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Development

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ATA CONTACT

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1. About the Australian Trucking Association

The ATA is the peak body representing the Australian 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

Recommendation 1

The Australian Government should adopt a leadership role in enabling trucking industry productivity growth to boost economic output across the wider economy.

Recommendation 2

The proposed closure of the Federal Interstate Registration Scheme (FIRS) should not proceed, and instead the Australian Government should boost productivity by using FIRS to set the pace on reforming heavy vehicle standards and road access for high productivity vehicles.

Recommendation 3

The Australian Government should review FIRS to modernise its administration and governance, in line with current regulatory best practice.

Recommendation 4

The intent to close FIRS and increase the regulatory costs on industry should be subject to a Regulation Impact Statement, with any increased costs being fully offset with new policy decisions.

Recommendation 5

Industry benefits from the national heavy vehicle registration scheme, including the removal of registration labels, should be extended to FIRS operators.

3. Introduction

There is a clear need “to shift the dial on underlying productivity, jolting it out of the mediocre trajectory of recent history” according to the Productivity Commission (PC) report *Shifting the Dial: 5 year productivity review*, and that “to do so will require a package of initiatives.”¹

Retaining and improving the Federal Interstate Registration Scheme (FIRS), and to return it to use by the Australian Government to set the pace on improving trucking industry productivity for interstate trade, is an initiative that should be adopted as part of the wider package to boost productivity and Australian living standards.

The alternative, to proceed with the closure of FIRS as outlined by the Department of Infrastructure and Regional Development (DIRD)'s consultation paper on the future of FIRS, would at best continue the current mediocre declining results for the trucking industry, or at worst, further undermine productivity.

With the first stage of a heavy vehicle national registration scheme agreed to by the Transport and Infrastructure Council, the DIRD paper proposes closing FIRS to new entrants from 1 July 2018, and full closure on 30 June 2019.

¹ Productivity Commission, August 2017, [Shifting the Dial: 5 year productivity review](#), 32.

Trucking industry productivity is important to the wider economy. The Competition Policy Review (Harper Review) found that in relation to road transport:

Even small changes in productivity in this sector can cascade through the economy, boosting productivity and output in other sectors. Also, given the size of the road transport sector, enhanced productivity in road transport can deliver large gains to the economy.²

Legislating for interstate trade and commerce is a constitutional responsibility – or at least opportunity – of the Australian Government with regard to the trucking industry, especially within the context of the development of the National Freight and Supply Chain Strategy.³ The Government should use this power to update the *Interstate Road Transport Act 1985* and associated legislation and regulations which govern FIRS, with the aim of boosting productivity in the trucking industry, interstate trade, and the associated supply chains, industries and businesses across the wider economy.

4. FIRS background and achievements

FIRS operates as a voluntary alternative to state and territory based registration schemes, for heavy vehicles weighing more than 4.5 tonnes that are solely involved in interstate trade or commerce, including rigid trucks, prime movers, trailers and buses.

The Australian Parliament passed the legislation establishing FIRS in 1985, as part of the response to the 1984 National Road Freight Industry Inquiry.⁴ The scheme commenced in 1987. The DIRD paper identifies that FIRS was designed to fulfil a number of objectives including nationally uniform charges for heavy vehicles, uniform operating conditions, greater interstate road trade and to contribute to more high productivity vehicles using the road network.

The Australian Government successfully used FIRS to improve heavy vehicle productivity. Higher mass limits were only introduced in Victoria and NSW after they were introduced for FIRS vehicles.⁵ FIRS was important for allowing the national use of B-double combinations, following legislative changes in 1991. When introducing the *Interstate Road Transport Amendment Bill 1991* the then Minister for Land Transport, the Hon Robert Brown MP, stated:

The objective of this reform is to develop a land transport system that is competitive between modes, is more efficient in its allocation of resources, achieves greater operational productivity and promotes harmonised road transport regulations.

The Federal Government recognises the considerable productivity, safety and environmental benefits offered by B-doubles. The introduction of B-doubles on a national basis is therefore an integral part of the Government's reform strategy.⁶

The then Federal Opposition supported the introduction of B-doubles:

The Interstate Road Transport Amendment Bill 1991, as it is now presented, will allow B-doubles-doubled-bottomed trailers or, to the uninitiated, a prime mover with two trailers hitched-to operate under the Federal interstate registration scheme on designated routes. At long last, this means that these trucks will be able to operate right around Australia.⁷

² Harper, Anderson, McCluskey, O'Bryan, March 2015, [Competition Policy Review Final Report](#), 38.

