

Heavy vehicle charges consultation report

December 2022

Report outline

Title	Heavy vehicle charges consultation report
Type of report	Consultation report
Purpose	For public consultation
Abstract	The purpose of this report is to support public consultation on the Infrastructure and Transport Ministers Meeting's (ITMM's) proposal to increase heavy vehicle charges between 6 to 10 per cent each year between 2023–24 and 2025-26.
Submission details	<p>The NTC will accept submissions until 20 February 2023 online at www.ntc.gov.au or by mail to:</p> <p>National Transport Commission Public submission – Heavy vehicle charges consultation report Level 3, 600 Bourke Street Melbourne VIC 3000</p>
Attribution	Source: National Transport Commission, Heavy vehicle charges consultation report
Key words	Road User Charge, heavy vehicle charges, registration charges, road expenditure, charges revenue, cost base
Contact	<p>National Transport Commission Level 3/600 Bourke Street Melbourne VIC 3000 Ph: (03) 9236 5000 Email: enquiries@ntc.gov.au www.ntc.gov.au</p>

Have your say

What to submit and by whom

- The NTC would like to hear from industry and the public.
- The NTC welcomes submissions that respond to the issues raised in this paper.

Consultation questions

- Question 1:** What are your views on the proposal to increase the roads component of heavy vehicle registration charges and the Road User Charge by 6 per cent per annum for each year from 2023–24 to 2025–26?
- Question 2:** What are your views on the alternative scenario of increasing the roads component of heavy vehicle registration charges and the Road User Charge by 10 per cent per annum for each year from 2023–24 to 2025–26?


Any information provided on these questions will help inform Ministers about the broader context in which their final decision on heavy vehicle charges will be made.

When to submit

We are seeking submissions on this consultation report by 20 February 2023.

How to submit

Any individual or organisation can make a submission to the NTC.

 Visit www.ntc.gov.au and select 'Submissions' in the top navigation menu.

 Or, send a hard copy to:

National Transport Commission
Public submission – Heavy vehicle charges consultation report
Level 3, 600 Bourke Street
Melbourne VIC 3000.

Where possible, you should provide evidence, such as data and documents, to support the views in your submission.

Publishing your submission

Unless you clearly ask us not to, we publish all the submissions we receive online. We will not publish submissions that contain defamatory or offensive content.

The *Freedom of Information Act 1982* (Cwlth) applies to the NTC.

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Executive summary

Introduction

The Infrastructure and Transport Ministers Meeting (ITMM) has directed the NTC to undertake a public consultation process on a proposed increase to heavy vehicle charges for the three years from 2023–24 to 2025–26, and an alternative scenario.

This consultation paper supports the Minister for Infrastructure, Transport, Regional Development and Local Government's obligations as Transport Minister under the *Fuel Tax Act 2006* (Cth).

Current situation – heavy vehicle cost recovery

The NTC estimates that to ensure governments recover the amount spent on providing roads to heavy vehicles in 2021–22, current heavy vehicle charges would need to rise by over 38 per cent for 2023–24. If no decision is taken by ITMM, registration charges would be automatically increased by 40.4 per cent¹ for 2023–24 under the annual adjustment formula contained in the Heavy Vehicle Charges Model Law (the Model Law).

Outcome of ITMM meeting of 9 December 2022

Ministers met on 9 December 2022 to discuss heavy vehicle charges. The communique states:

“Ministers agreed in-principle to a three-year road user charging cycle, but tasked senior officials to undertake further work to establish the right balance between appropriate cost-recovery and operators' ability to cope with price increases in view of the current economic climate. Consultation would focus on an increase in a range between 6 and 10 per cent with a view to concluding these discussions before the end of February 2023.”

This consultation paper has been prepared to give effect to Ministers' direction.

Increase to state and territory registration charges

The proposal is that a 6 per cent increase be applied to the roads component of registration charges in each year for years between 2023–24 to 2025–26. This is compared against the alternative scenario of increasing the roads component of registration charges by 10 per cent in each year from 2023–24 to 2025–26.

The regulatory component of registration charges will be re-set on a cost recovery basis for 2023–24 and adjusted subsequently to recover the National Heavy Vehicle Regulator's approved budget. The regulatory component of registration charges will remain unchanged for most heavy vehicle types in 2023–24. Therefore, the weighted average increase across the total registration charge (which is the sum of the roads and regulatory components) will be slightly below the final increase approved by Ministers.

¹ The annual adjustment formula produces a slightly different percentage adjustment as the percentages required to achieve full cost recovery presented later in this paper. The main reason is that the annual adjustment formula does not take into account likely growth in the heavy vehicle fleet.

Increase to the Commonwealth Road User Charge (RUC)

The proposal is that a 6 per cent increase per annum be applied to the RUC in each year from 2023–24 to 2025–26. The RUC will increase to 28.8 cents per litre on 1 July 2023, to 30.5 cents per litre on 1 July 2024 and to 32.4 cents per litre on 1 July 2025. For fuels sold in gaseous form this will see increases to 38.5 cents per kilogram in 2023–24, 40.8 cents per kilogram in 2024–25 and 43.2 cents per kilogram in 2025–26.

The proposal is compared to the alternative scenario of increasing the RUC by 10 per cent per annum each year from 2023–24 to 2025–26. Under this alternative scenario, the RUC would increase to 29.9 cents per litre on 1 July 2023, to 32.9 cents/litre on 1 July 2024 and to 36.2 cents/litre on 1 July 2025. In parallel, the RUC on fuels sold in gaseous form would increase to 39.9 cents per kilogram in 2023–24, 43.9 in cents per kilogram in 2024–25 and 48.3 cents per kilogram 2025–26.

Question 1: What are your views on the proposal to increase the roads component of heavy vehicle registration charges and the Road User Charge by 6 per cent per annum for each year from 2023–24 to 2025–26?

Question 2: What are your views on the alternative scenario of increasing the roads component of heavy vehicle registration charges and the Road User Charge by 10 per cent per annum for each year from 2023–24 to 2025–26?

1 Introduction

Key points

- ITMM agreed in-principle to a three-year road user charging cycle, and has asked for public consultation on increases to both registration charges and the Road User Charge (RUC) of 6 to 10 per cent per annum for each year from 2023–24 to 2025–26.

1.1 The NTC's responsibilities

The National Transport Commission (NTC) has ongoing responsibilities for recommending heavy vehicle charges to ITMM. These charges are intended to apply nationally and are set to fully recover the share of road construction and maintenance costs that can be allocated to heavy vehicles.

