

**Submission to:** National Transport Commission

**Title:** Heavy vehicle road user charge annual adjustment

**Date:** 7 April 2015



## Contents

1. The Australian Trucking Association .....	3
2. Summary of recommendations .....	3
3. Introduction .....	3
4. The underlying problem with the current PayGo model .....	3
5. The Solution .....	7

## 1. The Australian Trucking Association

The ATA is the peak body that represents the trucking industry. Its members include state and sector-based trucking associations, some of the nation's largest transport companies, and businesses with leading expertise in truck technology.

## 2. Summary of recommendations

1. Ministers should note that the NTC's annual adjustment recommendation is based on the existing outdated and discredited model to calculate heavy vehicle charges.
2. The road user charge and registration charges should be frozen for 2015-16.
3. Option A, as described in the NTC 2014 Heavy Vehicle Charges Determination RIS, should be implemented from 1 July 2016.

## 3. Introduction

In the 2014, the NTC recommended the PayGo model should be updated to stop the model over-estimating heavy vehicle charges the industry pays for registration and the road user charge. This has led to the PayGo model overcharging the industry since 2007.

State and territory ministers were aware of the PayGo model's failings and were asked to vote for necessary updates as recommended by the NTC at the May 2014 Transport and Infrastructure Council meeting. The Commonwealth acknowledged the inevitable over-recovery and froze the road user charge for 2014-15. However, they rejected the immediate introduction of the NTC recommendation and as a result road transport operators continue to be overcharged. In 2014-15 the heavy vehicle industry was overcharged by \$200 million by the NTC's own estimates.

The PayGo model used to generate the annual adjustment is the same model that the NTC itself discredited in the 2014 heavy vehicle charges determination. As a result the proposed annual adjustment figure of 0.6 per cent should not be applied to heavy vehicle charges in 2015-16.

Instead, heavy vehicle charges should be frozen and option A, as described in the NTC 2014, Heavy Vehicle Charges Determination Regulatory Impact Statement, should be implemented in 1 July 2016.

## 4. The underlying problem with the current PayGo model

### The use of a lagged heavy vehicle population

The NTC has recommended a 0.6 per cent increase in heavy vehicle charges, but if the most up to date figures for heavy vehicle population were to be used in the PayGo model charges would be reduced, not increased, for 2015-16.

The heavy vehicle industry was overcharged by \$200 million in 2014-15 and now will be overcharged again by some \$117 million in 2015-16.

This is because the PayGo model uses a lagged heavy vehicle population but the most up-to-date expenditure figures. This lag underestimates the true number of heavy vehicles on the road, leading to charges being much higher than they should be.

The 2015-16 charges were calculated on a population of **441,000 heavy vehicles**. In contrast, the most up to date figures publically available estimated heavy vehicle population figures based on NTC trending for 2012-13 showed heavy vehicles totalling **493,182**.

Table 1 compares the heavy vehicle population figures used by the NTC to calculate charges and the latest available heavy vehicle population figures.

Table 1: Heavy vehicle population in 2011-12 and 2012-13

Vehicle Class	2011-12 population (used for 2015-16 charges) (1)	2012-13 Population (2)
Rigid trucks: 2 axle: no trailer: GVM 4.5 to 7.0 tonne	51,298	58,980
Rigid trucks: 2 axle: no trailer: GVM 7.0 to 12.0 tonne	104,465	110,480
Rigid trucks: 2 axle: no trailer: GVM over 12.0 tonne	49,188	58,730
Rigid trucks: 2 axle: with trailer	15,170	11,130
Rigid trucks: 3 axle: no trailer GVM 4.5-18	1,536	1,797
Rigid trucks: 3 axle: no trailer GVM >18	54,474	54,878
Rigid trucks: 3 axle: with trailer >18	5,060	17,132
Rigid trucks: 4 axle: no trailer GVM 4.5-25	639	68
Rigid trucks: 4 axle: no trailer GVM >25	9,162	11,170
Rigid trucks: 4 axle: with trailer >25	545	1,769
Truck trailers	10,637	9,917
Articulated trucks: single trailer: 3 axle rig	752	704
Articulated trucks: single trailer: 4 axle rig	3,704	3,871
Articulated trucks: single 3 axle trailer: 5 axle rig	1,480	1,290
Articulated trucks: single 2 axle trailer: 5 axle rig	7,641	6,243
Articulated trucks: single trailer: 6 axle rig	43,630	40,342
Articulated trucks: B-double: <9 axle rig	1,415	3,209
Articulated trucks: B-double/triple: 9 axle rig & above	12,706	20,420
B-Triple	*	652
Articulated trucks: Road train: 2 trailers	6,131	7,992
Articulated trucks: Road train: 3 trailers	2,822	3,356
Articulated trucks: > 6 axle rig (not elsewhere classified)	2,428	1,718
Other trucks	14,033	25,413
Buses: 2 axle: GVM 4.5 to 10.0 t	15,429	16,482
Buses: 2 axle: GVM over 10.0 t	23,766	22,295
Buses: 3 axle 2,345	2,249	2,345
Buses: articulated	640	799
Total	441,000	493,182
	<b>Difference</b>	<b>52,182</b>

1 Page 59, NTC HV charging determination final RIS March 2014

2 PayGo model: I.3.4.1 SMVU data on vehicle population

\* B-triple figures not captured by SMVU

## Overcharging for 2015-16

Using the proposed charges for 2015-16, table 2-4 show some \$117 million over-recovery the industry will be overcharged by in 2015-16. In 2015-16 states and territories will recover an estimated \$1.3 billion and the Commonwealth will recover an estimated \$1.8 billion. Total estimated revenue for 2015-16 is \$3.143 billion. This is a conservative figure given that the most up to date population figure available is for 2012-13.

