Australian Livestock Transporters Association

Road user charges and fuel excise indexation
An industry viewpoint in favour of retaining a fair and transparent industry charging mechanism

Current situation
The Federal Government has introduced a Road Charges Legislation Repeal and Amendment Bill 2008 into the House of Representatives. In essence this seeks to recover a further 1.3 cents per litre from the heavy vehicle industry in excise. This is as a result of calculations made by the National Transport Commission (NTC) on behalf of the Australian Transport Council (ATC) and unanimously voted for by the ATC earlier in 2008. The ATC agreed with the NTC's recommendation at the time that a further 1.3 cents per litre be charged to the industry to reflect accurate levels of attributable road use costs for the sector over the past 7 years (another way of looking at this outcome is that the trucking industry will lose around 1.3 cents per litre from the current 18.5 cent diesel rebate arrangement –either way it is presented, the result is the same).

On the basis that the industry has always as a matter of core policy accepted the principle of *paying its way fairly and equitably for road use*, the ALTA considers this to be an acceptable outcome.

Proposed changes to the heavy vehicle charges system itself
However, an attendant feature of these bills is a charging regulation. This proposal is completely opposed by the industry and deserves the immediate attention of the Senate as were it to be agreed it would erode fair and transparent charging of the industry; as such would represents a significant new stealth tax on the Australian economy.

The bills are accompanied by a **road user charge determination regulation**. This regulation is the instrument by which future changes in the fuel excise levels for the heavy vehicle sector will be managed. As fuel excise is a solely Commonwealth matter, the Minister for Transport of the day will use this regulation in future to vary the fuel excise levels.

In a major departure from historical heavy vehicle charging arrangements, the Federal Transport Minister has agreed to an NTC recommendation (made as part of the ATC vote on the charges determination) that would fundamentally change how fuel excise levels for the heavy vehicle sector are determined in the future and leave the industry open to non-transparent, non-consultative taxation that risks overcharging of the industry and therefore higher-than-necessary costs for all road-freighted goods in the Australian economy. The industry is completely opposed to the change and is seeking opposition to this move in the form of the Senate's rejection of this proposed regulation.

What does the new regulation propose?
The proposed road user charge regulation attempts to apply an annual indexation formula to heavy vehicle fuel excise, purportedly in the interests of ongoing cost recovery of the industry for their use of the roads.

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).

How does this differ from what is being proposed in the regulation?
The regulation proposes and automatic indexation of the fuel excise using an agreed formula. As such, it is no longer a process which is built from first principles using all the actual historical data. It also means that industry is not afforded an opportunity to participate in the development process and assure itself that what it is being charged in any future fuel excise increase is fair, based on actual expenditure over recent years and actual numbers of trucks on the road over the same period.

What are the underlying risks to the proposed indexation model?

<u>An 'itemized' charging process will be changed to a non-transparent taxing process</u>
The major risk is that the industry could be marginally overcharged for its road use, year in, year out, without anyone having recourse to the actual figures. 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.

An indexation model is in effect a tax. It is fundamentally different to a ground up charges determination process, which checks what is owed based on actual road usage levels – as occurs now. The latter is very clearly a charge. At present, the NTC charges determination process allows industry to be party to the development of the recommendation. Input figures on State and territory road expenditure (at least the portion attributable to heavy vehicles) and actual data on the number of trucks using the roads over the same period are available for scrutiny. All of this opportunity for scrutiny will be abandoned under the new regulation, which will simply use a complex algorithm to derive an annual percentage increase for diesel excise.

What do earlier Government considerations of the charges process tell us?
The vital principle of transparent heavy vehicle charging was first established by the Interstate Road Transport Commission (1990) in developing the charges process that has

existed up until today. The report of this commission made it very clear that taxation of a productive industry was to be avoided at all costs:

'..it is desirable to regard all fuel product payments (fuel excise duty and business franchise fee payments) made by commercial road users as a charge rather than a tax. This is particularly the case for payments on diesel fuel, which are almost exclusively used as an input to intermediate activities.'

Road Vehicle Registration: A National Scheme (the Report of the Interstate Road Transport Commission March 1990) p.179

Loss of industry, consumer faith in the diesel excise-setting process

The industry is anxious to retain a process where the charging mechanism for fuel is transparent to all. Such a system buys faith with industry in the process and is a guarantee to consumers that they are not being overcharged for the excise portions of the road-freighted goods that they purchase. In tabling increases into the future, Governments will risk political opposition from industry and the consumer group if no part of the sector has had any visibility of the process.

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