1.2 Previous decisions on heavy vehicle charges

In May 2020, the Transport and Infrastructure Council (the predecessor of ITMM) resolved that charges be frozen for 2020–21. The Council took this decision considering the extraordinary contraction in economic activity and income expected for the June quarter of that year. By freezing charges, the Council expressed its support for the operators of heavy vehicles, many of whom are small businesses. The Council noted that some were working hard under tight margins to keep essential goods moving during the COVID-19 pandemic, while others were experiencing a severe downturn in work. This freeze in heavy vehicle charges ended on 30 June 2021.

For 2021–22, ITMM agreed to increase heavy vehicle charges by 2.5 per cent. In announcing this decision, ministers noted the charge increase for 2021–22 would be significantly less than the amount of 13.4 per cent estimated by the NTC as necessary to recover the heavy vehicle share of recent road construction and maintenance costs.

On 22 December 2021 the NTC presented the outcome of the 2021 Determination to ministers. Recommendations included a range of technical changes to the PAYGO model, as well as recommendations for heavy vehicle charges to apply from 2022–23.

Ministers identified a preferred option of increasing heavy vehicle charges by 2.75 per cent in 2022–23. Further consultation on ministers' preferred option occurred subsequently. Heavy vehicle registration charges in the Model Law and the RUC rate have since increased by 2.75 per cent.

Ministers also noted that they would re-consider heavy vehicle charges later in 2022, including the option of multi-year charge setting, to provide additional certainty to industry on heavy vehicle charges.

1.3 ITMM consideration of heavy vehicle charges for years between 2023–24 and 2025–26

On 9 December 2022, Ministers considered the advice prepared by the National Transport Commission (NTC), following consultation on heavy vehicle charge setting options in September and October 2022.

The communique states:

“Ministers agreed in-principle to a three-year road user charging cycle, but tasked senior officials to undertake further work to establish the right balance between appropriate cost-recovery and operators’ ability to cope with price increases in view of the current economic climate. Consultation would focus on an increase in a range between 6 and 10 per cent with a view to concluding these discussions before the end of February 2023.”

This consultation paper has been prepared to give effect to Ministers’ direction.

The increases of between 6 and 10 per cent per annum would be significantly less than the amount of around 38 per cent estimated as necessary to fully recover the heavy vehicle share of recent road construction and maintenance costs in 2023–24.

If full cost recovery were to be achieved over three years to 2025-26 an average increase of 17.3 per cent in charges would be required. National heavy vehicle charges, which are designed to recover the heavy vehicle share of road expenditure, were effectively static between 2014 and 2020. However, government expenditure on road construction and maintenance has increased significantly since 2015–16. There is now a significant and growing gap between the identified heavy vehicle cost base and the revenue provided by current heavy vehicle charges.

1.4 Direction to the NTC

On 9 December 2022, ITMM directed the NTC to undertake a public consultation process on proposed increases to heavy vehicle charges for the three years from 2023–24 to 2025–26. This consultation process includes a proposed increase to the RUC, to satisfy the requirement for the Transport Minister to consult on this increase under the *Fuel Tax Act 2006* (Cth).

Under the *Fuel Tax Act 2006* (Cth), prior to determining to increase the RUC, the Transport Minister is required to make public the proposed increased rate of the RUC, and any information relied upon in determining the proposed increase, for at least 60 days, and must consider comments received from the public within the period specified.

2 Background on heavy vehicle charges

Key points

- Heavy vehicle charges apply to all vehicles with a Gross Vehicle Mass (GVM) of above 4.5 tonnes.
- They consist of a Road User Charge (RUC) on fuel and a yearly registration charge comprising roads and regulatory components.
- Charges are set using the PAYGO model which calculates the heavy vehicle cost base based on historical government road expenditure and road usage data.
- ITMM takes a collective decision on heavy vehicle charges. The NTC provides advice to ITMM to support its decision-making.
- The binding pricing principles governing the NTC's advice have a strong focus on achieving full cost recovery of allocated costs over time.
- The RUC is implemented under the Commonwealth *Fuel Tax Act 2006*. The RUC is implemented as a reduced fuel tax credit.
- Registration charges are implemented through the Heavy Vehicle Charges Model Law. The charges have legislative force once the Model Law is adopted by states and territories.

2.1 Heavy vehicle charges

2.1.1 What are heavy vehicle charges

Heavy vehicles include all vehicles with a Gross Vehicle Mass (GVM) of above 4.5 tonnes.

There are three components to the charges paid by heavy vehicles:

- The fuel charge (also known as the Road User Charge or RUC), administered by the Commonwealth Government.
- The roads component of the registration charge, as applied by state and territory governments.
- The regulatory component of the registration charge, which is applied to cover the operating cost of the National Heavy Vehicle Regulator (NHVR).

The fuel charge and registration charge are linked to government expenditure on roads. The amount to cover the regulatory cost of the NHVR is designed to reflect the NHVR's budget, which is approved by ITMM.

2.1.2 NTC's role

The NTC has ongoing responsibilities for recommending heavy vehicle charges to ITMM². These charges are intended to apply nationally and are set to fully recover the share of road construction and maintenance costs that can be allocated to heavy vehicles.

2.1.3 Pricing principles and the importance of cost recovery

A set of guiding principles govern the application of the cost recovery methodology. These pricing principles were agreed by the Australian Transport Council (a predecessor of ITMM) and the Council of Australian Governments (COAG), and are binding on the NTC.

The current pricing principles were designed to guide the NTC towards an outcome that efficiently recovers the cost of providing road infrastructure for heavy vehicles. In addition, the principles also take into account issues of relevant public interest, such as fairness and equity.

The COAG principles³ are:

“ATC direct the NTC, in developing its Determination, to apply principles and methods that

- 1. ensure the delivery of full cost recovery in aggregate,*
- 2. further develop indexation adjustment arrangements to ensure the ongoing delivery of full expenditure recovery in aggregate and*
- 3. remove cross-subsidisation across different heavy vehicle classes,*

recognising that transition to any new arrangement may require a phased approach”.

ATC/SCOTI guiding principles⁴

“National heavy vehicle road use prices should promote optimal use of infrastructure, vehicles and transport modes. This is subject to the following:

- 1. full recovery of allocated infrastructure costs while minimising both the over and under recovery from any class of vehicle*
- 2. cost effectiveness of pricing instruments*
- 3. transparency*
- 4. the need to balance administrative simplicity, efficiency and equity (e.g. impact on regional and remote communities/access)*
- 5. the need to have regard to other pricing applications such as light vehicle charges, tolling and congestion.”*

Both the ATC and COAG principles are standing principles until the relevant authority changes them and are binding on the NTC.