In the NTC 2014 Annual report it is stated that the required cost base, in order to cover heavy vehicle attributable costs for 2015-16, is \$3.025 billion. This will mean the industry will be overcharged by \$117 million in 2015-16. This overcharging will continue year upon year until the NTC recommended changes to the PayGo model are made.

**Table 2: Estimated registration revenue 2015-16**

Vehicle class	Population 2012-13 (1)	2015-16 charges (\$)	Revenue (\$)
Rigid trucks: 2 axle: no trailer: GVM 4.5 to 7.0 tonne	58,980	566	33,404,974
Rigid trucks: 2 axle: no trailer: GVM 7.0 to 12.0 tonne	110,480	566	62,573,441
Rigid trucks: 2 axle: no trailer: GVM over 12.0 tonne	58,730	896	52,642,401
Rigid trucks: 2 axle: with trailer	11,130	1,758	19,571,971
Rigid trucks: 3 axle: no trailer GVM 4.5-18	1,797	896	1,610,734
Rigid trucks: 3 axle: no trailer GVM >18	54,878	1,067	58,574,911
Rigid trucks: 3 axle: with trailer >18	17,132	2,791	47,809,313
Rigid trucks: 4 axle: no trailer GVM 4.5-25	68	793	53,906
Rigid trucks: 4 axle: no trailer GVM >25	11,170	1,067	11,922,478
Rigid trucks: 4 axle: with trailer >25	1,769	3,660	6,474,236
Truck trailers	9,917	9,096	90,207,531
Articulated trucks: single trailer: 3 axle rig	704	1,791	1,260,639
Articulated trucks: single trailer: 4 axle rig	3,871	2,365	9,155,325
Articulated trucks: single 3 axle trailer: 5 axle rig	1,290	2,940	3,791,996
Articulated trucks: single 2 axle trailer: 5 axle rig	6,243	6,104	38,109,819
Articulated trucks: single trailer: 6 axle rig	40,342	6,679	269,437,521
Articulated trucks: B-double: <9 axle rig	3,209	13,795	44,269,047
Articulated trucks: B-double/triple: 9 axle rig & above	20,420	15,049	307,295,557
B-Triple New	652	18,495	12,058,942.12
Articulated trucks: Road train: 2 trailers	7,992	14,474	115,678,829
Articulated trucks: Road train: 3 trailers	3,356	17,346	58,214,713
Articulated trucks: > 6 axle rig (not elsewhere classified)	1,718	6,978	11,987,544
Other trucks	25,413	1,144	29,067,948
Buses: 2 axle: GVM 4.5 to 10.0 t	16,482	510	8,406,512
Buses: 2 axle: GVM over 10.0 t	22,295	510	11,371,386
Buses: 3 axle 2,345	2,345	2,567	6,020,347
Buses: articulated	799	510	407,524
<b>Total</b>	<b>493,182</b>		<b>1,311,379,547</b>

1 PayGo model: I.3.4.1 SMVU data on vehicle population

**Table 3: Estimated fuel revenue 2015-16**

Litres used 2014 (2)	Road user charge 2015-16	Fuel revenue 2015-16 (\$)
6,963,267,471	0.263	1,831,339,345

2 estimated total fuel use by heavy vehicles (litres) page 103 NTC Annual report 2014

**Table 4: Estimated industry over-recovery 2015-16**

Cost Base	Total Revenue (\$)	Over-recovery for 2015-16 (\$)
Cost Base required for 2015 (as per 2014 NTC Annual report.)	3,025,700,000	
Cost base that will be collected in 2015-16 (registration revenue + fuel revenue)	3,142,718,892	<b>117,018,892</b>

## 5. The Solution

Instead of the 0.6 per cent annual adjustment increase in heavy vehicle charges for heavy vehicles charge should be frozen in 2015-16 as it was in 2014-15.

The NTC should also recommend the implementation of Option A, as described in the NTC 2014 Heavy Vehicle Charges Determination RIS, should be implemented from 1 July 2016.

### Recommendations

1. Ministers should note that the NTC's annual adjustment recommendation is based on the existing outdated and discredited model to calculate heavy vehicle charges.
2. The road user charge and registration charges should be frozen for 2015-16.
3. Option A, as described in the NTC 2014 Heavy Vehicle Charges Determination RIS, should be implemented from 1 July 2016.