2008-09 PRE-BUDGET SUBMISSION

JANUARY 2008

CONTENTS

Minter Ellison Building, 25 National Circuit, Forrest ACT 2603
P 02 6253 6900 F 02 6253 6999 E ata@atatruck.net.au W www.atatruck.net.au

AUSTRALIAN TRUCKING ASSOCIATION

1. INTRODUCTION

Following the swearing in of the new Australian Government on 3 December 2007, the Treasurer issued a media release requesting the Australian public to make submissions regarding priorities for consideration in the 2008-09 Budget.

In calling for submissions, the Treasurer identified the following areas as central to Australian Government fiscal policy:

- the maintenance of low inflation;
- addressing climate change and securing water supplies;
- developing national infrastructure; and
- raising productivity.

Well considered and informed fiscal and regulatory policy for the trucking industry will be crucial for the Government if it is to simultaneously achieve its greenhouse reduction targets at least cost to the community, expand the productive capacity of Australian industry and minimise inflationary cost pressures in the economy.

The ATA welcomes the Treasurer's invitation for submissions on 2008-09 Budget priorities and looks forward to future consultations with the Treasury on policy matters relating to the trucking industry.

2. THE AUSTRALIAN TRUCKING ASSOCIATION

The ATA is the peak national body uniting and representing the interests of the Australian trucking industry.

First established in 1989 as the Road Transport Forum, the ATA provides public policy advocacy for the trucking industry through industry consultation, research and policy development, communications and education.

ATA policy coverage encompasses safety, environment and climate change, taxes and charges, infrastructure and planning, career development and technical issues relating to truck operability and performance.

Members of the ATA comprise a variety of organisations, including state and sector based trucking associations, many of the nation's largest transport enterprises and the Transport Workers' Union.

The ATA network covers all sectors of the industry, from the national transport operator to owner-drivers and extends to corporations providing services, plant, products and equipment to the trucking industry.

3. THE AUSTRALIAN TRUCKING INDUSTRY

Road transport is the dominant freight transport mode in Australia. In 2004-05 road transport carried in excess of 2 billion tonnes of freight or roughly 75 per cent of the total tonnage carried by Australian domestic transport[1].

[1] Australian Logistics Council, 2007, *Contribution of Transport and Logistics to the Economy*.

Represented as a composite measure of mass and distance, road transport shifted 194 billion tonne-kilometres of freight or roughly 38 per cent of the 2004-05 domestic freight task. The share of the freight task serviced by rail and domestic shipping is estimated at 36 and 22 per cent respectively, with pipelines accounting for the remaining 5 per cent[2].

Notwithstanding the presence of a marginal element of modal competition[3], trucking freight services will remain integral to production and distribution networks because competitively neutral road infrastructure provision provides the greatest degree of streamlined connectivity to Australian industry and Australia's dispersed communities.

The hire and reward sector of the trucking industry comprises around 50,000 individual operators and has a 16-firm turnover concentration ratio of less than one-quarter[4]

The fiercely competitive market structure of Australian trucking is uncompromising to industry participants and perhaps the greatest source of value to the downstream industries and communities who depend upon individualised, efficient and efficiently priced freight transport.

4. Background

Increasing productivity in the trucking industry is of high value and reward to Australia's dispersed communities and downstream exporting industries given the highly competitive market structure of trucking and the importance of road freight transport to globally integrated Australian production networks and domestic wholesaling and retailing distribution.

Productivity losses or stalled productivity growth in the trucking industry are of direct negative consequence to the Australian economy. This is particularly so in the current environment of increasing supply constraints, heightening inflationary cost pressures and a most significant future economic challenge in responding to climate change.

Australian Government policy has tremendous potential to enhance productivity in the trucking industry, further improve the safety and environmental performance of road freight transport and augment the Government's responses to climate change, burgeoning supply constraints and rising inflation.

5. Issues for consideration

The ATA submits five issues for the Government's consideration:

a. Road infrastructure funding

Continued Australian Government investment in strategically important freight corridors through the AusLink program is vital to the national economy, with official forecasts indicating that growth in the road freight task will continue to outstrip growth in aggregate economic activity over the period to 2020[5].

---

[2] Op. Cit.