² Under the Inter-Governmental Agreement for Regulatory and Operational Reform in Road, Rail and Intermodal Transport 2003, and in accordance with the pricing principles.

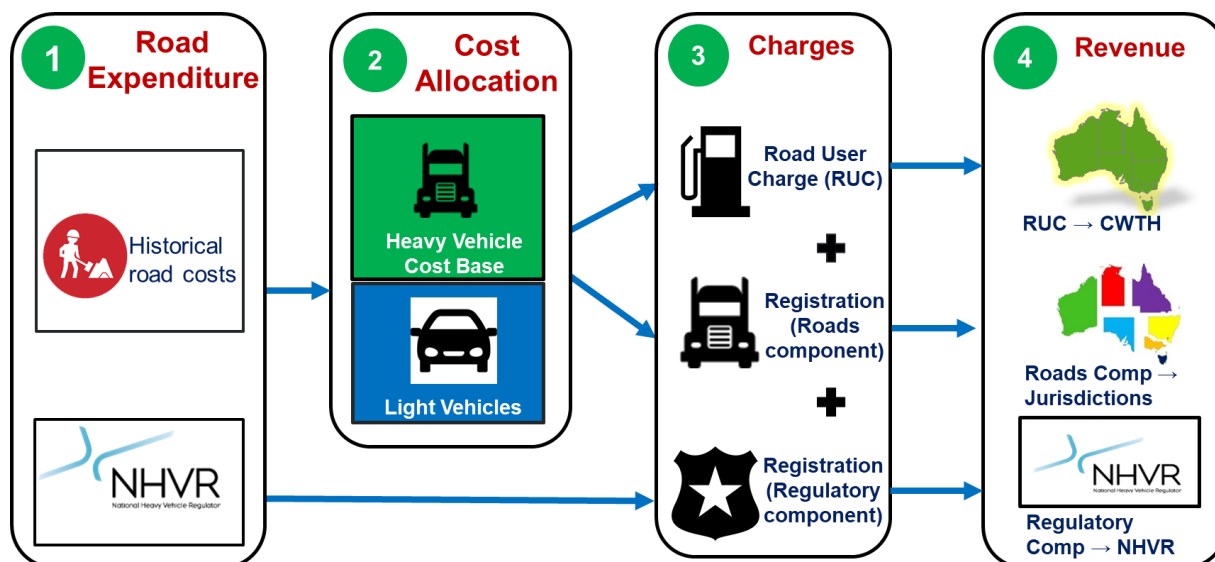
³ Endorsed at its meeting of 13 April 2007.

⁴ Approved by ATC in August 2004 and reaffirmed in May 2007. Note: SCOTI is the Standing Council on Transport and Infrastructure, a predecessor of ITMM.

2.1.4 The PAYGO model

Each year, jurisdictions provide the NTC with a completed road expenditure template which covers all road construction and maintenance costs (light and heavy vehicles). Data from the Australian Bureau of Statistics Government Financial Statistics Series is used to account for local government expenditure on roads. A cost base is then established with the heavy vehicle portion recovered via heavy vehicle charges. Figure 1 provides an overview of the existing PAYGO system.

Figure 1. Overview of the current PAYGO system



The cost base is calculated by taking a weighted 7-year average of the historic financial costs of providing roads. These costs, which are measured in a number of expenditure categories, are then allocated between vehicle classes on the basis of:

- a cost allocation matrix⁵
- usage data including vehicle kilometres travelled, ESA-kilometres travelled, AGM-kilometres travelled, and PCU-kilometres travelled⁶.

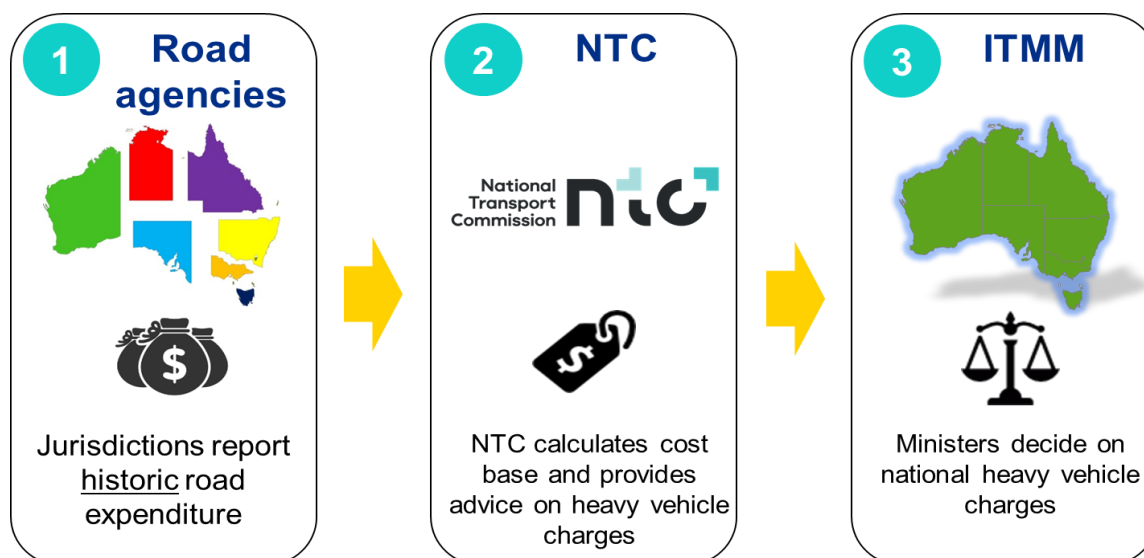
Based on the costs allocated to each vehicle class, the NTC then recommends a set of heavy vehicle charges that recovers the heavy vehicle cost base in total while ensuring each vehicle class, on average, pays at least the attributable costs allocated to the vehicle category.

Figure 2 illustrates how the NTC processes this information and makes recommendations to ITMM. The NTC's advice on heavy vehicle charges is informative and decisions on setting heavy vehicle charges are made by ITMM.

⁵ The cost allocation matrix has been developed over time with input from industry and experts and has been subject to consultation. The current matrix was first approved as part of the 2007 Heavy Vehicle Charges Determination.

⁶ ESA stands for Equivalent Standard Axles, a measure of road wear caused by a vehicle, AGM stands for Average Gross Mass, a measure of vehicle weight, and PCU stands for Passenger Car Unit, a measure of the footprint of a vehicle.

