

COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020

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Introduction

The Australian Logistics Council (**ALC**) welcomes the opportunity to make a submission on the COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020 (**the Bill**).

ALC is the peak national body representing major companies participating in the freight logistics industry. ALC's policy focus is on delivering enhanced supply chain efficiency and safety.

Why is freight important?

Freight affects every Australian, every day, everywhere. Common goods purchased by Australians such as food, clothing, household appliances and medicine all need to be transported by freight operators. Similarly, the freight supply chain provides the materials to build and operate critical community infrastructure – roads, hospitals and schools – which are fundamental to our society.

An inefficient and unproductive national supply chain can ultimately result in lost export income, reduced employment, higher consumer prices and Australia becoming less competitive in the global market.

The ALC position on road user pricing

ALC believes that a road pricing process should fairly capture all the relevant cost components of roads so that, as far as is practicable:

- pricing does not distort the choice of transport mode used by consignors and/or consignees in the transport of freight; whilst
- road infrastructure development undertaken to advance either general congestion issues, light vehicle user or community amenity (rather than the efficient movement of freight down the supply chain from freight generation point to ultimate destination) is not cross subsidised by heavy vehicle operators.

National consistency in road user charging

Australia is a single national economy.

Yet so much of the regulatory framework that impacts on businesses is designed and enforced at a State or local level. For those operating businesses in the freight logistics sector, this means daily confrontation with a hodgepodge of legislative and regulatory hurdles that variously confound and complicate the process of transporting freight safely and efficiently.

ALC is disappointed that Australia is at the precipice of such disorder.

Victoria has [announced](#) the introduction of a 2.5 cent per kilometre levy on electric vehicles¹, following an earlier [decision](#) made by South Australia.²

The ACT appears to be mooting an '[opt in](#)'³ distance charge whilst the NSW Government appears [uncertain](#).⁴

It is disappointing that a simple and nationally consistent Federal fuel excise regime is at risk of ultimately being replaced with another complex set of charges administered at the state and territory level.

Heavy Vehicle Road Reform

Australian governments currently have on foot a process called [Heavy Vehicle Road Reform](#)⁵.

The intention is to change the manner in the road user charge for road access levied on heavy vehicles to one using charges using forward-looking cost base as used to calculate prices for other utilities.

The process has been a long one.

As Deloitte Access Economics said in a [2017 regulatory impact statement](#)⁶ prepared for the Commonwealth Infrastructure Department:

Reform to heavy vehicle road charging and investment has been a focus for Australian Governments for at least the past twenty years and a particular focus of the COAG's reform agenda since 2007. The reform seeks to enhance productivity by linking prices paid by users to maintenance and access incentives for road providers.

In 2013, Deloitte Access Economics (DAE) was engaged to undertake a cost benefit analysis of three potential end-states of the heavy vehicle road reform during the Heavy Vehicle Road Charging and investment Reform (HVCI) process. The HVCI reform process was refreshed as Heavy Vehicle Road Reform (HVRP) in 2015 in response to the Harper Competition Review. HVRP is a joint reform process of the Commonwealth, state, territory and local governments aimed at establishing an economic market for the provision and use of heavy vehicle infrastructure services – one that provides clear links between the needs of users, the charges they pay and the services they receive. The COAG Transport and Infrastructure Council (TIC) has since endorsed a reform road map outlining a pragmatic, phased approach to implementing reform. The reforms is comprised of two components:

- the first component is road charging, where heavy vehicles would pay directly for their use of road networks. The full extent of the reforms would involve the use of vehicle mass,

¹ <https://www.racv.com.au/royalauto/living/at-home/victoria-state-budget-explained.html>

² <https://thedriven.io/2021/02/03/south-australia-in-discussions-to-copy-victorias-crippling-ev-road-tax/>

³ <https://the-riotact.com/barr-rules-out-electric-vehicle-tax-but-road-user-charges-are-coming/422771>

⁴ <https://www.smh.com.au/national/nsw/we-ve-got-to-be-bullish-nsw-ministers-at-odds-over-electric-car-tax-20201128-p56irz.html>

⁵ <https://www.infrastructure.gov.au/roads/heavy/>

⁶ Deloitte Access Economics *Economic Analysis of potential end-states for the heavy vehicle road reform* (2017): ii <https://www.infrastructure.gov.au/roads/heavy/files/DIRD-HVRR-reform-CBA-ncic.pdf>

distance travelled and road type in determining the precise charge to influence the level of road use demand.