³ Constitution, s51(i)

⁴ Morris MP, the Hon Peter, 11 September 1985, [Second Reading: Interstate Road Transport Bill 1985](#), 766.

⁵ Moore, B and M Starrs, "Road transport reform in a federal system." Paper delivered at the 18th Australasian Transport Research Forum, 1993. 2.

⁶ Brown MP, the Hon Robert, 30 May 1991, [Second Reading: Interstate Road Transport Amendment Bill 1991](#), 4494.

⁷ Senator Chapman, 16 August 1991, [Second Reading: Interstate Road Transport Amendment Bill 1991](#), 571.

The Opposition also criticised the regulatory barriers which had prevented greater B-double use:

The operation of B-doubles under the Federal interstate registration scheme will obviate the need to obtain State permits-to-date, a cumbersome and expensive, repetitive exercise.⁸

The clear intent behind the 1991 Australian Government reforms to FIRS was to improve trucking industry productivity, safety and environmental outcomes through allowing the use of high productivity vehicles for interstate trade. The outcome was a complete success.

It has been estimated that in the absence of productivity improvements between 1971 and 2007, and in particular uptake of high productivity vehicles like B-doubles, that nearly 150,000 articulated trucks, in addition to the 70,000 registered for use in 2007, would have been required to undertake the 2007 articulated truck freight task.⁹

The Australian Government considered disbanding FIRS in 2006, but decided to retain the scheme to give the Australian Government the capacity to participate in the road regulation reform process by offering an alternative to the state registration system.

In 2009 the Australian Government announced a policy intent to close FIRS upon the introduction of a national registration system for heavy vehicles. The 2011 *Intergovernmental Agreement on Heavy Vehicle Regulatory Reform* envisaged that FIRS would be repealed by late 2012, with a one-off stamp duty exemption for FIRS vehicles transferring to state registration. The repeal did not occur, and the 2011 agreement has now expired.

FIRS registered vehicles represent approximately 1.6 per cent of the Australian fleet, with 13,927 vehicles including trailers as of 30 June 2017. The DIRD consultation paper identifies that FIRS peaked at nearly 22,000 vehicles in 2007-08, and has been in steady decline since. Independent modelling suggests that the size of the FIRS fleet will continue to decline, reducing to approximately 1 per cent of the total fleet by 2022.¹⁰

However, the role of FIRS registered vehicles in the Australian fleet is more important than a focus on the total number of vehicles. In part due to the requirement for FIRS vehicles to be solely involved in interstate trade or commerce, FIRS vehicles play an important role in Australia's linehaul fleet, supporting interstate supply chains.

In any case, reforms to FIRS to improve the productivity of FIRS vehicles would likely increase the number of FIRS registered vehicles.

⁸ Ibid, 571.

⁹ Bureau of Infrastructure, Transport, and Regional Economics, 2011, Truck productivity, pxiv.

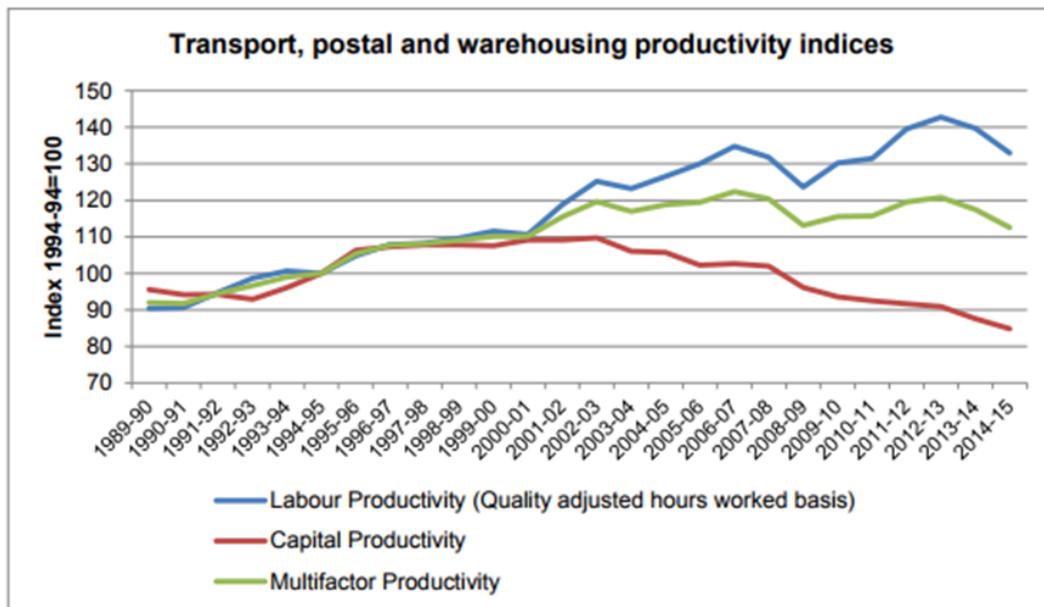
¹⁰ Department of Infrastructure and Regional Development, October 2017, [Consultation Paper: Future of the Federal Interstate Registration Scheme](#), 2.

