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Committee Secretary
Senate Rural and Regional Affairs and Transport Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

6 November 2008

Dear Sir / Madam

Road Charges Amendment Bills

The National Transport Commission (NTC) welcomes the opportunity to make a submission to the Senate Committee, which is conducting an inquiry into the *Interstate Road Transport Charge Amendment Bill (No. 2) 2008* and the *Road Charges Legislation Repeal and Amendment Bill 2008*.

In February 2008, the Australian Transport Council (ATC) endorsed NTC's recommendations for the establishment of a new heavy vehicle charging regime. This charging determination forms the basis for the two amendment bills. NTC would like to inform the Senate Committee of some important aspects of this charging determination which may be useful in terms of the current Senate inquiry.

Consultative approach

Firstly, we would like to outline the consultative approach undertaken by NTC in preparing the charging determination for ATC.

In July 2007, NTC released a Draft Regulatory Impact Statement (RIS) that outlined a range of options (including its preferred options) for heavy vehicle charges. NTC undertook comprehensive public consultation on the draft RIS. The industry, government stakeholders and other interested parties were invited to make written submissions, receive industry briefings and/or participate in public focus groups. These focus groups were held in Melbourne, Sydney, Brisbane, Adelaide, Perth, Canberra and Darwin. Transcripts from the focus groups, along with 22 written submissions, are available on the NTC website.

In addition to the public consultation process, NTC also undertook further discussions with industry representative groups (including the Australian Trucking Association (ATA), its member associations and the National Farmers Federation) and governments in relation to proposed changes to the recommendations. In particular, NTC provided ATA with direct access to the charging models. This entailed ATA viewing the model at NTC's premises with associated detailed explanations of the methodology and calculations. NTC believes that this

is an appropriate level of transparency for a regulatory pricing function and goes beyond what is normally provided in other regulated industries.

As a result of issues raised through the consultation process, NTC made significant changes to its draft recommendations, including modifying the structure of registration charges to align with industry recommendations for a single multi-combinational charge for B-doubles/triples and road trains. This was based on an ATA proposal.

Further, at the request of industry, NTC ensured that the new charges schedule accommodated charges for high productivity vehicles (in particular, B-triples and quad axle vehicles). NTC also adjusted the phasing in of charges to allow industry more time to adjust to any increases.

In the development of the final recommendations, NTC had further discussions with industry to ensure they addressed industry concerns.

Calculation of the road user charge

Secondly, we would like to outline why only registration charges (and no other charges) are deducted from total road expenditure in order to calculate the road user (fuel-based) charge.

ATC pricing principles preclude the recovery of non-infrastructure-related costs. For example, the previous excise on high sulphur diesel – as part of a policy to encourage the take-up of low sulphur diesel – is not related to infrastructure use.

Annual adjustment process

Thirdly, we would like to briefly explain some key aspects of the annual adjustment process applying to the road user charge.

The annual adjustment process reflected in the amendment bills will result in the road user charge adjusting 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 this adjustment process is to ensure ongoing cost recovery, which is a key Council of Australian Government (COAG) directive. In effect, the road user charge could reduce if road expenditure falls.

NTC 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 each year as well as data relating to:

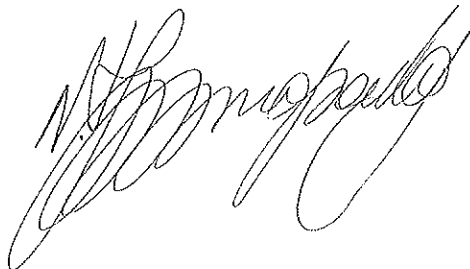
- Urban arterial road expenditure
- Rural arterial road expenditure
- Urban local road expenditure
- Rural local road expenditure

This provides for a very transparent and detailed approach to the reporting of road expenditure.

In February 2008, ATC also asked NTC to monitor changes in key variables that influence charges. This is particularly important since it will highlight issues such as when a vehicle class is no longer recovering its attributable costs (that is, those costs directly related to road use) and, therefore, a recalculation of charges may be warranted.

More information on heavy vehicle charges is published on the NTC website, including the Regulatory Impact Statement. Should you wish to discuss the matters raised in this submission or other matters related to the charging determination, NTC would be more than willing to provide further detailed comments.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Dimopoulos', written in a cursive style.

Nick Dimopoulos
Chief Executive