Representing Long Distance and Regional Trucking

Phone: 02 6295 3000
Fax: 02 6295 3500
E-mail: natroad@natroad.com.au
Web site: www.natroad.com.au
ABN: 83 066 531 913

Ground Floor
Minter Ellison Building
25 National Circuit
FORREST ACT 2603
PO Box 3656
MANUKA ACT 2603

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Mr Gary Banks
Presiding Commissioner
Road and Rail Freight Infrastructure Inquiry
Productivity Commission
Locked Bag 2
Collins Street East
Melbourne Vic 8003

Dear Mr Banks,

Re: Draft Productivity Commission report into Road and Rail Freight Infrastructure Pricing

NatRoad, the National Road Transport Operators Association welcomes the findings and recommendations as detailed in the draft report by the Inquiry. Please find below NatRoad's views on the matters raised in the draft report.

Recommendation 11.6: NatRoad agrees with the finding regarding the need to move towards a performance based regulatory system to promote safety efficiencies and better use of the national heavy vehicle fleet. We are also supportive of the view that the proposed timetable of end 2007 for this issue to be finalised and adopted by all jurisdictions.

Recommendation 11.7: NatRoad supports the recommendation that there is considerable scope to improve regulation relating to the road freight industry and that it be evaluated to provide a more cost effective approach. This approach should be taken with both new and existing regulation.

Recommendation 11.8: NatRoad agrees with the need for total transparency and a clear cut selection process when investment decisions in road infrastructure are being considered particularly when it comes to public consultation.

NatRoad also supports the Australian Trucking Association's (ATA) submission, in particular the following points;

- The Productivity Commission asserts that heavy vehicle charges would rise if road expenditure increases, in order to maintain the trucking industry's position of paying its way for its attributal share of road use. However this conclusion would depend on where and how the money was spent and the pattern of road use by all vehicles. Also, given that charges are based, necessarily, on historical data, current revenue yields from the trucking industry should also be considered.
- The Productivity Commission has found that "the technical feasibility of more finely tuned road user charges, such as mass-distance and location-based charges, is a necessary but not sufficient condition for them to be economically worthwhile". The ATA has concerns that the Productivity Commission is too sanguine about the technical feasibility of telematics based charges. The Intelligent Access Program (IAP) has not been practically demonstrated, although we are aware that GPS tracking is used by many trucking operators for operational and management reasons, using data standards and at a cost that suits their business needs. Transport Certification Australia (TCA) claims that IAP is currently operating, however the ATA understands that these instances are not operating under the legislative provisions developed by the National Transport Commission and have no detailed information about the standards required or the reporting format. The industry has urged TCA to provide a practical, cost effective demonstration of the IAP, including the recently announced Self Declaration Function, as soon as possible so that it can be practically assessed.
- The report acknowledges the current extensive regulatory and commercial responses to heavy vehicle externalities and concludes, "A uniform externalities 'tax' on road freight would be an ineffective and costly way of dealing with remaining externalities." The ATA supported this position, and notes the report's conclusion that such regulation should be more rigorously assessed in the case of both current and proposed regulation.
- The ATA notes that because of the relationships of the NTC heavy vehicle cost allocation model, that it will increase charges if relevant road expenditure levels increase. Fundamentally the NTC cost allocation model is based on the interaction of two data sets, viz the road expenditure data set and the road use data set. There is considerable potential for changes in these data sets between determinations and, as they interact with each other, outcomes are difficult to predict, without a good understanding of the model.

Although it is logical to assert that "cost recovery is unlikely to be maintained if road expenditure continues to rise with no increase in charges", this may not be the case. For example, in the data assembled for the second and third heavy vehicle charges determinations, there was a trend to expend a greater proportion of road expenditure on urban local roads. As a significant proportion of these funds are deemed to be non attributable as they are for access purposes, then this changed level of expenditure, including a proportionate growth in the light vehicle population, may mean that current heavy vehicle charges do recover their allocated costs.

Also the growth in revenues paid by heavy vehicles after the implementation of a determined set of charges needs to be taken into account as growth in revenues from heavy vehicle owners may, in itself, balance those increased road expenditures relevant to heavy vehicles

Further in regard to the questions raised in the draft report, NatRoad offers the following comments:

1. *The potential costs and benefits of reintegration on specific rail networks.*
   NatRoad is not able to provide significant comment on this matter.

2. *The feasibility of establishing a national road fund, particularly how inter jurisdictional issues might be resolved*
   NatRoad believes this issue will be difficult to resolve in respect of Government Policy addressing hypothecation of road funding. NatRoad would like to see all monies collected by Governments through registration fees, fines, permit fees and net diesel excise returned to the roads in a manner attributable to the provision and maintenance of Road Freight related infrastructure. In particular, funding should address bridge strengthening, rest area development and improvements to the road freight network to allow the use of more efficient forms of trucking, eg Improved access for more productive vehicles and vehicles operating at Higher Mass limits.

3. *The feasibility of introducing more commercially – oriented management for the major freight routes, the potential benefits and costs, and how pricing, network 'boundary' and other implementation issues could be resolved.*

   NatRoad supports investment in the Nations road infrastructure and acknowledges the key role that private sector funding plays in terms of speeding up the provision of large scale projects. NatRoad would caution that this scenario however penalises the road freight sector as there is significant potential for double dipping. ie heavy vehicles pay all local, state and federal government fees for the provision and maintenance of road freight infrastructure, however pays an additional fee when utilising private sector funded infrastructure, which by and large is provided to assist the movement of private sector traffic.

Yours faithfully

B J Belacic

Bernie Belacic
CEO