Australian Government

A tax plan for our future
Stronger • Fairer • Simpler

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STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

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ORGANISATION

Australian Trucking Association (ATA). The ATA is the peak body that represents the trucking industry. Its members include state and sector trucking associations, major logistics companies and operators and suppliers with leading expertise in truck technology.

STATEMENT OF PRIORITIES

Attached.

LIST OF ATTACHMENTS

ATA statement of reform priorities

Attachment A: Tables: current and proposed registration charges; current and proposed road user charge.

Attachment B: Graphs: MDL charges vs road wear measured in equivalent standard axles (ESAs); fuel consumption vs road wear measured in equivalent standard axles.

Introduction

Heavy vehicles are charged for their use of the road system through a road user charge of 23.1 cents per litre of fuel and registration charges. Registration charges are extremely high for large heavy vehicle combinations. For example, the registration charge on a nine-axle B-double is $15,708 (attachment A).

The road user charge and heavy vehicle registration charges raise some $2.4 billion per year, distributed between the Australian, state and territory governments.

These charges are set on the recommendation of the National Transport Commission (NTC) to recover the road construction and maintenance costs attributed to heavy vehicles.

Problems with the existing system

The existing road charging system is flawed for three reasons.

- the extremely high registration charges on high productivity vehicles like B-doubles and B-triples discourage their use. A recent ATA survey shows an eight percent decline in B-double usage, even though there are compelling productivity, safety and environmental reasons for supporting the increased use of these combinations. For example, it would take 26 B-doubles to haul 1,000 tonnes of freight, compared to 77 three-axle rigid trucks. Those B-doubles would emit only 75 per cent of the greenhouse gas emissions as the fleet of smaller trucks needed to do the same task.
- registration charges are the same regardless of the distance travelled by vehicles. These charges account for 38 per cent of the revenue raised from heavy vehicles, so the price signals for operators to use their trucks in the most efficient way is diluted.
- the revenue from heavy vehicle charges is collected by the Australian, state and territory governments. The local councils that manage the roads used for the first and last mile of almost every freight journey do not directly receive any of the revenue and have no financial reason to provide better access for high productivity vehicles.

Mass-distance-location pricing

The COAG Road Reform Plan (CRRP) is examining the imposition of mass-distance-location (MDL) pricing. Under MDL pricing, truck operators would be required to fit regulatory devices such as GPS and distance recording to their trucks. They would receive regular invoices based on where their vehicles travelled, how far they went and how much they weighed.

The AFTS review also proposed the use of MDL pricing, although CRRP has ignored many of its recommendations.

The Government should not adopt MDL pricing, for the following reasons:

- the MDL concept suffers from fatal confusion about its objectives. If MDL pricing is used to recover the cost of the road construction and maintenance required for heavy vehicles, the per kilometre cost of travelling on a major highway like the Hume Highway should be about 4 per cent of cost of travelling on a rural road.[1] Yet it is also suggested that MDL pricing should see trucks paying more to use major highways, to improve the competitiveness of rail.[2]
- the proponents of MDL pricing cannot agree on whether heavy vehicles should pay the short run marginal cost of their road use or the long run marginal cost. The AFTS review argued that heavy vehicles should be charged the short run marginal cost. “Once the pavements

[1] COAG Road Reform Plan, *Preliminary Findings Consultation Paper*. June 2011, p12.
[2] Australia’s Future Tax System Review. *Final Report*. Vol 2, May 2010, p391

have been built, it is wasteful to exclude trucks from the network by charging above the short-run marginal costs they actually impose," the review said.[3] But the CRRP process is ignoring this advice and proceeding on the basis that heavy vehicles will be charged on the basis of their long run marginal cost.

