

Heavy vehicle charges consultation report

January 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 by 2.75 per cent for 2022–23.
Submission details	<p>The NTC will accept submissions until 1 April 2022 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 question

Question 1: What are your views on the Infrastructure and Transport Ministers Meeting's proposal to increase the roads component of heavy vehicle registration charges and the Road User Charge on fuel by 2.75 per cent in 2022–23?


Any information provided on this question 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 1 April 2022.

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 requested the NTC to undertake a public consultation process on a proposed increase to heavy vehicle charges in 2022–23.

This consultation supports the Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development'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 2020–21, current heavy vehicle charges would need to rise by 24.1 per cent for 2022–23. If no decision is taken by ITMM, heavy vehicle charges would be automatically increased by 24.1 per cent for 2022–23 under the annual adjustment formula contained in the Heavy Vehicle Charges Model Law (the Model Law).

Increase to state and territory registration charges

The proposal is that a 2.75 per cent increase be applied to the roads component of registration charges in 2022–23. The regulatory component of registration charges will be re-set on a cost recovery basis for 2022–23. The regulatory component of registration charges will remain unchanged for most heavy vehicle types. Therefore, the weighted average increase across the total registration charge (which is the sum of the roads and regulatory components) will be slightly below 2.75 per cent.

Increase to the Commonwealth Road User Charge (RUC)

The proposal is that a 2.75 per cent increase be applied to the RUC in 2022–23. This will increase the RUC to 27.2 cents per litre on 1 July 2022 (or 36.3 cents per kilogram for fuels sold in gaseous form).

Question: What are your views on the proposal to increase the roads component of heavy vehicle registration charges and the Road User Charge by 2.75 per cent in 2022–23?

1 Introduction

Key points

- ITMM has asked for public consultation on a potential increase to both registration charges and the Road User Charge (RUC) of 2.75 per cent in 2022–23.

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.

1.3 ITMM consideration of heavy vehicle charges for 2022–23

On 22 December 2021, Ministers considered the Regulation Impact Statement (RIS) prepared by the National Transport Commission (NTC), following consultation on heavy vehicle charge setting options in 2021. Ministers took a decision only on preferred heavy vehicle charges for 2022–23.

Ministers indicated that they will re-visit the issue of heavy vehicle charges in 2022, including options for the possibility of multi-year charge setting to provide additional certainty to industry on heavy vehicle charges.

They have asked the NTC to undertake further public consultation on the specific proposal to increase heavy vehicle charges by 2.75 per cent in 2022–23, ahead of a final ITMM decision around March 2022.

The proposed increase would be significantly less than the amount of 24.1 per cent estimated as necessary to fully recover the heavy vehicle share of recent road construction and maintenance costs in 2022–23.

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 20 December 2021, the Acting Commonwealth Transport Minister, on behalf of ITMM, requested the NTC to undertake a public consultation process on a proposed increase to heavy vehicle charges in 2022–23. This consultation process will include a proposed increase to the RUC, to satisfy the requirement for the Deputy Prime 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 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 ITMM¹. 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 principles² 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 principles³

“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.

¹ Under the Inter-Governmental Agreement for Regulatory and Operational Reform in Road, Rail and Intermodal Transport 2003, and in accordance with the pricing principles.