[3] The Productivity Commission (PC) estimates that road and rail freight transport compete in only approximately 10 per cent of the domestic freight market. Its modelling suggests that road and rail freight services are complements to a much greater degree than they are substitutes. See– PC, 2006, *Final Report of the inquiry into Road and Rail Freight Infrastructure Pricing*.

[4] Bureau of Transport and Regional Economics, 2003, *Working Paper 60: An Overview of the Australian Road Freight Transport Industry*.

[5] Op. Cit.

The provision of quality and well targeted road infrastructure is the leading contributor to productivity growth in the trucking industry. But Australia's critical long distance road links, including the Pacific, Hume, Bruce and Sturt highways, are undercapitalised. There is an additionally urgent need for more spending on road infrastructure for important AusLink freight corridors in urban areas[6].

Note: The trucking industry's financial contribution to road expenditure is discussed in detail in section 5(c).

The ATA has welcomed the incoming Government's election commitments on road funding and broad support for continuing of the AusLink program. From the trucking industry's perspective, some of the Government's key road funding commitments include:

New South Wales

- $2.5 billion to continue duplication of the Pacific Highway
- $2 billion to complete the Sydney Orbital motorway network and build a world class freight network throughout Sydney
- Funding to complete the duplication of the Hume Highway by 2012
- $15 million toward the construction of the Bega bypass
- $200 million to start the bypass of Mt Victoria and River Lett Hill on the Great Western Highway.

Victoria

- $250 million to upgrade Victoria's regional supply chains, including $110 million to help duplicate the Princes Highway from Waurn Ponds to Winchelsea and $7.5 million to help upgrade the Colac-Lavers Hill Road
- $107.5 million to complete the Geelong Ring Road to the Princes Highway near Waurn Ponds
- $604 million to upgrade the Great Western Highway from Bacchus Marsh to the South Australian border
- $216 million for the Nagambie bypass on the Goulburn Valley Highway
- $140 million to start duplicating the Princes Highway from Traralgon to Sale
- $30 million for the interchange of the Calder Highway and Kings Road
- $900 million to widen the Western Ring Road
- $120 million for the West Gate Bridge.

Queensland

- $2.2 billion over five years to upgrade the Bruce Highway comprehensively;
- $480 million to upgrade Caboolture and Sunshine Coast roads, including $200 million to start work on the Cooroy-Curra bypass
- $1.1 billion to widen the Ipswich Motorway from Dinmore to Goodna
- $455 million to upgrade the Pacific Motorway
- $125 million to start work on the northern missing link from the Gateway Motorway to Nudgee on the Bruce Highway
- $70 million to start work on the southern missing link from the Gateway Motorway to the Pacific Motorway
- Up to $500 million to help build the Northern Link Tunnel
- $300 million to upgrade the intersection of Kessels Road and Main Road in Brisbane
- $30 million to upgrade roads in Cape York.

[6] The BTRE estimates that congestion on the urban parts of the AusLink network could cost Australia $20.4 billion per year by 2020, unless action is taken. *See*– BTRE, 2007, Working Paper 71: *Estimating Urban Traffic and Congestion Cost Trends for Australian Cities*.

South Australia

- $500 million to upgrade South Road in Adelaide, although considerable further funding is required
- $451 million to deliver the Northern Expressway and upgrade Port Wakefield Road
- $7 million to upgrade Main South Road and Victor Harbor Road
- $80 million for safety upgrades on the Dukes Highway, including overtaking lanes, rest areas and pavement reconstruction.

Western Australia

- $80 million toward the $100 million duplication of the Dampier Highway
- $160 million to upgrade Port Hedland roads
- $361 million for Perth-Mandurah-Bunbury roads, including funding for the Perth to Bunbury Highway, the Mandurah Entrance Road, and the Bunbury Port Access Road
- $180 million to upgrade the Great Eastern Highway from the airport to the Graham Farmer Freeway
- $48 million to upgrade the intersection of the Great Eastern and Roe highways
- $10 million for the intersection of the Reid Highway and Alexander Drive.

