

The Senate

Standing Committee on
Rural and Regional Affairs
and Transport

Interstate Road Transport Charge
Amendment Bill (No. 2) 2008
[Provisions]

Road Charges Legislation Repeal and
Amendment Bill 2008 [Provisions]

November 2008

© Commonwealth of Australia

ISBN 978-1-74229-019-5

This document was prepared by the Senate Rural and Regional Affairs and Transport References Committee, and printed by the Senate Printing Unit, Department of the Senate, Parliament House, Canberra.

Membership of the Committee

Members

Senator Glenn Sterle	ALP, Western Australia	Chair
Senator Christine Milne	AG, Tasmania	Deputy Chair
Senator the Hon. Bill Heffernan	LP, New South Wales	
Senator Steve Hutchins	ALP, New South Wales	
Senator Annette Hurley	ALP, South Australia	
Senator Julian McGauran	LP, Victoria	
Senator John Williams	NATS, New South Wales	
Senator Kerry O'Brien	ALP, Tasmania	

Participating Members

Senator Fisher, LP, SA
Senator, Joyce, NATS, QLD
Senator the Hon Boswell, NATS, QLD

Committee Secretariat

Ms Jeanette Radcliffe, Secretary
Mr Peter Short, Principal Research Officer
Ms Jane Thomson, Senior Research Officer
Ms Rosalind McMahon, Executive Assistant

Parliament House, Canberra
Telephone: (02) 6277 3511
Facsimile (02) 6277 5811

Internet: www.aph.gov.au/senate_rrat
Email: rrat.sen@aph.gov.au

TABLE OF CONTENTS

Membership of the Committee	iii
TABLE OF CONTENTS	v
Chapter 1.....	1
Introduction	1
Background.....	1
The Bills	3
Conduct of the inquiry.....	4
Acknowledgments	4
Chapter 2.....	5
Issues raised during the inquiry.....	5
Annual adjustment process.....	5
Registration charges	7
Rest stops.....	9
Conclusion.....	9
Dissenting Report.....	11
Opposition Senators.....	11
Introduction	11
Background	11
The bills	12
Dissenting Report by Senator Julian McGauran	17
Introduction	17
Additional.....	18
Indexation.....	18
Rest Stops	19
Harmonisation of State and Territory Transport Regulations.....	19
Appendix 1	21
List of Submissions	21

Appendix 2	23
Witnesses who appeared before the Committee	23
at the Public Hearing	23

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.

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.

Dissenting Report
Opposition Senators
Interstate Road Transport Charge Amendment Bill (No.2) 2008
and the
Road Charges Legislation Repeal and Amendment Bill 2008

Introduction

1. On 15 October 2008 the Selection of Bills Committee referred the above bills to the Senate Standing Committee on Rural and Regional Affairs and Transport (the Committee) for inquiry and report by 21 November 2008.

Background

2. The above bills seek to implement the recommendations made by the National Transport Commission and agreed to by the Australian Transport Council in February 2008. These recommendations, called the 2007 Heavy Vehicle Charges Determination, establish a new heavy vehicle charging regime.
3. The first element, contained in the *Interstate Road Transport Charge Amendment Bill (No.2) 2008* will permit the making of regulations to apply new registration charges to the less than five percent of Australia's heavy vehicles that are registered under the Australian Government's Federal Interstate Registration Scheme (FIRS). The second element will amend the *Fuel Tax Act 2006* to reduce the amount business are permitted to recover from the excise tax paid on diesel and petrol. It will do so by increasing the Road User Charge from 19.633 cents per litre to 21 cents per litre. These changes are contained in the *Road Charges Legislation Repeal and Amendment Bill (No.2) 2008*. This bill will also allow the ACT Government to set its own heavy vehicle charges.
4. The Committee received several submissions, reflecting the fact that road charging is a divisive issue. Put simply, the trucking industry believes that it is paying its way and the rail industry considers that it is not. The submissions from the rail sector argued that the National Transport Commission has been unduly conservative in its Determination, its cost allocations are unduly restrictive and that trucks are treated favourably at the expense of rail as a result. This causes uneconomical and unfair distortions between the transport modes.
5. While the Opposition members of this Committee accept that arguments will always occur between various transport proponents, this inquiry is not the place

to review the relative charging treatments between rail and road. The Opposition members of this Committee will therefore confine their views on the particulars of this legislation – is charge-setting regime proposed by these bills appropriate and does it warrant support?