Figure 2. Overview of existing PAYGO regulatory process



Determinations, where all aspects of the model and the resulting heavy vehicle charges are reviewed (taking into account the pricing principles and other directions from government), are carried out infrequently. In the years between determinations, an annual adjustment formula is used to ensure that heavy vehicle charges continue to recover the heavy vehicle cost base. This formula is included in the Heavy Vehicle Charges Model Law and is intended to automatically adjust heavy vehicle charges without the need for ITMM to approve the change.

In simple terms, the annual adjustment formula works out a single percentage increase or decrease that is applied to all registration charges and to the RUC rate, which takes into account the gap between the most recent cost base and the previous year's cost base, as well as growth in the vehicle fleet and fuel consumption by heavy vehicles.

2.1.5 Legislation

The RUC is implemented under the Commonwealth *Fuel Tax Act 2006*. It is implemented as a reduction to the fuel tax credit.

The *Fuel Tax Act 2006* (Cth) requires that the Transport Minister (the Minister) determine the amount of RUC paid by heavy vehicle operators. The Act requires that the minister conducts a public consultation process before increasing the rate of the RUC.

The consultation period must be at least 60 days and the minister must make available the proposed increased rate of RUC, and any information that was relied on in determining the proposed increased rate.

The *Fuel Tax Act 2006* then requires the minister to consider any comments received, within the period specified by the minister, from the public in relation to the proposed increased rate.

Registration charges are implemented through the Heavy Vehicle Charges Model Law. This contains the schedules of heavy vehicle registration charges agreed by ITMM. The Model Law also provides a formula to calculate an annual adjustment for charges in the years between determinations, should ITMM not make its own decision on charges. The charges have legislative force once the Model Law is adopted by states and territories.

3 Information considered

Key points

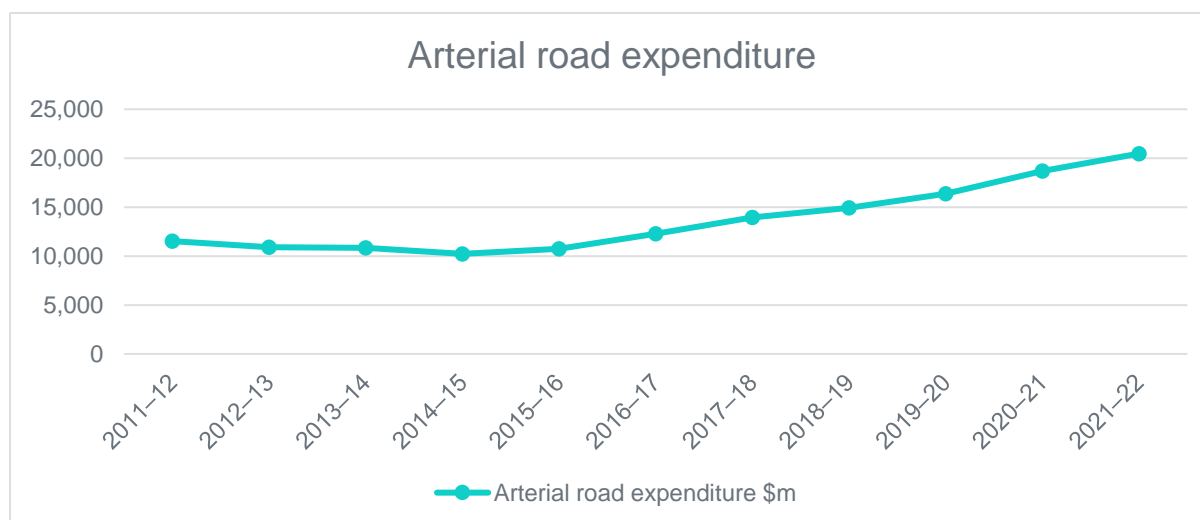
- Road expenditure by jurisdictions increased significantly in 2021–22, continuing the series of at times rapid increases since 2015–16.
- As a result of increases in total road expenditure and changes in the composition of that expenditure, the heavy vehicle cost base for the 2023–24 charges year is now \$5.193 billion. The heavy vehicle cost bases forecast for years 2024–25 and 2025–26 are \$5.867 billion and \$6.153 billion respectively.
- Heavy vehicle charges revenue has remained relatively static due to the revenue and charges ‘freezes’ that applied to heavy vehicle charges from 2016–17 to 2020–21, an increase of 2.5 per cent for 2021–22 and an increase of 2.75 per cent in 2022–23.
- For 2023–24, the gap between the heavy vehicle cost base and estimated revenue at current charges is \$1,436 million or 27.7 per cent.
- Even with increases in heavy vehicle charges for 2023–24 of between 6 and 10 per cent per annum, the gap between the heavy vehicle cost base and revenue from heavy vehicle charges would remain significant.

3.1 Current state – heavy vehicle cost base and revenue

3.1.1 Road expenditure trends

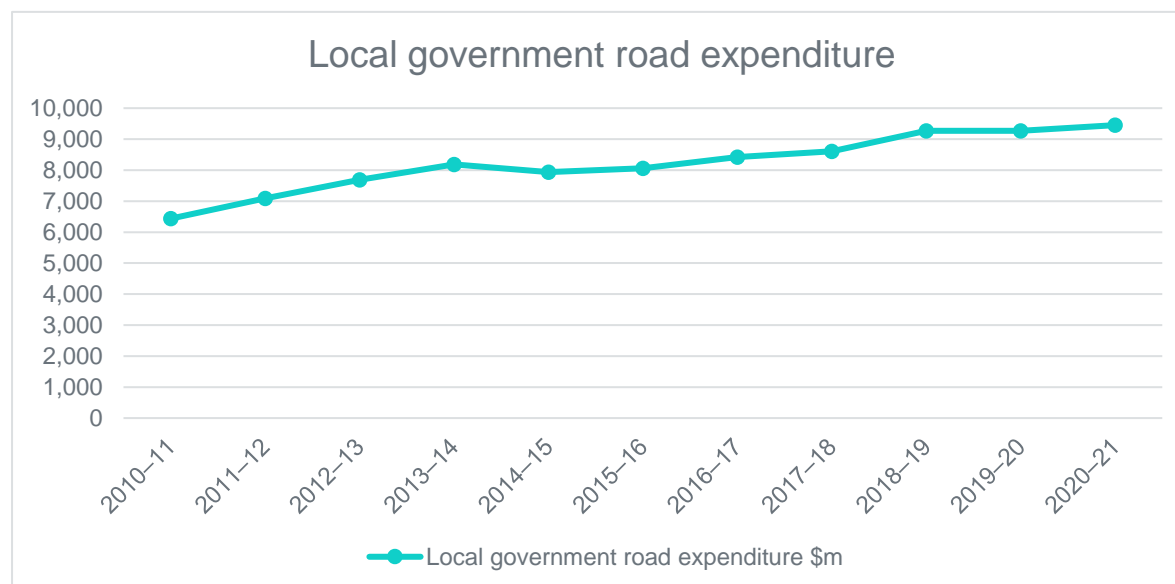
Road expenditure across all levels of government has increased significantly over recent years. Figures 3 and 4 show how national arterial road expenditure and national local road expenditure have changed over time.