Tasmania

- $131 million for the Brighton Bypass and upgrade of the East Derwent Highway
- $56 million toward the Brighton Transport Hub
- $11 million towards an upgrade of the Bridgewater Bridge
- $5 million to start planning the Pontville-Bagdad Bypass and the new Bridgewater Bridge
- $15 million towards the $33.5 million Kingston Bypass
- $4.5 million to upgrade the Midland Highway in northern Tasmania
- $34 million to help upgrade north east freight roads to cater for higher mass limits.

Northern Territory

- $260 million to maintain and upgrade the Stuart Highway, including a heavy vehicle bypass of Katherine, more spending on flood immunity, and better rest areas
- $74 million to help upgrade Tiger Brennan Drive
- $52 million to upgrade community, beef and mining roads.

The ATA also urges the Government to carry out AusLink II funding increases for the Roads to Recovery, Strategic Regional and Black Spot programs.

The establishment of Infrastructure Australia and the development of the National Infrastructure Priority List may evoke calls for funding to be diverted from these important road projects to other infrastructure priorities. It may also evoke representations to the Government for delay in implementing its promised road projects for referral to the assessment processes of Infrastructure Australia.

While it will be important for the Government to fund projects identified as priorities by Infrastructure Australia, the ATA's submission is that these should be funded by increasing overall expenditure on infrastructure, not by diverting important and promised funding away from roads.

The ATA urges the Government to press ahead in the 2008-09 Budget with delivering the road funding commitments announced during the election campaign and to maintain growth in road spending on freight corridors of national importance.

b. FUEL TAX CREDITS

The current fuel tax system provides businesses with an entitlement to claim a fuel tax credit on transport fuels consumed by heavy vehicles in carrying on the enterprise of the business, provided the vehicle meets one of four environmental criteria:

I. Vehicles manufactured on or after 1 January 1996 or retrofitted with an engine manufactured on or after 1 January 1996.

II. Vehicles registered in an audited maintenance program accredited by the Secretary of the Department of Infrastructure, Transport, Regional Development and Local Government (DITRDLG).

III. Vehicles that meet the Australian Transport Council's (ATC) in-service emission standard for diesel vehicles.

IV. Vehicles that are serviced in compliance with a maintenance schedule endorsed by the Secretary of DITRDLG.

To the extent that fuel is used in a heavy vehicle travelling on a public road the amount of the fuel tax credit (set to equivalence with the current rate fuel excise, i.e. 38.143 c/l) is reduced by the road user charge (currently 19.633c/l) in part-recompense for government expenditure on national road infrastructure.

The ATA urges the Government to maintain the current fuel tax arrangements, including continued claim entitlement for pre-1996 vehicles, given the resounding virtues it possess in removing the excessively burdensome indirect tax liability on production inputs, maintaining the neutrality of taxation across industries and keeping transport costs to a legitimate minimum for Australia's trade exposed industries and dispersed communities.

Removing the fuel tax credit would also exacerbate the rising pressures on household budgets.

Fuel expenses account for approximately 23 per cent of the operating costs of a typical trucking company. The ATA estimates that the impact of removing the on-road fuel tax credit would increase the:

- the operating costs of road freight transport by about 22 per cent;
- annual grocery bill of the typical urban family by about $86; and
- annual grocery bill of the typical rural family by about $103.

c. 4TH HEAVY VEHICLE CHARGES DETERMINATION

Boosting productivity in the trucking industry has gained prominence in the considerations of CoAG, with significant road freight transport reforms included in the competition stream of the National Reform Agenda.

Unfortunately for the trucking industry and the downstream industries and communities who depend upon road freight transport, it looks increasingly likely that the first deliverable on CoAG's agenda will detract from the productivity of trucking operations.

If endorsed by Australian Transport Council (ATC) ministers, the 4th Heavy Vehicle Charges Determination will impose a new and substantially altered schedule of charges on the trucking industry, to be phased in over three years from 1 July 2008.

The ATA and its members do not support the recommendations put forward by the NTC or its proposal to increase the road user charge from 19.633 to 21 cents per litre.

The NTC estimates that heavy vehicles pay $1.78 billion a year in fuel excise and registration charges in recompense for government expenditure on national road infrastructure and is recommending that charges be increased to recover an additional $170 million annually.

Independently verified analysis undertaken by the ATA shows heavy vehicles are currently overcharged by $130 million a year for road infrastructure spending, not undercharged.

