

Chapter 1

Introduction

1.1 The Interstate Road Transport Charge Amendment Bill (No 2) 2008 (the Charges Bill) and the Road Charges Legislation Repeal and Amendment Bill 2008 (the Repeal Bill) were introduced into the House of Representatives on 25 September 2008. On 15 October 2008, the Selection of Bills Committee referred the Bills to the Senate Standing Committee on Rural and Regional Affairs and Transport (the committee) for inquiry and report by 21 November 2008.

Background

1.2 Recovery of road expenditure associated with heavy vehicles is achieved through registration charges and a road user charge collected by the Commonwealth through the *Fuel Tax Act 2006*. Heavy vehicles may be registered under state or territory regimes or, for those vehicles engaged solely in interstate operations, under the Federal Interstate Registration Scheme (FIRS). FIRS commenced in 1987 for heavy vehicles weighing 4.5 tonnes and over and was designed to provide uniform charges and operating conditions for heavy vehicles. Current FIRS registrations represent around 3 per cent of total heavy vehicle registrations in Australia.¹ The charges aim to recover heavy vehicles' allocated infrastructure costs.

1.3 In 2006, the Productivity Commission reported on road and rail infrastructure pricing arrangements.² The Commission concluded that the current charges regime resulted in the undercharging of some vehicle types and usage:

A major problem with PAYGO in practice is created by averaging costs across the network. This blurs price signals and leads to cross-subsidies from operators carrying light loads to those carrying heavy loads, from users of lower-cost roads to users of high-cost roads and, indeed, to those benefiting from roads that may be justifiable on social but not economic grounds.³

1 The Hon Anthony Albanese MP, Minister for Infrastructure, Transport, Regional Development and Local Government, Second Reading Speech, *House of Representatives Hansard*, 25 September 2008, p. 8603.

2 Productivity Commission, *Road and Rail Freight Infrastructure Pricing*, Report No. 41, December 2006, p. 91, http://www.pc.gov.au/data/assets/pdf_file/0003/47532/freight.pdf (Accessed 11 November 2008).

3 Productivity Commission, *Road and Rail Freight Infrastructure Pricing*, Report No. 41, December 2006, p. xxxiii.

Heavy vehicle charges determination

1.4 Following the release of the Productivity Commission's report, the Council of Australian Governments (COAG) directed, as part of an overall transportation package, the Australian Transportation Council (ATC) to prepare a new heavy vehicle determination. In April 2007, COAG endorsed the charges review as the first 'building block' of broader road pricing reform.⁴

1.5 The aim of the new determination was to 'fully recover the heavy vehicle industry's share of aggregate government road expenditure, to index those arrangements so as to not lead to further under recovery, and to remove cross subsidisation across heavy vehicle classes'.⁵

1.6 The 2007 Heavy Vehicle Charges Determination set the new registration fees. These were agreed to in February 2008 by Commonwealth, state and territory transport ministers at the ATC meeting in February 2008. The new registration fees were implemented by all states on 1 July 2008 with the Northern Territory currently introducing legislation to implement the changes by the end of 2008. The application of the charges in the Australian Capital Territory is dependent on the repeal of the Commonwealth *Road Transport Charges (ACT) Act 1993*. The Commonwealth legislated on behalf of the ACT with the Act also providing a template for the states and the Northern Territory to ensure uniform charging for heavy vehicles in all jurisdictions.

1.7 In undertaking the 2007 Heavy Vehicle Charges Determination, the NTC determined that the current rate of the road user charge of 19.633 cents per litre was insufficient to recover the cost of road damage caused by heavy vehicles. On 11 March 2008, the Minister for Infrastructure, Transport, Regional Development and Local Government (the Minister) made a determination to increase the road user charge to 21 cents per litre from 1 January 2009. The determination was disallowed in the Senate on 14 May 2008.

1.8 In 13 March 2008, the Interstate Road Transport Charge Amendment Bill 2008 was introduced in the House of Representatives. The purpose of the Bill was to amend the *Interstate Road Transport Charge Act 1985* (IRTCA) to increase registration charges for heavy vehicles registered under the FIRS. During debate in the Senate on the Bill's second reading, concerns were raised about certain provisions of the Bill including that the Commonwealth would always be required to impose the charges agreed by the ATC and that the fee structure removed incentive for operators

4 National Transportation Commission, *2007 Heavy Vehicle Charges Determination*, Updated 14 October 2008, <http://www.ntc.gov.au/ViewPage.aspx?page=A023164054003000200> (Accessed 11 November 2008).

5 The Hon Anthony Albanese MP, Minister for Infrastructure, Transport, Regional Development and Local Government, *Second Reading Speech, House of Representatives Hansard*, 25 September 2008, p. 8603.

to use high-productivity vehicles.⁶ On 19 March 2008, the second reading of the Interstate Road Transport Charge Amendment Bill 2008 was negatived by the Senate.

The Bills

1.9 The Charges Bill amends the *Interstate Road Transport Charge Act 1985* (IRTCA) which imposes registration charges for heavy vehicles registered under the FIRS. The purpose of the proposed amendments is to 'help restore uniformity to heavy vehicle registration charges throughout Australia'.⁷ The Minister for Infrastructure, Transport, Regional Development and Local Government also noted in the second reading speech that the Charges Bill:

...addresses key concerns raised in March 2008, namely that the Australian Government should not be required to implement registration charges only agreed by the Australian Transport Council.⁸

1.10 The Charges Bill allows regulations to be made to specify heavy vehicle charges for application to FIRS vehicles. The Bill will implement the registration charge elements of the 2007 Heavy Vehicle Charges Determination for heavy vehicles registered under FIRS.

1.11 The purpose of the Repeal Bill is to:

- repeal the *Road Transport Charges (Australian Capital Territory) Act 1993* and parts of the *Road Transport Reform (Heavy Vehicles Registration) Act 1997* which refer to the IRTCA;
- amend the *Fuel Tax Act 2006* to implement changes to the heavy vehicle road user charge necessary to give effect to revised heavy vehicle charges;
- implement a new road user charge rate of 21 cents per litre from 1 January 2009 – an increase of 1.367 cents per litre from the current rate determined in June 2006; and
- establish a regulatory mechanism to allow adjustment of the road user charge to ensure that, over time, heavy vehicles continue to pay their fair share of road construction and maintenance costs and no more.

6 Senator the Hon Nigel Scullion, *Senate Hansard*, 19 March 2008, p. 1324.

7 The Hon Anthony Albanese MP, Minister for Infrastructure, Transport, Regional Development and Local Government, *Second Reading Speech, House of Representatives Hansard*, 25 September 2008, p. 8603.

8 The Hon Anthony Albanese MP, Minister for Infrastructure, Transport, Regional Development and Local Government, *Second Reading Speech, House of Representatives Hansard*, 25 September 2008, p. 8603.

Conduct of the inquiry

1.12 The committee invited submissions from the Australian Government and interested organisations. Details of the committee's inquiry, the Bills and associated documents were also placed on the committee's website.

1.13 The committee received 12 submissions which are listed at Appendix 1. The committee held one public hearing in Canberra on Monday, 10 November 2008. A list of witnesses who appeared at the hearing is at Appendix 2. Submissions and the Hansard transcript of evidence of the public hearing are available on the Parliament's website at www.aph.gov.au.

Acknowledgments

1.14 The committee appreciates the time and effort of all those who provided written and oral submissions to the inquiry. Their work has assisted the committee considerably in its inquiry.