5. Declining trucking productivity – the need for Australian Government reform

The industry’s labour productivity has been a particular strength over the last 15 years, as shown in figure 1. Through working smarter, innovation, utilisation of technology, and capital deepening, trucking operators have increased economic output, and in turn, supported the growth of Australia’s supply chains and industries.

But despite these positive results, without further reform trucking industry productivity will get stuck in decline. Australian Bureau of Statistics (ABS) data shows that multifactor productivity for the sector has slowed since 2002-03 and declined since 2012-13. Capital productivity has been in decline since 2002-03.¹¹

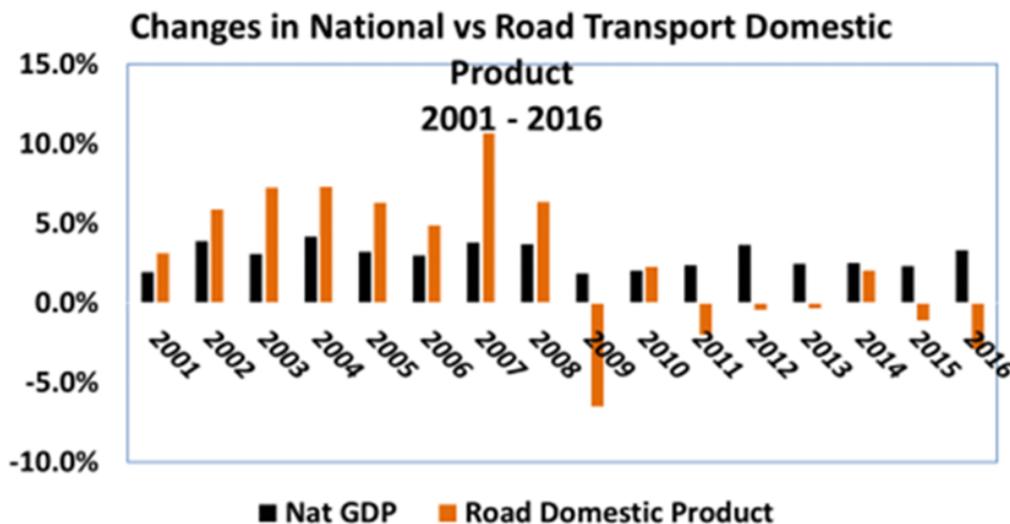
Figure 1: Productivity trends in transport, postal and warehousing over time



Source: ABS 2015c as produced by NTC, August 2016, National Land Transport Productivity Framework Issues Paper

Additionally, figure 2 shows that the road transport industry has experienced six years of negative economic results during the last eight years, despite constant growth in national GDP.

Figure 2: Gross Domestic Product for the Road Freight Sector 2001 – 2016



Source: ABS 5206.0, 2001 – 2016 National Accounts, as produced by Industrial Logistics Institute, March 2017, Performance Based Standards Marketplace Outlook Project, 34.

¹¹ NTC, August 2016, [National Land Transport Productivity Framework Issues Paper](#), 8-9.

Of particular interest is the increase in road transport GDP in 2006-07, which is likely attributable to the 12.4 per cent increase in non-dwelling construction that occurred in the year.¹²

The Productivity Commission has also reported on the declining productivity growth rate for the transport industry.