The bills

6. The *Interstate Road Transport Charge Amendment Bill (No.2) 2008* applies the new registration charge to Federally-registered vehicles. This increased fee will affect approximately 21,500 trucks out of a total of 470,000. Most of Australia's vehicles are already subject to the charges agreed to by the Australian Transport Council, since the States have applied them. We accept the argument that the minority registrations that take place under the FIRS should be brought into line with these nationally agreed changes. We also note that this bill does not include an annual adjustment component.

Recommendation – the *Interstate Road Transport Charge Amendment Bill (No.2) 2008*

7. The Opposition Members of this Inquiry support the *Interstate Road Transport Charge Amendment Bill (No.2) 2008*.

The *Road Charges Legislation Repeal and Amendment Bill 2008* – ACT charge-setting

8. The *Road Charges Legislation Repeal and Amendment Bill 2008* repeals the *Road Transport Charges (Australian Capital Territory) Act 1993* so that the ACT may set its own heavy vehicle charges. This means that the ACT will be able to align its charges with the nationally agreed schedule. We also note that ACT has a high proportion of rigid locally registered vehicles. This means that the majority of ACT-registered truck owners will see their registration fees go down if the ACT was able to apply the new registration charges.

Recommendation

9. The Opposition Members of this Inquiry support this component of the bill.

The *Road Charges Legislation Repeal and Amendment Bill 2008* – Road User Charge

10. The *Road Charges Legislation Repeal and Amendment Bill 2008* also increases the Road User Charge from 19.633 cents per litre to 21 cents per litre. This charge will raise approximately \$490 million over four years or, assuming an indexing rate of 7 percent per annum, around \$2.5 billion over ten years. This is a considerable sum and the issues surrounding this impost must be considered carefully.

-
11. The *Road Charges Legislation Repeal and Amendment Bill 2008* allows the indexation of the Road User Charge. It does so by amending the *Fuel Tax Act 2006* to permit the making of a separate regulation. Section 43-10, clause 8 of the bill when defining that regulation states:
 - a. *The regulations may prescribe a method for indexing the 'road user charge'.*
 12. This means the Government may make a regulation that contains an indexing formula that defines subsequent increases in the Road User Charge. What follows is that the Government need not make such a regulation again. Should Parliament pass such a regulation, the Road User Charge would go up every year without the opportunity for Parliament to debate or disallow such an increase.
 13. We also note that the Australian Trucking Association and the Australian Livestock Transporters Association have expressed concerns about this issue. Their submissions point out that if the National Transport Commission's indexing model is applied, the Road User Charge could go up, without Parliamentary approval, every year at a rate of over seven percent per annum. This would occur without industry consultation until the National Transport Commission makes another Determination. This could be five years. The argument that defends an automatic indexing arrangement - administrative convenience - seems inadequate.
 14. The Opposition Members of the Inquiry regard the failure of this bill to preclude the prospect of automatic indexation as a significant weakness.
 15. The heavy vehicle sector argues that the National Transport Commission did not consult adequately in developing its Determination. The Australian Trucking Association maintains that the Commission refused to provide the raw data submitted by the States and Territories used to calculate the charges or the model to determine the charges. They also provided examples where the modelling assumptions used by the Commission did not reflect 'real world' results. We believe deliberations should be open and transparent at all times.
 16. While respecting the rebuttal of these claims by the National Transport Commission in its submission, the Opposition Members of this Inquiry are concerned that there appears to be a disconnect between the sector paying the charge and the organisation that develops the charge. Unfortunately this bill does nothing to mandate the levels of consultation that should occur between the Commission and industry in the Determination process.
 17. The failure of the bill to mandate adequate levels of consultation between the organisation calculating the Road User Charge and the industry paying it is the second major weakness of this bill.
 18. The *Road Charges Legislation Repeal and Amendment Bill 2008* does not address the extraordinary lack of heavy vehicle rest areas on Australia's highway system. The Government has promised a \$70 million Heavy Vehicle Safety and

Productivity Package which, after deductions for the trials of monitoring technologies, will presumably be able to fund slightly more than 60 roadside rest areas.