- As attachment B shows, the charges imposed under CRRP's current MDL model would over-recover the road wear caused by semitrailers and B-doubles, and subsidise the use of rigid trucks.
- the only other country that has successfully implemented network-wide charging is Switzerland, where the circumstances are markedly different to Australia. Germany has distance based tolling; however, it only applies on major highways and arterials. No other country has attempted direct charging based on the marginal cost principles proposed in Australia. International experience is that timelines can be expected to slip significantly because of the complexity of distance based pricing.[4]
- CRRP's estimates of the benefits and costs of MDL pricing do not take these complexities into account. Its cost estimates do not include the cost of developing or running a billing system, even though this is vital to the success of the proposal.[5] They also do not allow for the cost and time blowouts that characterise complex IT projects.
- CRRP notes that reforms to road funding and expenditure are critical to the success of MDL pricing. Without them, the benefits of MDL pricing may not exceed the costs.[6] The proposed reforms; however, would require a complete overhaul of Commonwealth-state road funding arrangements and a national agreement that governments would step back from making road funding decisions. The most likely outcome of proceeding down the MDL path is that the industry would end up meeting the onerous compliance burden of MDL pricing without any change to the road funding and expenditure arrangements.
- overall, MDL pricing is inconsistent with element three of the Government's approach to tax reform: making the tax system simpler.[7]

The ATA proposal

The ATA proposes a two stage approach to addressing the current issues with the road charging system. The ATA's proposal is an incremental extension of the existing charging and road funding system. It would not require complex technology or a complete – and highly unlikely – overhaul of road funding.

Stage 1: rebalance trailer registration charges

The ATA recommends that governments should rebalance heavy vehicle registration charges by reducing A-trailer charges substantially and slightly increasing charges on other trailers. Truck charges would not change.

The attachment sets out the impact of this proposal on registration charges for a range of truck combinations. The registration charge for a B-double would fall from $15,708 to $10,920. The registration charge for a standard six-axle semitrailer would increase by $159, from $5,746 to $5,905.

[3] ibid, p387
[4] Australian Transport Council, *COAG Road Reform Plan: phase 1 report*. May 2009, p36.
[5] COAG Road Reform Plan, op cit, p26.
[6] COAG Road Reform Plan, *Funding and Implementation Issues Paper*. April 2011, p9.
[7] Australian Government, *Tax Reform: next steps for Australia*. Tax Forum discussion paper. 2011, p3.

This proposal would result in some cross-subsidisation for high productivity vehicles. The ATA's view is that this cross-subsidisation is entirely desirable, because these combinations are more productive, safer and have less environmental impact than using a larger number of smaller trucks.

Stage 2: fuel based charging

Stage 2 of the ATA's proposal is for governments to adopt fuel based charging. As attachment B shows, fuel consumption closely tracks road wear.

Under the ATA's fuel based charging model:

- truck and trailer registration charges would be reduced dramatically, to a flat rate of $400 per truck or trailer unit;
- the road user charge (currently 23.1 cents per litre) would be increased to compensate for the reduction in registration charges and split into two charging classes, with 3 axle rigid trucks and all articulated vehicles paying the road user charge at a higher rate.
- the revenue from fuel based charging would be allocated to a special heavy vehicle road expenditure fund, which would be used to fund road maintenance (allocated by formula) and strategic upgrades to the road network (allocated by a bidding process), with financial incentives to improve road access for vehicles operating at above general mass limits.

The ATA's fuel based charging proposal would enable trucking operators to use the best vehicle for the job, with B-double registration charges falling to some $1,200.

It would increase the proportion of road taxes collected through variable charges from 68 per cent to 90 per cent, so truck users would have a stronger incentive to operate efficiently. The proposal would provide for strategic spending to upgrade the road network used by heavy vehicles, with asset managers able to bid for upgrade funding. The Australian Government Department of Infrastructure and Transport has considerable expertise in managing strategic road funding programs, including the current Heavy Vehicle Safety and Productivity Program, with best practice established by a series of audit reports.

Most importantly, the ATA proposal would be a simple extension of the existing charging system. The road user charge is administered as a reduction in the fuel tax credits claimable by trucking operators on their business activity statements. Many businesses already claim fuel tax credits at more than one rate; the system could be policed through the ATO's normal compliance arrangements.

Financing the reform

The ATA's proposal is revenue neutral. Stage 1 would generate the same revenue as the existing registration charge system, with no change to the revenue split between the Australian and state/territory governments.

Stage 2 would recover the same amount as the existing charging system; however, the Australian Government's net fuel duty revenue would increase; state/territory registration charge revenue would decrease. Heavy vehicle revenue would be captured by a special heavy vehicle road expenditure fund to promote the provision of network enhancements to support freight.