Table 1: Recent versus long-term productivity growth for the transport industry

Labour productivity		Multifactor productivity	
1989-90 to 2015-16	2007-08 to 2015-16	1989-90 to 2015-16	2007-08 to 2015-16
1.8	0.3	1.0	-0.8

Source: Productivity Commission, 3 August 2017, 5 Year Productivity Review Supporting Paper No. 1, 16.

Since 2007, the agenda of the Australian, state and territory governments has failed to deliver the policy framework to allow trucking operators to deliver further productivity growth. Whilst measures such as Performance Based Standards are welcome, figures 1 and 2 and table 1 demonstrate that the productivity outcome from existing policies has failed to deliver industry-wide growth over the last decade.¹³

The DIRD self-evaluation of FIRS identifies that the FIRS legislation was last subject to a legislative review in 2008.¹⁴ It is notable that the decline in the number of FIRS vehicles since 2007-08 has coincided with the Australian Government shifting in 2009 from using FIRS to drive reform to a focus on closure, only limited attempts to maintain and upgrade FIRS, and declining industry productivity and economic growth.

Recommendation 1

The Australian Government should adopt a leadership role in enabling trucking industry productivity growth to boost economic output across the wider economy.

6. Using FIRS to improve safety, productivity and environmental outcomes

The 2006 decision by the then Deputy Prime Minister and Minister for Transport and Regional Services, Mark Vaile, to retain FIRS was the right decision and should be used by the Australian Government to reinvigorate the road reform process.

An Austroads research report published in 2014, *Quantifying the Benefits of High Productivity Vehicles*, found clear safety benefits with high productivity vehicles (HPVs) showing “76 per cent fewer accidents than would be the case for conventional trucks” and “a 63 per cent reduction in major accident incidents on a weighted fleet basis.” Importantly, the report found that the safety performance of HPVs “is expected to lead to an estimated saving of 96 lives by 2030.”¹⁵

Austroads also reported on clear environmental benefits from the use of HPVs. Operational HPV fleets, due to the use of newer vehicles, were reported to make use of the latest emissions standards. Additionally, HPVs were reported to provide significant savings in emissions through the reduction in operational kilometres travelled and were also expected “to save 5.9 million tonnes of diesel by 2030.”

There were also clear productivity and economic benefits. It was reported that assuming staged access to the highways connecting Brisbane, Sydney, Melbourne and Adelaide that “Australia will gain \$6.9 billion in direct real term benefits,” with two thirds of the operational benefits “attributable to the direct benefits flowing from access to the Hume Highway.” Austroads also reported flow-on

¹² [2008-09 Budget paper No 1](#), 2-6.

¹³ For more information, see the [ATA submission on assessing the effectiveness of the PBS scheme](#).

¹⁴ DIRD, 2016, [Regulator Self-Assessment – Federal Interstate Registration Scheme](#), 8.

¹⁵ Austroads, 2014, *Quantifying the Benefits of High Productivity Vehicles*, pi.

economic benefits in real terms of \$5.6 billion, where “48 per cent of this benefit will flow specifically to the manufacturing, building materials, transport and food sub-sectors of the economy.”

Other indirect benefits reported included reducing the “aspects of freight operations that are observed by the community” through lower numbers of trucks, and reduced impacts from noise, emissions and accidents. Reduced truck numbers also leads to “lower pavement impacts” and the potential for a “calculable road maintenance benefit for a typical Australian highway.”

Despite these clear benefits, Australian, state and territory governments have been slow to remove the regulatory barriers to the uptake of HPVs. The National Transport Commission (NTC) has noted that “the more productive a heavy vehicle, the more likely it is to be regulated under a permit regime.”¹⁶

The Australian Government should utilise FIRS in line with its original intent and 1991 reforms to lead to greater use of more productive, safer, heavy vehicles. FIRS vehicle standards should be used to set the pace on reforming heavy vehicle standards, including on vehicle dimensions. Similarly, FIRS should be used to set the pace on prescribing HPV suitable road networks for FIRS vehicles.

There is also an opportunity to improve safety outcomes by providing competitive neutrality under the *Interstate Road Transport Regulations 1986* between the National Heavy Vehicle Accreditation Scheme (NHVAS) and TruckSafe, which has stronger safety standards.

Unbalanced competition between the NHVAS and TruckSafe extends beyond FIRS, and the ATA has welcomed the independent review of truck safety accreditation programs.