19. Plainly, this is not enough. The Australian Trucking Association in their submission point out that Australia's national highway system is no where near compliant with the National Transport Commission's 2005 National Guidelines for the Provision of Rest Area Facilities. They note that the audit of 13,823 kilometres of Australia's major highways conducted by an independent government research organisation – Austroads – came to this conclusion. The Australian Trucking Association estimates that there needs to be another 900 rest areas on the 22,500 kilometres of the AusLink National Network.
20. The Opposition Members of the Inquiry are also concerned that with the implementation of the national fatigue laws introduced by Queensland, New South Wales, Victoria and South Australia on 29 September 2008, there is an even greater urgency for roadside rest areas. At the moment, truckies are faced with the absurd situation of facing legislated limits on driving times, but without places to park to be compliant with those times.
21. This bill does not mandate the construction of adequate numbers of roadside rest areas. This is its third significant weakness.
22. Finally, the Opposition members of the Committee note that the *Road Charges Legislation Repeal and Amendment Bill 2008* does not place any obligation upon the Commonwealth to push the States harder to harmonise road transport regulations. The most egregious example is the failure by the States to implement the national heavy vehicle driver fatigue reforms on a consistent basis. There are other absurd examples, such as contradictory treatments of weights and loads and the failure of some States to open up designated routes for B-triples and higher mass limit vehicles with road-friendly suspension. We also note the strong support by the Australian Trucking Association for national road transport laws.
23. This bill does not require the Commonwealth to encourage the States to harmonise contradictory heavy vehicle transport regulations. This is its fourth weakness.
24. The Opposition Members of the Inquiry are of the view that the *Road Charges Legislation Repeal and Amendment Bill 2008* is flawed. It fails to preclude automatic indexation, does not mandate adequate levels of consultation, fails to address the shortage of roadside rest areas and does nothing to deal with the problem of contradictory state transport regulations.
25. The amendments proposed by the Opposition deals with these matters. They specifically rule out automatic indexation, define the nature of consultation that must take place between the National Transport Commission and the industry that pays the Road User Charge, stipulate the number of roadside rest areas that

must be built and oblige the Commonwealth to push the States to harmonise regulations.

26. With regard to the roadside areas, the Opposition proposes that the Government be required to construct over a period of ten years 500 rest areas. This would bring Australia's national highway system broadly into compliance with the Guidelines stipulated by the National Transport Commission. The construction of such a number would cost approximately \$300 million – a modest sum given the large amount of money the Road User Charge will raise over this time.

27. The Australian Trucking Association has suggested amendments that address some of the concerns raised by the Opposition regarding this bill. They do not, however, deal with the failure by the States to harmonise inconsistent transport regulations. Their proposal that the Government should be required to build 900 rest areas, while desirable, is perhaps unrealistic. The fallback proposal by the Australian Trucking Association to extend the \$70 million Heavy Vehicle Safety and Productivity Package to \$100 million over four years and to require the States to provide matching funds is worthwhile. It is, however, only a partial solution.

Recommendation

28. In light of the weaknesses of this bill, the Opposition members of the Committee recommend that the *Road Charges Legislation Repeal and Amendment Bill 2008* be rejected unless the Government accepts its amendments.



Senator John Williams



Senator the Hon. Bill Heffernan

Senate Rural and Regional Affairs and Transport Committee

Dissenting Report by Senator Julian McGauran

Re: Inquiry into Interstate Road Transport Charge Amendment Bill (No. 2) 2008 & Road Charges Legislation Repeal and Amendment Bill 2008

Introduction

I notify my dissent from the majority report.

I do not recommend these Bills pass through the Senate into law.

