in freight rates based on the 22.1 cents per litre headline figure, not the actual figure of 4.3 cents per litre

b. fuel levy and rate review formulas in industry contracts returned the wrong results

c. some trucking businesses faced considerable cash flow difficulties. They paid less tax at the pump but did not receive on-road fuel tax credits on their activity statements to offset their other tax liabilities.

25. From 1 April to 18 August 2022, some 2,000 heavy on-road transport operators had to negotiate payment arrangements with the ATO.[12] These businesses should not be further penalised while they get out from under the previous government's policy decision.

26. The trucking industry has also had to absorb a range of other increased costs – including the cost of inconsistent and poorly communicated state border closures, COVID-19 measures, purchasing COVID-19 related PPE and increased AdBlue costs.

27. ATA members consider that they are not getting value out of the heavy vehicle charges they currently pay. In particular—

a. as paragraph 16 points out, trucking businesses are not told what their charges are buying and how their needs and priorities will be met. No business or householder would agree to pay a large non-itemised invoice for unspecified services

b. in addition to paying heavy vehicle charges, businesses operating high productivity vehicles in the eastern states and South Australia must deal with a complicated and inconsistent system for approving road access. The NHVR issues some 46,000 permits per year.[13]

c. more generally, businesses face the cost and difficulty of complying with the Heavy Vehicle National Law, which is 681 pages long and highly prescriptive.[14] The HVNL has been under review since January 2019. The review process has not produced a single chamber-ready legislative amendment.

28. Given the high cost and compliance burden faced by trucking businesses, and the failure of governments to address those burdens, the ATA recommends there should be no charge increase in 2023-24. In 2024-25 and 2025-26, charges should increase 2.75 per cent per year.

---

[11] Commonwealth Treasury, Fuel excise. 2022-23 Budget fact sheet, 29 March 2022.
[12] Australian Taxation Office. Results of Fuel Scheme Stakeholder Group (FSSG) action item 11082022-3-1. Emailed to FSSG members on 30 August 2022.
[13] NTC, Easy access to suitable routes. Issues paper, June 2019. 39-50.
[14] The page count reference is to the *Heavy Vehicle National Law* (Queensland).

Question 7: Is there any relevant additional information that should be considered by the NTC in providing its final recommendations to ministers in December 2022?

29. The ATA has previously shown that industry customers do not accept charge increases greater than CPI, if they accept them at all.[15]

30. Accordingly, the NTC should, before providing its final recommendations to ministers, consider—

    a. the inflation forecasts in the RBA's November 2022 Statement of Monetary Policy

    b. the inflation forecasts in the 2022-23 October Budget, to be released on 25 October 2022.

31. No charge increases above the consumer price inflation forecasts should be considered, even if ministers do not consider it appropriate to adopt the ATA recommendation in paragraph 5.

[15] ATA, March 2021. 5.