Figure 3. Trends in arterial road expenditure



A key observation is that arterial road expenditure has increased significantly since 2015, with a particularly large increase occurring in recent years. As the heavy vehicle cost base is the part of total expenditure allocated to heavy vehicles, it will be particularly influenced by trends in arterial road expenditure.

Figure 4. Trends in national local road expenditure



Local road expenditure has increased more slowly by comparison. Local government expenditure forms a relatively small proportion of the total heavy vehicle cost base.

3.1.2 Changes in expenditure

Table 1. Changes in arterial road expenditure since 2016-17

Code	Expenditure category	Share allocated to heavy vehicles in 2021-22	2016-17 expenditure \$m	2021-22 expenditure \$m	Change \$m	Change %
A	Servicing and operating expenses	7.3%	785	1,091	306	39.0%
B1	Routine maintenance	39.2%	690	766	76	11.0%
B2	Periodic surface maintenance of sealed roads	52.3%	584	873	289	49.5%
C	Bridge maintenance & rehabilitation	31.4%	284	406	122	43.0%
D	Road rehabilitation	46.2%	911	1,782	871	95.6%
E	Low-cost safety & traffic improvements	9.4%	1,197	1,990	793	66.3%
F1	Pavement improvements	46.2%	2,006	5,369	3,363	167.6%
F2	Bridge improvements	8.9%	1,029	2,165	1,136	110.4%
F3	Land acquisition, earthworks, other extensions / improvement expenditure	8.4%	4,093	5,113	1,020	24.9%
G1	Corporate services	7.3%	709	913	204	28.8%
	Totals	23.8%	12,288	20,468	8,180	66.6%

In its latest deliberations, ITMM has relied on road expenditure for 2021–22. Showing changes in expenditure since 2016–17 helps illustrate how the heavy vehicle cost base has been affected by changes in road expenditure over recent years.

This table shows that total arterial road expenditure that can be allocated between light and heavy vehicles has increased by \$8,180m or 66.6 per cent between 2016–17 and 2021–22. In addition to the overall increase in expenditure, the composition of expenditure has also changed.

Overall, approximately 23.8 per cent of total expenditure was allocated to heavy vehicles in 2021–22.

3.1.3 Expenditure has increased in 2021–22

Table 2. Latest change in arterial road expenditure by expenditure category

Code	Expenditure category	Share allocated to heavy vehicles in 2021–22	2020–21 expenditure \$m	2021–22 expenditure \$m	Change \$m	Change %
A	Servicing and operating expenses	7.3%	1,142	1,091	-51	-4.5%
B1	Routine maintenance	39.2%	758	766	7	1.0%
B2	Periodic surface maintenance of sealed roads	52.3%	794	873	79	10.0%
C	Bridge maintenance & rehabilitation	31.4%	309	406	98	31.6%
D	Road rehabilitation	46.2%	1,091	1,782	691	63.3%
E	Low-cost safety & traffic improvements	9.4%	2,019	1,990	-28	-1.4%
F1	Pavement improvements	46.2%	2,722	5,369	2,647	97.2%
F2	Bridge improvements	8.9%	2,008	2,165	157	7.8%
F3	Land acquisition, earthworks, other extensions / improvement expenditure	8.4%	6,927	5,113	-1,813	-26.2%
G1	Corporate services	7.3%	925	913	-12	-1.3%
	Totals	23.8%	18,694	20,468	1,774	9.5%

Total arterial road expenditure in 2021–22 increased by \$1,774m or 9.5 per cent compared to the previous year. There were also significant changes in the composition of the total expenditure.

3.1.4 The heavy vehicle cost base has increased

Table 3 shows the heavy vehicle cost base for the 2023–24 to 2025–26 charge years. In the PAYGO model there is a two-year lag with the cost base due to data availability and the process of approval for charges to be implemented at the start of the next financial year. For example, the 2021–22 heavy vehicle cost base is used to set heavy vehicle charges to apply in 2023–24. That cost base is based on reported expenditure for seven years up to 2021–22, to reduce the level of fluctuation in annual road expenditure. This method applies to all PAYGO cost base estimates.

The heavy vehicle cost base for 2023–24 charge year is \$5,193 million. This is an increase of \$890 million compared to the prior year.

The forecast heavy vehicle cost bases for 2024–25 and 2025–26 are based on expenditure forecasts developed in consultation with state and territory road agencies. These are likely to be subject to significant error.

Table 3. Actual and forecast heavy vehicle cost base in charges years

	2023-24	2024-25	2025-26
	Actual	Forecast	Forecast
Heavy vehicle cost base (\$m)	5,193	5,867	6,153
Increase compared to previous year (\$m)	890	674	286
Increase compared to previous year (per cent)	20.7	13.0	4.9

3.1.5 Charges revenue

The implementation of the 'frozen revenue' approach for 2016–17 and 2017–18 heavy vehicle charges followed by the 'frozen charges' approach for 2018–19, 2019–20 and 2020–21 has meant that heavy vehicle charges revenue remained static at first and then climbed slowly in recent years. The increase in heavy vehicle charges of 2.75% for 2022–23 has provided governments with some additional revenue. A proportion of the recent growth in heavy vehicle charges revenue is due to growth in the heavy vehicle fleet and increasing total fuel consumption.

There have been several reasons why charges have not been set to fully recover the heavy vehicle cost base in recent years, including:

- recognition that a number of heavy vehicle operators find it difficult to pass on increases in heavy vehicle charges to their customers
- consideration of adverse economic conditions including fires and drought
- the impact of the COVID-19 pandemic on the economy.

3.1.6 Gap between heavy vehicle cost base and revenue for 2023–24 charges year

The significant increases in road expenditure outlined in sections 3.1.2 and 3.1.3 combined with the slower growth in heavy vehicle charges revenue outlined in section 3.1.5 have resulted in an estimated gap of \$1,436 million between the heavy vehicle cost base and the estimated amount of heavy vehicle charges revenue that would be raised if heavy vehicle charges remained unchanged at 2022–23 levels.