- the second component is investment which is primarily related to the approach used to allocate these charges back to road providers.

The process continues to this day.

In a [submission](#)⁷ made in response to a 2020 discussion paper prepared as part of the reform ALC said :

One of the key benefits of HVRR is the opportunity to align more closely road and rail pricing and create a more level playing field and hopefully help get more freight on rail – an aim of a number of jurisdictions.

Whilst this reform is only about the supply side, the proposed methodology for roads will facilitate a more similar approach to rail.

This is a useful outcome, even if this will not be fully achieved until the demand side of HVRR is progressed.

ALC remains concerned that this partial market reform, if not executed soon, will be overtaken by other road pricing considerations, such as managing the increased uptake electric vehicles, as discussed at length by the NSW Government in its paper [NSW Review of Federal Financial Relations: Supporting the Road to Recovery](#)⁸ and therefore urges the new National Cabinet structure to expedite the HVRR process.

One recommendation was:

A crossroads for road funding

13. The NSW Government should work with the Board of Treasurers, state transport departments and the Commonwealth to phase in a nationally compatible and fair road user charging scheme that better reflects the social costs of road use, including wear-and-tear, pollution and congestion. Revenue should be hypothecated to expenditure on roads and other transport infrastructure. Electric vehicles could be used as a pilot, with new user charges to replace some existing charges.⁹

Advancing the road funding agenda

As Australia has a national economy, ALC is firmly of the view that taxation mechanisms for road use should be uniform throughout the country.

It is also imperative that all road users, irrespective of whether they are operating light or heavy vehicles, electrically or traditionally powered, pay the road user charges necessary to permit the construction and maintenance of the roads Australia needs both now and in the future as funds available for investment in roads from fuel excise will commence to diminish.

The next Infrastructure and Transport Ministers' Meeting (ITMM) to be held in June 2021.

⁷ https://www.austlogistics.com.au/wp-content/uploads/2020/11/Proposed-Changes-To-The-Way-Heavy-Vehicle-Charges-Are-Set-And-Invested-Discussion-Paper_FINAL.pdf

⁸ <https://www.treasury.nsw.gov.au/sites/default/files/2020-10/FFR%20Final%20Report%20-%20200828%20%281%29.pdf>

⁹ Page 13. See also the discussion at pages 84-95 of the Report

This meeting replaces the previous Transport and Infrastructure Council (**TIC**) following the abolition of the Council of Australian Governments (**COAG**) and the creation of the National Cabinet process, which came about in no small part by a recognition that the COAG structure was a place where 'good ideas go to die'.¹⁰

The *Review of COAG Councils and Ministerial Forums*¹¹ (**the Conran Report**) prepared for National Cabinet recommended that items on a meeting agenda should be implemented or resolved within 12 months.¹²

ALC believes the June ITMM meeting should endorse recommendation 13 contained in the NSW Review of Federal Financial Relations: Supporting the Road for Recovery Report¹³ and authorise a report within 12 months that establishes a pathway for the development of a road user charge capable of being applied to all classes of vehicle.

Some of the learnings from such an exercise could then perhaps be applied to the somewhat stalled HVRR process.

Finally, there may be a role for the Commonwealth in incentivising (at first instance) national uniformity in road charging.

The 2020-21 Budget Papers identified \$261m in National Partnership Payments to encourage Competition and Productivity Enhancing Reform.¹⁴

The alternative approach to encourage uniformity as proposed in the Bill may be necessary if States and Territories insist in going their own way.

ALC is grateful for this opportunity to provide a submission to COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020 (**the Bill**).

If you require any additional information, please feel free to contact [REDACTED]

Yours sincerely

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¹⁰ *In Hoping to Reform the Federation, Morrison has Sailed into Treacherous Waters* ABC News 7 June 2020 - <https://www.abc.net.au/news/2020-06-07/federal-reform-treacherous-waters-scott-morrison-capital/12320028>

¹¹ <https://www.pmc.gov.au/sites/default/files/final-report-review-coag-councils-ministerial-forums.pdf>

¹² Recommendation 20 of the Conran Report

¹³ <https://www.treasury.nsw.gov.au/sites/default/files/2020-10/FFR%20Final%20Report%20-%20200828%20%281%29.pdf>

¹⁴ Budget Paper 1 page 6-41 - https://budget.gov.au/2020-21/content/bp1/download/bp1_w.pdf