



NATIONAL TRANSPORT COMMISSION HEAVY VEHICLE CHARGES CONSULTATION REPORT

AUSTRALIAN TRUCKING ASSOCIATION SUBMISSION 28 FEBRUARY 2020

1. About the Australian Trucking Association

The Australian Trucking Association and its member associations collectively represent 50,000 businesses and 200,000 people in the Australian trucking industry. Together we are committed to safety, professionalism and viability.

2. Introduction

On 22 November 2019, transport ministers identified a preference for heavy vehicle charges to rise 2.5 per cent in 2020-21 and 2.5 per cent in 2021-22, subject to consideration by governments where necessary.¹

In December 2019, the National Transport Commission (NTC) issued a consultation report seeking views on those proposed charge increases.²

This submission summarises the economic developments that have occurred since November 2019 (section 5) and recommends, in section 6, an alternative charging path that would defer the start of the charge increases by one year.

Section 7 of the submission outlines some of the issues that the NTC should consider in the new heavy vehicle charges determination it has been asked to develop. It recommends that the new determination start in 2023-24.

The **Queensland Trucking Association** has asked that this submission be taken as its own.

3. The initial 11.4 per cent estimate

In its consultation report and advice to ministers, the NTC noted that the 2020-21 heavy vehicle charges cost base was \$3.7 billion, compared to an estimated revenue for 2020-21 of \$3.3 billion.

The NTC estimated that current heavy vehicle charges would need to rise by 11.4 per cent in 2020-21 to ensure governments recovered the amount spent on providing roads to heavy vehicles.³

¹ Transport and Infrastructure Council, [Communique](#). Friday, 22 November 2019. 5.

² NTC, [Heavy vehicle charges consultation report](#). December 2019.

³ NTC, 2019, 17.

The emergence of this very large discrepancy between the heavy vehicle cost base and charging revenue highlights the ongoing problems with the PAYGO model. These problems include:

- the lack of predictability and stability in charges
- the lack of information about the specific infrastructure projects that make up the stated increase in the heavy vehicle cost base, or any auditing of the cost of those projects or relevance to trucking operators
- the lack of fixed determination periods, with the result that the charging methodology is only ever examined in a crisis and against unreasonably tight deadlines
- the lack of an agreed mechanism for smoothing heavy vehicle charges through each determination period
- the lack of a structured, transparent process for consulting industry about the road infrastructure it needs, the cost inputs to the model and the charging path.

The cashflow impact of having to pay large registration payments once a year makes the problems with the PAYGO model worse. With the commendable exception of South Australia, none of the states that implement the NTC's recommended charges allow operators to smooth their cashflow by paying registration monthly.

The ATA pointed out many of these problems in 2016,⁴ but they were not addressed.

4. The ministerial council's preferred position

At their meeting on 22 November 2019, ministers heard from trucking industry representatives about the impact that an 11.4 per cent charge increase would have on trucking businesses.

Former ATA Chair David Simon, former ALRTA President Kevin Keenan, QTA CEO Gary Mahon and VTA CEO Peter Anderson briefed ministers on the significant cost and demand pressures faced by trucking businesses.

For example, recent research shows that regional New South Wales, Victoria and South Australia experienced a technical recession in 2018-19 as a result of the drought.⁵

In regional NSW, the contraction in agriculture's contribution to GDP growth (-1 percentage points) was almost matched by the contraction in transport (-0.7 percentage points), as a result of declining farm volumes.⁶

As a result of the concerns raised by industry, ministers indicated a preference for charges to rise 2.5 per cent in 2020-21 and 2.5 per cent in 2021-22, subject to this consultation process.

⁴ ATA, [Heavy vehicle charges—options for improving the accuracy and stability of the PAYGO heavy vehicle charges methodology](#), July 2016.

⁵ SGS Economics and Planning, [Economic performance of Australia's cities and regions 2018-2019](#), December 2019, 9.

⁶ SGS, 57.

5. Economic developments since November 2019

2019/2020 bushfires

The unprecedented bushfires in late 2019 and early 2020 significantly affected the revenue of many trucking operators and will continue to affect them into the future.

During the height of the emergency, road closures – including of the Hume, Eyre, Princes, Kings, Pacific and New England highways – caused long delays and detours:

- one trucking business in Tamworth, for example, had to send its trucks and drivers on 600 kilometre detours. The business was unable to recover the additional cost of these detours from its customers due to its contract arrangements.
- the closure of the Eyre Highway cost affected operators \$3 million to \$4 million per day. Those operators work on very low margins; the closure essentially eliminated their profits for the year.

The long term impact of the bushfires will be significant. Some industry customers, particularly in the timber haulage sector, have gone out of business as a result of the fires.

Others will operate at reduced capacity for many years. For example, apple production in the Batlow region can be expected to be 10-20 per cent lower for up to ten years.

Economic impact of the COVID-19 virus

The COVID-19 virus is expected to have a greater impact on the Australian economy and supply chains than the 2019/2020 bushfires.⁷

The virus is already affecting Australia's agricultural exports to China. Imports from China, including of building materials, are falling rapidly.

The possible spread of the coronavirus in the Australian community would bring tragedy as well as even greater economic impacts.

6. The ATA's recommended approach

Given the economic considerations set out in section 5, the ATA recommends that the charge increases proposed by ministers should be deferred by one year (table 1).

Charges should then increase 2.5 per cent in 2021-22 and 2.6 per cent in 2022-23. The slightly higher charge increase recommended for 2022-23 reflects the time value of the deferral.⁸

Under this approach, the new determination would commence in 2023-24. (section 7).

⁷ Morrison, S (Prime Minister) and J Frydenberg (Treasurer), [Transcript of press conference](#). Parliament House, Canberra, 25 February 2020.

⁸ Based on the 10 year Commonwealth bond rate.

Table 1: Recommended charging trajectory, 2020-21 to 2022-23

	2020-21	2021-22	2022-23
Consultation report	2.5	2.5	--
ATA recommendation	0.0	2.5	2.6

Recommendation 1

Heavy vehicle charges should not be increased in 2020-21. Instead, they should increase 2.5 per cent in 2021-22 and 2.6 per cent in 2022-23.

7. Toward a new charging determination

At their meeting on 22 November 2019, ministers directed the NTC to undertake a determination to review the method for calculating heavy vehicle charges.⁹

In addition to fixing the issues set out on page 2, the ATA considers that any new determination must:

- include transparent rules for excluding natural disaster recovery expenditure from the model. There is a precedent for this approach: the cost of road reconstruction after the 2010 and 2011 natural disasters was generally excluded from the PAYGO inputs.¹⁰
- remove s 5 of the Heavy Vehicle Charges Model Law, which sets out a method for fixing registration charges if ministers do not make an alternative decision. This section is the source of the view that heavy vehicle charges would automatically increase by 3.7 per cent this year if no decision is made. But the model law does not apply to the road user charge on fuel. It has no legal standing; s 5 has not been consistently applied by the states.

Given the large number of issues that need to be considered and modelled, the ATA considers that the new determination should start in 2023-24.

Recommendation 2

The new determination should start in 2023-24.

⁹ Transport and Infrastructure Council, 5.

¹⁰ NTC, *Heavy vehicle charges issues discussion paper*. December 2011, 3.