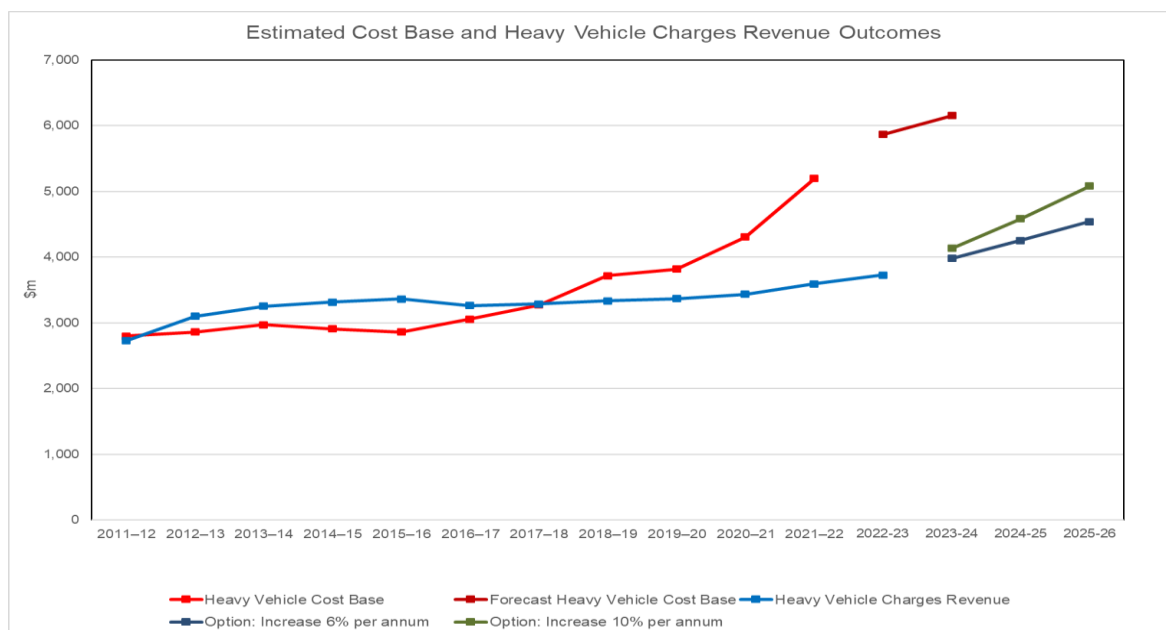
Figure 5. Comparison of heavy vehicle cost base and estimated revenue

Figure 5 shows that the heavy vehicle cost base is higher than the revenue collected through current heavy vehicle charges in 2021–22, noting that under the PAYGO system, heavy vehicle charges for 2023–24 would be set based on the heavy vehicle cost base calculated using expenditure data for the seven years to 2021–22. This is due to the two-year lag between expenditure occurring, and the charges based on that expenditure being collected.

This two-year lag means that the cost base and revenue lines cannot be expected to coincide unless expenditure is static. That is, over and under recoveries would be expected to occur.

Figure 5 shows a period of over recovery following the 2014 determination. However, it is important to note that under recoveries have occurred prior to the period covered by the graph. These were, for example, due to decisions to phase in the A-trailer charge over multiple years.

Any changes to heavy vehicle charges can be implemented from 2023–24 at the earliest. An increase of 6 or 10 per cent for year each between 2023–24 and 2025–26 as proposed by ITMM is shown as the blue and green extension to the teal revenue line. Decisions within the 6 per cent and 10 per cent per annum range could achieve any revenue outcome between these two lines.

3.2 Costs currently exceed estimated revenue by 38 per cent

The cost base for 2023–24 heavy vehicle charges is \$5,193 million compared to estimated revenue for 2023–24 at current charges (as currently in place for 2022–23) of \$3,757 million.

The increase in the cost base is driven entirely by increases in government expenditure on roads. None of the technical changes discussed in the consultation RIS published by the NTC in 2022 have been implemented to date.

The NTC estimates that current heavy vehicle charges would need to rise by around 38 per cent in 2023–24 to ensure governments recover the amount spent on providing roads to heavy vehicles in 2021–22.

Table 4. Increase in revenue required

Calculation of increase required to achieve full cost recovery	\$m
Heavy vehicle cost base for 2023-24 (expenditure up to 2021–22)	5,193
Estimated heavy vehicle charges revenue in 2023-24 at current charges	3,757
Difference	1,436
Difference as percentage of estimated heavy vehicle charges revenue at current charges 2022–23	38.2%

4 Proposal

ITMM has agreed to consult on a potential 6 to 10 per cent increase to heavy vehicle charges each year between 2023–24 and 2025–2026. As instructed by Ministers, the National Transport Commission is undertaking the consultation between 21 December 2022 and 20 February 2023.

For the purposes of this consultation paper, the proposal is to implement three increases in heavy vehicle charges of 6 per cent per annum from 2023–24 to 2025–26. As such, it shows the lowest increases consistent with the 6 to 10 per cent per annum range identified by Ministers. The alternative scenario of increasing heavy vehicle charges by 10 per cent per annum is presented to illustrate the highest increases consistent with the range identified by Ministers.

Through this consultation process, Ministers are seeking to establish the right balance between appropriate cost-recovery and operators' ability to cope with price increases in view of the current economic climate.

Increases within the range identified by Ministers would result in the following RUC rates applying:

Table 5. Road User Charge (cents per litre)

	Current 2022-23	2023-24	2024-25	2025-26
Proposal: Increase heavy vehicle charges by 6 per cent per annum	27.2	28.8	30.5	32.4
Alternative scenario: Increase heavy vehicle charges by 10 per cent per annum	27.2	29.9	32.9	36.2

It is a requirement under the Fuel Tax Act 2006 that the RUC rate be rounded to one decimal place.

The RUC rate on gaseous fuels would be increased in parallel with increases in the RUC rate on diesel fuel.

Table 6. RUC rate on gaseous fuels (cents per kg)

	Current 2022-23	2023-24	2024-25	2025-26
Proposal: Increase heavy vehicle charges by 6 per cent per annum	36.3	38.5	40.8	43.2

	Current 2022-23	2023-24	2024-25	2025-26
Alternative scenario: Increase heavy vehicle charges by 10 per cent per annum	36.3	39.9	43.9	48.3

4.1 Changes in registration charges

Registration charges consist of a roads component and a regulatory component. The roads component is set to recover the heavy vehicle cost base (in combination with revenue recovered from the RUC) whereas the regulatory component is set to recover the NHVR's approved budget.

Under the proposed increase, the roads component of registration charges would be increased by 6 to 10 percent per annum from 2023–24 to 2025–2026.

The regulatory component of registration charges will be re-set for 2023–24 based on the NHVR's approved budget of \$170.902 million. Only minimal changes are expected which will have an insignificant effect on overall heavy vehicle registration charges. For the analysis presented in this paper, we have therefore assumed that the regulatory component would remain unchanged.