The Coalition successfully rejected the passage of the Bills in similar form through the Senate when previously presented earlier this year and no new evidence has come from the Senate Committee hearings to convince me to change that initial position.

The increase in the registration fees and road user charge as outlined in the two Bills are unnecessary and punitive. It is no time to be increasing trucking costs in the midst of an economic slump, particularly given the trucking industry, which is predominantly made up of owner drivers and small to medium trucking operations, has little capacity to absorb the increases without loss of profit and employment.

This is one of the industry's that will take the brunt of the expected severe economic downturn in 2009. This is legislation cooked up in the early months of the Government without thought or vision of the pending economic crisis. It seems it was a classic State and Federal Labor lunge to increase revenue through charges without examining the consequences upon the truck drivers and the industry.

The Government ought to recognise economic circumstances have changed immensely since the initial decision by COAG and the capacity of the industry to pay is not only less now but these Bills could well be a tipping point for sending many more independent operators into further financial distress.

Furthermore, the increase in charges seem in direct contradiction to current Government policy of supporting industries through these difficult times by direct Government assistance, increased Government spending and the availability of grants.

Additional

The principle of recovery of road expenditure associated with heavy vehicles, achieved through registration charges and road user charge, is a principle agreed upon by the parliamentary parties and the industry. However, it is worthy to note the recommendations to increase charges as outlined in the Bills have initially come from the Productivity Commission and the National Transport Commission.

Whilst the two bodies are experts in their fields and have produced informative reports to the Government, they have only properly acted within their terms of reference, namely "road recovery costs". In short, their recommendations to increase charges, is only just that, a recommendation to Government. Governments must take in a greater breadth of factors when deciding upon such recommendations. For example, similar recommendations were made to the Coalition Government in 2006 and 2007 to increase registration charges and road user charges but were rejected.

The Coalition Government listened to the pleas of industry representatives at the time regarding the economic and inflationary effects such increases would cause. Poignantly and surprisingly, those same pleas against increases are not present from industry representatives in 2008, yet obviously economic conditions and inflationary pressures have deteriorated greatly since in 2006 and in 2007.

Indexation

The worst aspect of the dual Bills is imbedded in the Road Charges Legislation Repeal and Amendment Bill 2008 (the Repeal Bill) is the introduction of indexation.

The indexation of fuel excise at all levels has been rejected in the past by the Coalition and we remain opposed to fuel excise indexation. The industry representatives uniformly opposed indexation in their submissions before the Committee.

Both the Australian Road Train Association and Australian Livestock Transporters Association were of the view that automatic indexation was a "stealth tax".

Also the Australian Trucking Association does not support it. Their submission points out that if the National Transport Commission's indexing model is applied, the Road User Charge could go up, without parliamentary approval, every year at a rate of over 7% per annum.

The indexation breaches the principle of the road user charge and introduces a revenue raising method that avoids transparency and consultation in the future.

Further, the indexation method will in no way correlate with the prevailing economic conditions of the industry or the economy in general. In fact if heavy

vehicle usage declined the road user charge would continue to rise under the current indexation formula.

Rest Stops

In February 2006 the Australian State and Territory Governments agreed that they would build rest areas across Australia to national standards by the end of 2008.

The industry, in particular the Australian Trucking Association, was concerned about the lack of progress from the State and Federal Governments in meeting the heavy vehicle rest area commitment.

Mr Bill McKinley, National Manager, Government Relations and Communications, Australian Trucking Association at the hearings said:

“...there are only a few weeks left (2008) and unless there is an enormous flurry of rest area construction in the next six weeks, we estimate they will be 900 rest areas short. ...This is a critical issue for the trucking industry. When we held our safety summit earlier this year it was the principal issue raised by ordinary trucking operators at the summit.”

The Government’s commitment of a \$70 million Heavy Vehicle Safety and Productivity Program is not adequate to meet the demands of the roadside rest areas.