Additionally, the program evaluation of FIRS reported on a number of lessons learned about FIRS and its governance. As the scheme is now 30 years old, there is no surprise that its administration and governance arrangements are due to be updated.

Recommendation 2

The proposed closure of the Federal Interstate Registration Scheme (FIRS) should not proceed, and instead the Australian Government should boost productivity by using FIRS to set the pace on reforming heavy vehicle standards and road access for high productivity vehicles.

Recommendation 3

The Australian Government should review FIRS to modernise its administration and governance, in line with current regulatory best practice.

7. The FIRS stamp duty exemption

FIRS vehicles are exempt from stamp duty. The Australian Government has previously estimated that this exemption saved FIRS operators \$6.2 million in 2015-16.

The progressive closure of FIRS **will increase taxes on FIRS operators** who buy and register vehicles in the future.

The proposed one-off stamp duty exemption will not address this problem. The proposed exemption would simply mitigate the estimated \$39.75 million in stamp duty that would otherwise be applied to the FIRS registered vehicles transferring to the state registration systems.

In the ATA’s view, any increase in taxes on trucking operators is unacceptable, given that truck and bus operators are overcharged for their use of the road network. In 2018-19

¹⁶ National Transport Commission, August 2017, [Assessing the effectiveness of the PBS scheme discussion paper](#), 21.

industry is projected to be overcharged by \$148.8 million if governments maintain a freeze on heavy vehicle revenue, or \$189.5 million if governments decided to freeze charge rates.

The impact of this burden on FIRS operators has not been effectively modelled, but it would be unrealistic to expect a \$6.2 million annual tax increase to have no impact. Due to the nature of FIRS, this tax increase will have a larger impact on the linehaul fleet, interstate supply chains and industries which have a greater reliance on interstate trade.

Table 2 illustrates the potential impact of applying stamp duty on trucking operators who currently purchase vehicles for registration under FIRS. It illustrates the potential impact on a small operator who purchases one vehicle a year, and a medium sized operator who purchases 25 vehicles a year.

It also considers both potential operators under whether or not they are based in a jurisdiction with stamp duty exemptions for trailers. As new vehicles registered under FIRS are likely to be transferred to a state registration scheme eventually, table 2 illustrates the difference for FIRS operators between paying stamp duty on new vehicle values (as would apply with the removal of the stamp duty exemption) compared to paying stamp duty on the value of a later transfer to the state schemes (as currently applies).

Table 2: Sample impact of applying stamp duty to FIRS operators

	Operator vehicle purchases			
	1 per year		25 per year	
	Prime Mover only	Prime mover & trailer	Prime mover only	Prime mover & trailer
Scenario 2.1 – stamp duty on new vehicle				
Vehicle value (\$)	250,000	400,000	250,000	400,000
3 per cent duty on new purchases after FIRS closure (\$)	7,500	12,000	7,500	12,000
Total duty that would be paid after FIRS closure (\$)	7,500	12,000	187,500	300,000
Scenario 2.2 – stamp duty on 5 year old vehicle				
Vehicle value on second hand purchase (\$)	62,500	100,000	62,500	100,000
3 per cent duty on state registration, after transferring from FIRS (\$)	1,875	3,000	1,875	3,000
Total duty that would be paid (\$)	1,875	3,000	46,875	75,000
Difference (between what is currently paid on transfer to state systems, compared to paying stamp duty on the original value once FIRS is closed) (\$)	5,625	9,000	140,625	225,000

Additionally, the linehaul fleet plays an important role in upgrading to the use of new heavy vehicles. **There has been no evidence presented to suggest that an additional \$6.2 million annual tax burden will have no impact on the upgrading of vehicles.** Such an assessment would go against the well published effects of extending an inefficient tax, and any impact would only increase Australia’s reliance on older heavy vehicles, utilising older safety technologies and emissions standards.

The investment in new vehicles under FIRS should not be underestimated. Assuming a 3 per cent stamp duty rate and \$6.2 million annual stamp duty burden which is presently not paid, would suggest approximately \$206.7 million is invested by industry, every year, on registering new

vehicles under FIRS (not including the value of new trailers in jurisdictions with stamp duty exemptions).

Increasing the reliance on state and territory stamp duties would also go against one of the original intents of FIRS, by increasing reliance on inconsistent state and territory stamp duty regimes.