The following table shows the registration charges for 2023–24 that would be paid by common heavy vehicle types under the proposed increase. A more comprehensive list of registration charges is provided in Appendix A.

Table 7. Total registration charges for selected heavy vehicle types under the proposed 6 per cent increase in 2023-24

	2022–23 total registration charge	2023–24 total registration charge	\$ change between 2022–23 and 2023–24	Percentage change
2-axle rigid truck, no trailer, GVM to 12 tonnes	\$629	\$653	\$24	3.8%
3-axle rigid truck, no trailer, GVM over 16.5 tonnes	\$1,185	\$1,248	\$63	5.3%
3-axle rigid truck with a 3-axle dog trailer over 42.5 tonnes GCM	\$12,018	\$12,824	\$806	6.7%
6-axle articulated truck	\$6,530	\$6,872	\$342	5.2%
9-axle B-double	\$15,488	\$16,302	\$814	5.3%

Double road train	\$15,544	\$16,358	\$814	5.2%
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Due to the almost static regulatory component of registration charges, the increase in the total registration charges for 2023–24 is less than 6 per cent in most cases except for select heavy vehicle types that attract a maximum increase of 1.5 percentage points more due to a differential charging method applied to the roads component of registration charges.

A higher increase to the roads component of registration charges of 7.5 per cent applies to a small number of heavy vehicle types where there are large gaps between the average amount of heavy vehicle charges paid, and the attributable costs in the PAYGO model. This is required to gradually reduce cross-subsidies between heavy vehicle types. To ensure the average increase is 6 per cent, registration charges for other heavy vehicle types will be increased by a slightly lower amount of 5.7 per cent to ensure that the correct total amount of revenue is raised. This approach was developed and recommended as part of the 2021 Heavy Vehicle Charges Determination.

Table 8. Total registration charges for selected heavy vehicle types under the proposed 6 per cent increase in 2024–25

	2023–24 total registration charge	2024–25 total registration charge	\$ change between 2023–24 and 2024–25	Percentage change
2-axle rigid truck, no trailer, GVM to 12 tonnes	\$653	\$679	\$26	4.0%
3-axle rigid truck, no trailer, GVM over 16.5 tonnes	\$1,248	\$1,317	\$69	5.5%
3-axle rigid truck with a 3-axle dog trailer over 42.5 tonnes GCM	\$12,824	\$13,697	\$873	6.8%
6-axle articulated truck	\$6,872	\$7,236	\$364	5.3%
9-axle B-double	\$16,302	\$17,169	\$867	5.3%
Double road train	\$16,358	\$17,225	\$867	5.3%

Table 9. Total registration charges for selected heavy vehicle types under the proposed 6 per cent increase in 2025–26

	2024–25 total registration charge	2025–26 total registration charge	\$ change between 2024–25 and 2025–26	Percentage change
2-axle rigid truck, no trailer, GVM to 12 tonnes	\$679	\$706	\$27	4.0%
3-axle rigid truck, no trailer, GVM over 16.5 tonnes	\$1,317	\$1,392	\$75	5.7%
3-axle rigid truck with a 3-axle dog trailer over 42.5 tonnes GCM	\$13,697	\$14,633	\$936	6.8%
6-axle articulated truck	\$7,236	\$7,621	\$385	5.3%
9-axle B-double	\$17,169	\$18,086	\$917	5.3%
Double road train	\$17,225	\$18,142	\$917	5.3%

For comparison, registration charges under the alternative scenario of increasing heavy vehicle charges by 10 per cent per annum are shown in Table 10, Table 11 and Table 12

Table 10. Total registration charges for selected heavy vehicle types under the alternative scenario of a 10 per cent increase in 2023–24

	2022–23 total registration charge	2023–24 total registration charge	\$ change between 2022–23 and 2023–24	Percentage change
2-axle rigid truck, no trailer, GVM to 12 tonnes	\$629	\$670	\$41	6.5%
3-axle rigid truck, no trailer, GVM over 16.5 tonnes	\$1,185	\$1,282	\$97	8.2%
3-axle rigid truck with a 3-axle dog trailer over 42.5 tonnes GCM	\$12,018	\$13,277	\$1,259	10.5%
6-axle articulated truck	\$6,530	\$7,117	\$587	9.0%

9-axle B-double	\$15,488	\$16,885	\$1,397	9.0%
Double road train	\$15,544	\$16,941	\$1,397	9.0%

Table 11. Total registration charges for selected heavy vehicle types under the alternative scenario of a 10 per cent increase in 2024–25

	2023–24 total registration charge	2024–25 total registration charge	\$ change between 2023–24 and 2024–25	Percentage change
2-axle rigid truck, no trailer, GVM to 12 tonnes	\$670	\$716	\$46	6.9%
3-axle rigid truck, no trailer, GVM over 16.5 tonnes	\$1,282	\$1,393	\$111	8.7%
3-axle rigid truck with a 3-axle dog trailer over 42.5 tonnes GCM	\$13,277	\$14,684	\$1,407	10.6%
6-axle articulated truck	\$7,117	\$7,762	\$645	9.1%
9-axle B-double	\$16,885	\$18,421	\$1,536	9.1%
Double road train	\$16,941	\$18,477	\$1,536	9.1%

Table 12. Total registration charges for selected heavy vehicle types under the alternative scenario of a 10 per cent increase in 2025–26

	2024–25 total registration charge	2025–26 total registration charge	\$ change between 2024–25 and 2025–26	Percentage change
2-axle rigid truck, no trailer, GVM to 12 tonnes	\$716	\$766	\$50	7.0%
3-axle rigid truck, no trailer, GVM over 16.5 tonnes	\$1,393	\$1,516	\$123	8.8%
3-axle rigid truck with a 3-axle dog trailer over 42.5 tonnes GCM	\$14,684	\$16,250	\$1,566	10.7%

6-axle articulated truck	\$7,762	\$8,466	\$704	9.1%
9-axle B-double	\$18,421	\$20,099	\$1,678	9.1%
Double road train	\$18,477	\$20,155	\$1,678	9.1%

4.2 Financial Implications

The following tables show the financial implications for industry and governments under the proposed 6 per cent per annum increase in heavy vehicle charges over the 2023–24 to 2025–26 period, and the alternative scenario of increases of 10 per cent per annum over the same period.