Registration charge hikes, coupled with an increase in the rate of fuel excise, will impose heavy costs on the trucking industry and these costs will have to be passed on to Australia's dispersed communities and trade competing industries.

The NTC's proposal includes significant registration charge increases for highly productive multi-combination vehicles, such as B-doubles and B-triples, which have been gaining prominence in the industry and delivering greatly enhanced safety and environmental performance.

The charge increases carry the very real prospect that industry productivity, safety and environmental performance will stall as trucking operators revert back to greater utilisation of the semi-trailer configuration and slow the uptake of B-triples.

The ATA therefore urges the Government to reject the 4th Determination recommendations to be put before ATC ministers.

d. COMMONWEALTH-STATE INCENTIVE PAYMENTS

The ATA welcomes the Australian Government's agreement with the states and territories to introduce a new system of incentive payments to accelerate the productivity reform agenda.

The state governments' commitment to productivity reform in road transport and nationally consistent regulation remains unjustifiably low. Improving outcomes in areas of state jurisdiction will be central to improving productivity, safety and environmental performance in the trucking industry.

If ATC ministers proceed with increasing charges through the 4th Determination process, delivering productivity to the trucking industry through positive and nationally consistent reform will reach a new level of urgency.

In order to ameliorate the cost pass-though of increased charges and the distortions created by significant increases in registration charges for multi-combination vehicles, the trucking industry considers that state and territory governments need to deliver:

- a much expanded B-triple network, including the following routes as matters of priority:
  - Melbourne to Adelaide via the Great Western and Dukes highways;
  - Melbourne to Brisbane via the Newell Highway;
  - Melbourne to Sydney via the Hume Highway, including the Barton and Federal Highway links to Canberra;
  - Sydney to Adelaide via the Hume and Sturt Highways.

- an effective and administratively streamlined Performance Based Standards system – this requires the completion of the classification of the road network to match the four levels of access defined by the Standards;

- increased road network access, moving to general access, for quad-axle groups in 19m semi-trailer combinations; and

- a renewed emphasis on expanding road access for Higher Mass Limits (HML) vehicles, particularly in NSW where progress has been appalling.

The incentives payments system will play an integral role in an optimised and coordinated policy response to address the Government's key areas of concern.

The ATA urges the Government to include road transport productivity reform, with particular emphasis on expansion of road network access, in the areas covered by the incentives payments system.

e. REST AREAS

There is a recognised shortfall in heavy vehicle rest areas on the Australian road network, despite driver fatigues being identified as an important factor in accidents involving heavy vehicles.

The state and territory government will be implementing new chain-of-responsibility fatigue management laws from September 2008. The effectiveness of these laws and cost to industry productivity of more stringent regulation will depend on the availability of rest areas for truck drivers to satisfy their obligations.

In 2005, the NTC released a set of National Guidelines for the Provision of Rest Area Facilities. In general, the guidelines recommend that:

- major rest areas should be located at maximum intervals of 100 kilometres
- minor rest areas should be located at maximum intervals of 50 kilometres
- truck parking bays should be located at maximum intervals of 30 kilometres.

In 2006, CoAG agreed to conduct a national audit of rest areas against the NTC guidelines. The audit report is expected to be released in early 2008 and confirm the view that the number and quality of rest areas is unsatisfactory.

The original CoAG productivity reform timetable anticipated that the states and territories would provide rest areas in accordance with the NTC guidelines by the end of 2008. The CoAG timetable is now unachievable.

While the ATA welcomes the Government's election commitment to build more rest areas as it upgrades the Bruce, Dukes and Stuart highways, it urges the Government to extend its commitment by establishing a program to fund rest areas across the AusLink network to bring it into full compliance with the NTC guidelines.

The program would not only be an important infrastructure upgrade: it would save lives.

6. CONCLUSION

Increasing productivity in the trucking industry will be of high value and reward to Australia's dispersed communities and downstream exporting industries.

Australian Government policy has tremendous potential to enhance productivity in the trucking industry, further improve the safety and environmental performance of road freight transport and augment the Government's responses to climate change, burgeoning supply constraints and rising inflation.

The ATA appreciates this opportunity to provide comment to the Government as it refines the details of its policy priorities in developing its first, the 2008-09 Budget.