The possible removal of the FIRS stamp duty exemption is especially problematic because stamp duties are economically inefficient: they restrict the efficient allocation of capital and labour. Governments should be looking at reducing their reliance on stamp duty, not increasing it.

The Australia's Future Tax Review (Henry Tax Review) recommended in 2010 that there should be no role for any stamp duties in a modern Australian tax system.¹⁷ In 2015, the Australian Government released a tax discussion paper (Re: think) noting that stamp duties are some of the most inefficient taxes levied in Australia, and that such taxes are more likely to discourage turnover of taxed goods.¹⁸

KPMG has noted that the more inefficient or distorting a tax is, the more likely resources will be moved away from their highest-value use, leading to lower productivity across the economy and lower living standards.¹⁹ KPMG also reported that motor vehicle taxes, including stamp duties, are taxes on capital and increase the cost of investing in motor vehicles. This in turn leads to a reduction in investment in vehicles, and a high excess burden.²⁰

Whilst the number of FIRS vehicles are a small percentage in the heavy vehicle fleet, the economic cost of increasing reliance on stamp duty is significant. KPMG has estimated that increasing motor vehicle stamp duty by a small amount has a marginal excess burden (representing an additional loss in living standards) of 33 cents per dollar of additional government revenue.²¹ With the closure of FIRS estimated to increase stamp duty revenue by \$6.2 million per year, this would lead to an estimated \$2.1 million annual loss in living standards.

Whilst this calculation is only an indicator of the likely cost as the modelling is not specific to the closure of FIRS, it should also be noted that KPMG reported that the modelling only captures the reduction in vehicle sales and not the lower frequency and size of vehicle transactions. As a result the estimated excess burdens are likely to be conservative.

Australian Government guidelines on regulation

The policy decision to close FIRS should also have regard to the ten principles for Australian Government policy makers set out within the Australian Government Guide to Regulation.

The current process for considering the closure of FIRS is not consistent with principles 3 and 4, which are:

3. The cost burden of new regulation must be fully offset by reductions in existing regulatory burden.
4. Every substantive regulatory policy change must be the subject of a Regulation Impact Statement.²²

The intent to close FIRS will increase the regulatory cost on industry, by increasing the reliance on stamp duty, reducing productivity and distorting the allocation of investment. It should also be noted that any proposed regulatory offsets should not include already implemented decisions, or double count policy positions that are the subject of a separate assessment of regulatory burdens.

¹⁷ Recommendation 51 in [Australia's Future Tax System report to the Treasurer](#), December 2009.

¹⁸ Australian Government, March 2015, [Re:think tax discussion paper](#), 145.

¹⁹ KPMG, September 2011, [Economic Analysis of the Impacts of Using GST to Reform Taxes](#), 1, 4.

²⁰ Ibid, 6.

²¹ Ibid, 5.

²² Australian Government, 2014, [the Australian Government Guide to Regulation](#), 2.

Recommendation 4

The intent to close FIRS and increase the regulatory costs on industry should be subject to a Regulation Impact Statement, with any increased costs being fully offset with new policy decisions.

8. The National Heavy Vehicle Registration Scheme

The DIRD paper sets out three main industry benefits from the introduction of the national heavy vehicle registration system (NHVRS) from 1 July 2018 in jurisdictions participating in the Heavy Vehicle National Law (HVNL). These are:

- Registration label removal.
- Common expiry date for fleet operators.
- Migration of interstate vehicles by same registered operator.

The ATA welcomes these improvements, noting that work on the migration of interstate vehicles by the same registered operator is yet to be finalised.

However, there is no reason why these benefits cannot be extended to FIRS. It is noteworthy that the first jurisdiction to adopt the removal of registration labels was Western Australia from 1 July 2016, which is not a HVNL participating jurisdiction. By the end of 2017, before the commencement of the national scheme, Tasmania and South Australia will have also removed registration labels.

It is also important to recognise that the NHVRS is not a replacement for FIRS. Currently, the proposed NHVRS:

- Does not seek to encourage or provide national leadership for interstate trade, and in particular it does not include any measures to allow and encourage greater use of high productivity vehicles.
- Is not a national scheme, as it will not apply in Western Australia and the Northern Territory.
- Increases the burden of inefficient and inconsistent stamp duty taxes on industry and interstate trade.

Recommendation 5

Industry benefits from the national heavy vehicle registration scheme, including the removal of registration labels, should be extended to FIRS operators.