Table 13. Estimated revenue from the roads component of registration charges and RUC – proposed increases of 6 per cent per annum

Proposal: Increases of 6% per annum	Registration (roads component only) \$m	RUC \$m	Total \$m
2022-23 (Current)	1,705	2,023	3,727
2023-24	1,839	2,142	3,980
2024-25	1,983	2,268	4,251
2025-26	2,137	2,402	4,539
Total over pricing period	5,958	6,811	12,770

Table 14. Estimated gap under the proposed increases of 6 per cent per annum

Years	Year 1 \$m	Year 1 %	Year 2 \$m	Year 2 %	Year 3 \$m	Year 3 %
Proposal: Increase heavy vehicle charges by 6 per cent per annum	1,213	23.4	1,617	27.6	1,614	26.2

Note: Gaps in Tables 14 and 16 are measured as a share of the cost base.

Table 15. Estimated revenue from the roads component of registration charges and RUC – alternative scenario of increases of 10 per cent per annum

Alternative scenario: Increases of 10% per annum	Registration (roads component only) \$m	RUC \$m	Total \$m
2022-23 (Current)	1,705	2,023	3,727
2023-24	1,908	2,223	4,131
2024-25	2,135	2,446	4,581
2025-26	2,388	2,692	5,080
Total over pricing period	6,431	7,362	13,793

Table 16. Estimated gap under the alternative scenario of increases of 10 per cent per annum

Years	Year 1 \$m	Year 1 %	Year 2 \$m	Year 2 %	Year 3 \$m	Year 3 %
Increase heavy vehicle charges by 10 per cent per annum	1,062	20.5	1,286	21.9	1,073	17.4

4.3 Consultation questions

The NTC is seeking the views of interested parties on the following consultation questions:

Question 1: What are your views on the proposal to increase the roads component of heavy vehicle registration charges and the Road User Charge by 6 per cent per annum for each year from 2023–24 to 2025–26?

Question 2: What are your views on the alternative scenario of increasing the roads component of heavy vehicle registration charges and the Road User Charge by 10 per cent per annum for each year from 2023–24 to 2025–26?

5 Next steps

5.1 Next steps





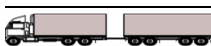






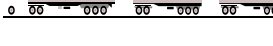
Public submissions on this proposal are invited through this discussion paper available on the NTC website. The closing date for submissions is 20 February 2023.

Following the conclusion of the public consultation process and any comments received, the NTC will provide advice on the proposed increases to ITMM and the Commonwealth Minister for Transport.

Appendix A Heavy vehicle charges



The proposal is that a 6 per cent average increase be applied to the roads component of registration charges from 2023–24 to 2025–26, but with differential charging (see section 4.2) resulting in some heavy vehicle types paying up to 7.5 per cent and all others a rate of 5.7 per cent. The regulatory component of registration charges will be re-set on a cost recovery basis over the same period, with minimal changes occurring due to fleet growth.

Table 17. Registration charges for common vehicle types for 2023–24 to 2025–26 based on the proposed 6 percent increase











Vehicle type	Mass rating for charging	Current (2022–23)	2023–24	2024–25	2025–26
	Up to 12.0 t	629	653	679	706
	Over 12.0 t	1,013	1,068	1,129	1,195
	Up to 42.5 t	2,389	2,516	2,655	2,803
	Up to 16.5 t	988	1,043	1,104	1,170
	Over 16.5 t	1,185	1,248	1,317	1,392
	Up to 42.5 t	3,211	3,381	3,567	3,765
	Over 42.5 t	12,018	12,824	13,697	14,633
	Over 42.5 t	12,665	13,507	14,419	15,396
	Up to 20.0 t	1,003	1,058	1,119	1,185
	Over 20.0 t	1,206	1,268	1,337	1,412
	Up to 12.0 t	529	547	566	587
	Over 12.0 t	659	682	708	736
		2,794	2,970	3,162	3,368
		6,530	6,872	7,236	7,621
		15,488	16,302	17,169	18,086
		15,544	16,358	17,225	18,142
		17,400	18,313	19,285	20,313

Registration charges under the alternative scenario of increases of 10 per cent per annum are shown in Table 18.

Table 18. Registration charges for common vehicle types for 2023–24 to 2025–26 based on the alternative scenario of increases of 10 percent

Vehicle type	Mass rating for charging	Current (2022–23)	2023–24	2024–25	2025–26
	Up to 12.0 t	629	670	716	766
	Over 12.0 t	1,013	1,098	1,196	1,304
	Up to 42.5 t	2,389	2,598	2,832	3,090

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	Up to 16.5 t	988	1,073	1,171	1,279
	Over 16.5 t	1,185	1,282	1,393	1,516
	Up to 42.5 t	3,211	3,493	3,808	4,156
	Over 42.5 t	12,018	13,277	14,684	16,250
	Over 42.5 t	12,665	13,986	15,461	17,102
	Up to 20.0 t	1,003	1,088	1,186	1,294
	Over 20.0 t	1,206	1,302	1,413	1,536
	Up to 12.0 t	529	560	594	632
	Over 12.0 t	659	695	737	783
		2,794	3,065	3,370	3,710
		6,530	7,117	7,762	8,466
		15,488	16,885	18,421	20,099
		15,544	16,941	18,477	20,155
		17,400	18,968	20,690	22,569

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Glossary

Term	Definition
Heavy vehicle cost base	The heavy vehicle cost base is that share of national government road expenditure that can be attributed to the heavy vehicle sector in the PAYGO model.
Infrastructure and Transport Ministers Meeting (ITMM)	The Infrastructure and Transport Ministers Meeting (ITMM) brings together Commonwealth, State and Territory Ministers with responsibility for transport and infrastructure issues, as well as the Australian Local Government Association.
PAYGO	Pay As You Go (PAYGO) is an approach used to determine the amount to be recovered from heavy vehicles through heavy vehicle charges. Trend levels of road construction and maintenance expenditure and road use is assessed over the past seven years to reflect the annualised costs of providing and maintaining roads.
Registration charge	Is the annual registration charge that applies to heavy vehicles by vehicle and trailer type.
Regulatory component of registration charge	The regulatory component of the heavy vehicle registration charge is applied to each heavy vehicle and trailer type and is based on the heavy vehicle fleet and the budget of the National Heavy Vehicle Regulator.
Roads component of registration charge	The roads component of the heavy vehicle registration charge is applied to each heavy vehicle and trailer type and is determined by outcomes from the PAYGO model based on heavy vehicle allocated cost and use.
Road expenditure	Road expenditure includes all government arterial and local road expenditure that meets NTC guidelines for inclusion in the PAYGO cost base.
RUC	Road User Charge. The Road User Charge is the charge that is applied to heavy vehicle fuel use expressed in cents per litre or cents per kilogram.

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