

Chapter 2

Issues raised during the inquiry

2.1 There was general support for the legislation in evidence to the inquiry.¹ The Australian Livestock Transporters Association (ALTA) stated that the Association accepted the principle of 'paying its way fairly and equitable for road use'.² Mr Fraser of the ALTA stated that:

The idea that we may pay about 1.3c more in diesel excise as a result of this legislation going through is not an issue for our membership.³

2.2 Other submitters commented:

The revised heavy vehicle charges proposed by the National Transport Commission, and unanimously agreed by the Australian Transport Commission, is good economic management. The charges are essential for proper transport pricing to ensure effective infrastructure use and to optimise the transport system.⁴

2.3 The Australasian Railway Association stated that the legislation is justifiable on economic and equity grounds.⁵

2.4 Mr Andrew Wilson of the Department of Infrastructure, Transport, Regional Development and Local Government (the department) also stated that:

There will have been some truck drivers out there who violently disagreed with the concept of it [road user charge], but there was no disagreement between government, bureaucracy and the industry on the concept of heavy vehicle charges and the concept of paying their way.⁶

2.5 The main issue of contention raised during the inquiry was the annual adjustment process applied to the road user charge.

Annual adjustment process

2.6 Concerns were raised in relation to the indexation model proposed for annual adjustment of road user charges.

2.7 The annual adjustment process will result in the road user charge being adjusted over time to movements in annual road expenditure (as measured by the seven year average of road expenditure in real dollars) and road use. The purpose of

1 *Submission 10*, QR Network, p. 1; *Submission 8*, ARTC, p. 1.

2 *Submission 4*, ALTA, p. 1.

3 Mr L Fraser, ALTA, *Committee Hansard*, 10 November 2008, p. 13.

4 *Submission 1*, p. 1, (Standard form letter in support of the Bill signed by 14 individuals).

5 *Submission 6*, ARA, p. 3.

6 Mr A Wilson, Department of Infrastructure, Transport, Regional Development and Local Government, *Committee Hansard*, 10 November 2008, p. 33.

the adjustment is to ensure ongoing cost recovery. The National Transport Commission (NTC) noted that 'in effect, the road user charge could reduce if road expenditure falls'.⁷

2.8 Mr Matthew Clark of the NTC explained the rationale behind the indexation process:

Previously it [the model] was based on historical data. The new formula is also based on historical data. Now, instead of being based on previously nominal seven-year average, in future it will be based on a real seven-year average. It is the same data set, the same road expenditure, the same seven-year average of data that is issued; it is just done a little differently to ensure that we are closer to what the new determination would look like if we had run it. We are trying to make sure that we ensure total cost recovery as we move forward over time. As I said, the same level of road expenditure transparency will be there. The formula calculation will be there. All the relevant data that was there before will also be there in the future.⁸

2.9 Mr Wilson, Executive Director of the department stated that the indexation process was designed to ensure cost recovery:

I would indicate that the indexation or an adjustment of the charges on an ongoing basis, which is the methodology included in the NTC determination, is in accordance with what COAG agreed in April of 2007, which was to ensure that cost recovery was maintained. One of the major issues that government and bureaucrats faced in 2006 with the determination at that stage was that there had been a long period of time between the previous determination and the new determination. That period of time meant that there was a translation shock for industry with a significant jump in the charges to be recovered. In 2006 COAG agreed to remove that level of shock over time and that you would adjust the charges on an ongoing basis to maintain a level of cost recovery.⁹

2.10 Organisations argued that the proposal replaces a transparent charges determination process. Mr Fraser of ALTA stated that:

The problem with this proposal is that it replaces a very fair and transparent charges determination process, which historically has involved industry in a process of looking at historical road expenditure attributable to heavy vehicles, dividing this ultimate figure by the number of trucks on the road over the same period and then increasing fuel excise as necessary (ie if the current levels of excise do not match what is owed based on an examination of the figures).¹⁰

7 NTC, *Submission 2*, p. 2.

8 Mr M Clark, NTC, *Committee Hansard*, 10.11.08, pp 4-5.

9 Mr A Wilson, Department of Infrastructure, Transport, Regional Development and Local Government, *Committee Hansard*, 10.11.08, p.32.

10 ALTA, *Submission 4*, p.2.

2.11 The NTC noted, however, that it publishes the data and calculations used to underpin the annual adjustment each year on its website. More detailed road expenditure data by state and expenditure category is also published in the NTC annual report. The NTC stated that this 'provides for a very transparent and detailed approach to the reporting of road expenditure'.¹¹

2.12 According to the ALTA, the major risk of the proposed changes is that 'industry could be marginally overcharged for its road use, year in, year out, without anyone having recourse to the actual figures' and that:

In this eventuality, the industry would pay more excise than it in fact owed. This would result in higher freight prices and therefore higher consumer prices.¹²

2.13 Mr Bill McKinley, National Manager of the Australian Trucking Association (ATA) noted that the Association was concerned that the government 'should have to obtain parliamentary scrutiny for those increases [in the excise] rather than having them automatically through indexation':

In other words, it should be a disallowance instrument issued under the regulations that the government is proposing rather than the regulations automatically giving effect to indexation.¹³

2.14 Both the Australian Road Train Association and ALTA were of the view that automatic indexation was a 'stealth tax'.¹⁴ The department indicated, however, that the road-user charge is not a tax – a fact accepted by both industry and the government.