Attachment A

Current and proposed registration charges

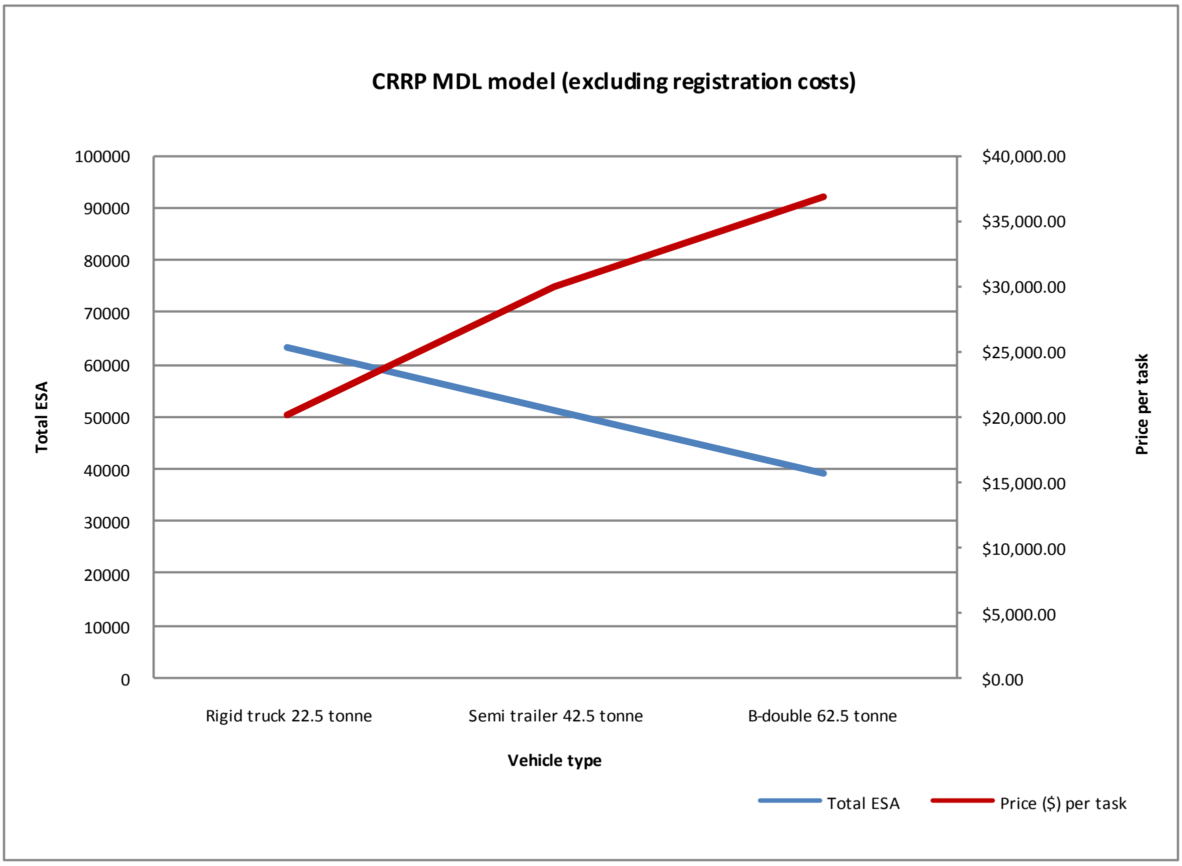
Combination	Trips per 1000t	GHG per 1000t*	Registration charges ($)		
			Current	ATA proposal	
				Stage 1	*Stage 2*
Two axle rigid GML	143	153	718	718	400
Three axle rigid GML	77	100	945	945	400
6-axle articulated GML	42	92	5,746	5,905	800
B-double GML	26	75	15,708	10,920	1,200
B-triple GML	20	63	22,233	12,498	1,600
AB-triple GML	16	56	17,963	13,334	1,600
Type 1 road train GML	21	66	11,438	11,862	1,200
Type 2 road train GML	15	56	13,693	14,382	1,600
BAB quad GML	13	49	24,488	14,912	2,000

* percentage of the greenhouse gas emissions generated by 3-axle rigid trucks undertaking the task.

Current and proposed road user charge

Combination	Road user charge (cents per litre)		
	Current	ATA proposal	
		Stage 1	*Stage 2*
2 axle rigids, special purpose vehicles and buses	23.1	23.1	24.0
3 axle rigids and all articulated vehicles	23.1	23.1	30.9

Charges under MDL vs road wear measured in equivalent standard axles



Fuel usage vs road wear measured in equivalent standard axles