Mr McKinley offered the following funding proposal:

“...As a completely separate proposition and one that does not involve amending the Bill, we believe the Committee could usefully urge the Government to increase the funding of its heavy vehicle safety and productivity program to \$100 million over four years, rather than \$70 million over four years, review the program in 2011 with a view to considering its extension in the 2012-13 budget context, and finally require the states and territories to provide matching funding. If these steps are taken it would deliver 350 extra rest areas over four years, which would be on track to deliver the 900 extra rest areas that we believe are needed by 2019, which is the time frame the industry is comfortable with....”

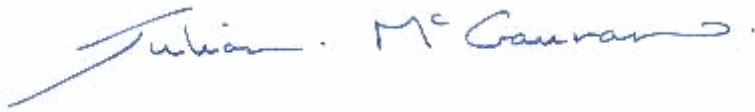
Accordingly the Coalition is recommending an amendment to the Bill that allocates a proportion of any increase in the road user charge to the building of rest stops.

Harmonisation of State and Territory Transport Regulations

Regardless of the Government’s pious commitments of obtaining State Government cooperation in all areas and no less than in transport regulations, this has not happened. Like different state rail gauge lines the road transport

industry regulations differ from state to state. The Government has made no genuine progress or effort in fixing this expensive layer of cost to the industry.

The Road User Charge Bill ought to be amended to link any increases in road user charges to genuine State and Territory progress in harmonising transport regulations, including heavy vehicle fatigue reform measures.



Senator Julian McGauran

21 November 2008

Appendix 1

List of Submissions

1. The committee received a proforma letter from 15 individuals for the Heavy Vehicle Charges Legislation
Letters received from:
Mr Bryan Williams, Consulting & Business Analysis, ARA
Mr Jerry Jirasek, Engineering & Mining, Dedirail
Mr Craig Wilson, Environment, Legal & Compliance, Management/Planning/Policy, Asciano
Ms Dora Ugalde, Media, ARA
Mr Howard Ellis, Consulting & Business Analysis, Coffey Rail
Mr Geoff Clark, Engineering & Mining, Rail Infrastructure Corporation
Mr David Wyers, Engineering & Mining
Mr Goran Stefokovski, Engineering & Mining, Coffey Rail
Mr Weston Langford, Engineering & Mining, Retired from career in the industry
Ms Vi Nguyen, Engineering & Mining, TransAdelaide
Ms Alana Agnew, Accounting & Finance, ARA
Mr Garry Bulgarelli, Engineering & Mining, Management/Planning/Policy/Bombardier Transportation
Mr Allan Pearce, Information Services, Trades - Automotive, Electrajel Australia Pty Ltd
Mr John Ince, Manufacturing/Production/Logistics, Bombardier
Mr Mehdi Lababidi, Engineering & Mining, Management/Planning/Policy, ALSTOM
2. National Transport Commission VIC
3. University of Wollongong NSW
4. Australian Livestock Transporters Association ACT
5. Australian Trucking Association ACT
6. Australasian Railway Association Inc. ACT
7. Australian Rail Track Corporation Ltd SA
8. Australian Logistics Council
9. Local Government Association of South Australia SA
10. QR Network Pty Ltd QLD
11. Asciano Limited NSW

12. Department of Infrastructure, Energy and Resources TAS

Appendix 2

Witnesses who appeared before the Committee at the Public Hearing

Monday, 10 November 2008

Parliament House

Canberra

National Transport Commission

Mr Nick Dimopoulos, Chief Executive

Mr Chris Egger, Manager, Economic Research

Mr Matthew Clarke, Senior Manager, Economics

Australian Road Train Association

Mr Duncan Bremner, Chief Executive Officer

Australian Livestock Transporters Association

Mr Luke Fraser, National Executive Director

Australian Trucking Association Ltd

Mr Bill McKinley, National Manager, Government Relations and Communications

Australian Logistics Council

Mr Hal Morris, Chief Executive Officer

Department of Infrastructure, Transport, Regional Development and Local Government

Mr Andrew Wilson, Executive Director

Mr Stewart Jones, General Manager, Transport Integration and Reform

Australasian Railway Association

Mr Bryan Nye, Chief Executive Officer