...the road-user charge is not a tax. It is accepted by both industry and the government as a charge to recover costs associated with the provision of roads to the heavy vehicle industry. Both within the NTC and government we have had long conversations with the industry in regard to that, and the heavy vehicle industry accepts the concept of a cost recovery of expenditure made by governments previously. Whilst it is levied by government and therefore could be considered to be a tax in the general sense, it is actually recognised as a charge for the utilisation of the road network. It is a recovery of costs previously incurred by government in provision of that network.¹⁵

Registration charges

2.15 The Interstate Road Transport Charge Amendment Bill (No 2) will impose nationally agreed registration charges on vehicles registered under the FIRS. The bill

11 NTC, *Submission 2*, p. 2.

12 ALTA, *Submission 4*, p. 2.

13 Mr B McKinley, ATA, *Committee Hansard*, 10 November 2008, p. 22.

14 Mr D Bremner, Australian Road Train Association, *Committee Hansard*, 10 November 2008, p.9; ALTA, *Submission 4*, p. 1.

15 Mr Wilson, Department of Infrastructure, Transport, Regional Development and Local Government, *Committee Hansard*, 10 November 2008, p. 32.

will not affect registration charges for heavy vehicles registered in the states or territories.

2.16 The registration charge elements of the bill were generally supported. The ATA stated that:

Notwithstanding the significant reservations held by the ATA and its members with regard to the process and calculation of the new heavy vehicle charges, on grounds of national uniformity the ATA believes it to be appropriate that the minority of registrations under the Federal Interstate Registration Scheme be brought into line with the nationally agreed charges.¹⁶

2.17 The cost of registration fees were noted during the inquiry. Mr Egger of the NTC noted that some fees will increase while others will not.

The smallest vehicle that comes under our jurisdiction is 4.5 tonnes. It is about an eight per cent or nine per cent increase at most that you are talking about for the smaller sorts of vehicles. Effectively, we go from \$355 to \$380 as a basic registration. That was the minimum increase, but there were some specific vehicle types, particularly within the rigid classes, where we found that they were paying far too much based on the relative amount of travel that they did.¹⁷

There are many thousands of vehicles that actually have a deduction in registration charge. As I said, they include the bulk of three-axle rigid trucks that do not normally pull trailers, the bulk of four-axle trucks that do not pull trailers, and we are talking about smaller articulated trucks, three and four-axle-type semis. Smaller articulated trucks are getting reductions in their charges.¹⁸

2.18 In relation to B-double operators, Mr Egger of the NTC noted:

The fact is that we are talking about a registration charge that might make up about five per cent of the actual operating costs of a typical B-double operator... We had done a survey during the third determination of about 20 B-double operations and their reaction if their B-double charges increased. There were hardly any that were prepared to go back to using single-trailer type vehicles. We are confident that it was a cost that industry could bear, particularly in phasing it in over three years.¹⁹

2.19 Mr Fraser of ALTA noted that the new registration charges will increase costs to B-double operators from around \$8,000 to around \$14,000 by the end of the three year phase-in period.²⁰

16 ATA, *Submission 5*, p. 8.

17 Mr C Egger, NTC, *Committee Hansard*, 10 November 2008, p. 3.

18 Mr C Egger, NTC, *Committee Hansard*, 10 November 2008, p. 4.

19 Mr C Egger, NTC, *Committee Hansard*, 10 November 2008, p. 5.

20 Mr L Fraser, ALTA, *Committee Hansard*, 10 November 2008, pp. 18-19.

Rest stops

2.20 The provision of additional rest stops was raised during the inquiry. Although there is no provision for funding of rest stops in the bills, funding for the Government's \$70 million Heavy Vehicle Safety and Productivity Program for investment in rest areas, infrastructure upgrades and technology trials is contingent upon the passage of the bills under review.

2.21 Evidence to the committee suggested that there is strong support across the industry for the provision of rest areas or truck stops and other initiatives proposed under the program. Mr McKinley of the ATA commented that truck stops were a critical issue for the trucking industry and recognised the program as an 'excellent start'²¹:

There is a lot of advantages in spending money on heavy vehicle rest areas and other road works at this time. Unlike many other infrastructure programs, the big dollar infrastructure programs will take many years to come to fruition so you are going to get your spending on it at a point where one hopes the business cycle is actually turning up. Spending money on things like rest areas delivers almost immediate results in regional areas, in terms of employment and expenditure. It is a very good form of infrastructure investment if you want to get the money out there quickly.²²

Conclusion

2.22 The committee notes the broad support for the passage of these bills during the inquiry. The committee considers that the bills will restore uniformity to heavy vehicle registration charges and update the heavy vehicle road user charge to ensure that the Australian heavy vehicle fleet pays its way for its share of road infrastructure costs incurred by Governments.

2.23 The committee also notes that funding for the Heavy Vehicle Safety and Productivity Program, which will contribute to road safety by providing facilities for truck drivers to rest, is contingent upon the passage of the bills.

Recommendation 1

2.24 The committee recommends the passage of this legislation without amendment.



Senator Glenn Sterle

Chair

21 Mr B McKinley, ATA, *Committee Hansard*, 10 November 2008, p. 21.

22 Mr B McKinley, ATA, *Committee Hansard*, 10 November 2008, p. 22.