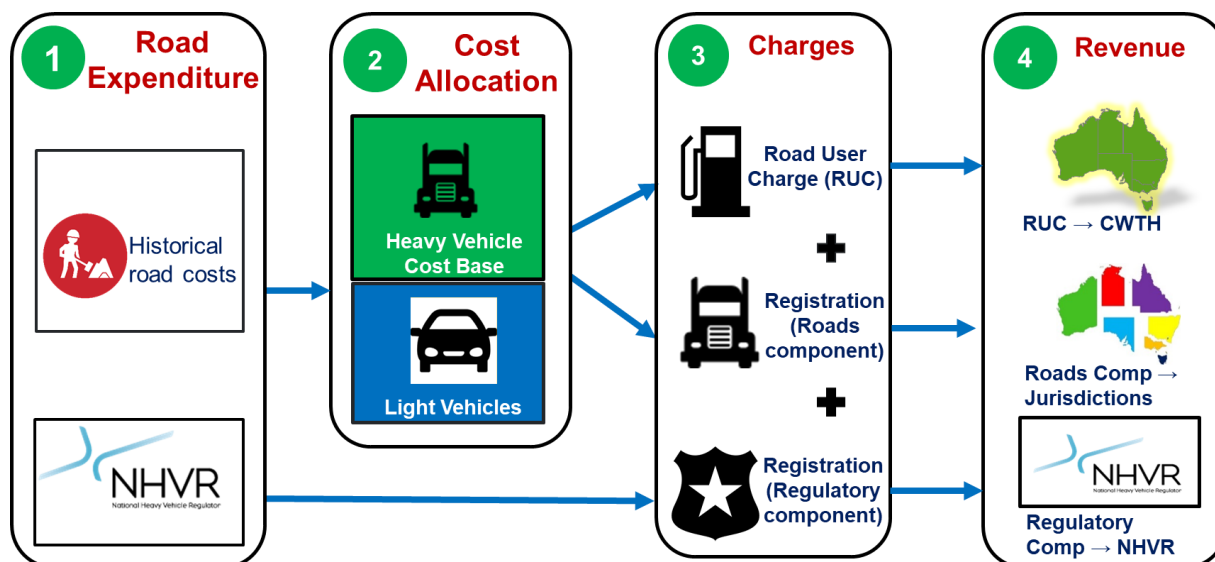
² Endorsed at its meeting of 13 April 2007.

³ 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 matrix⁴
- usage data including vehicle kilometres travelled, ESA-kilometres travelled, AGM-kilometres travelled, and PCU-kilometres travelled⁵.

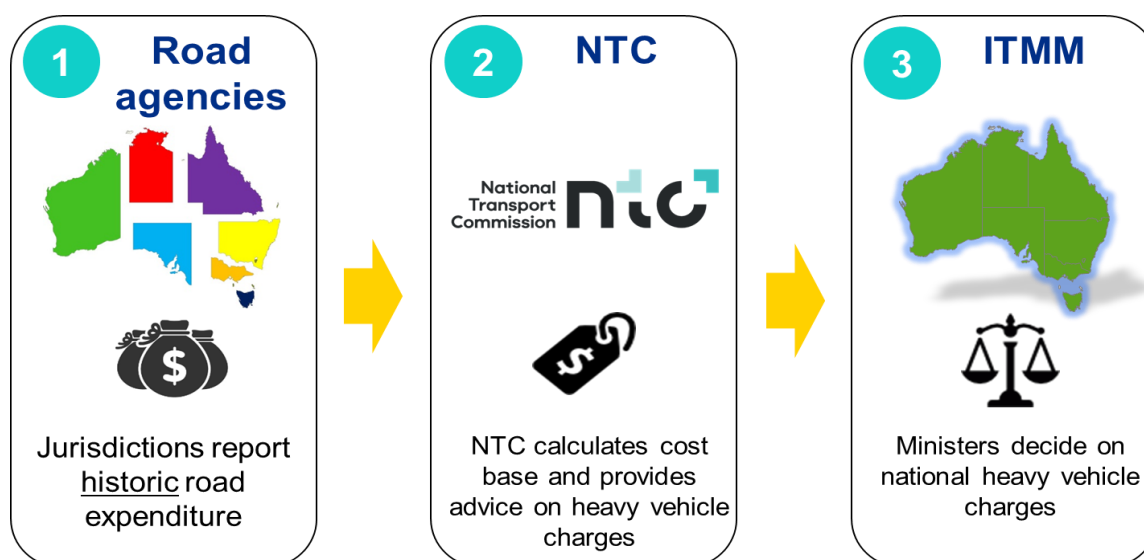
Based on the costs allocated to each vehicle class, the NTC then recommends a set of heavy vehicle charges that recovers the heavy vehicle cost base in total while ensuring each vehicle class, on average, pays at least the attributable costs allocated to the vehicle category.

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.

⁴ 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.

⁵ 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

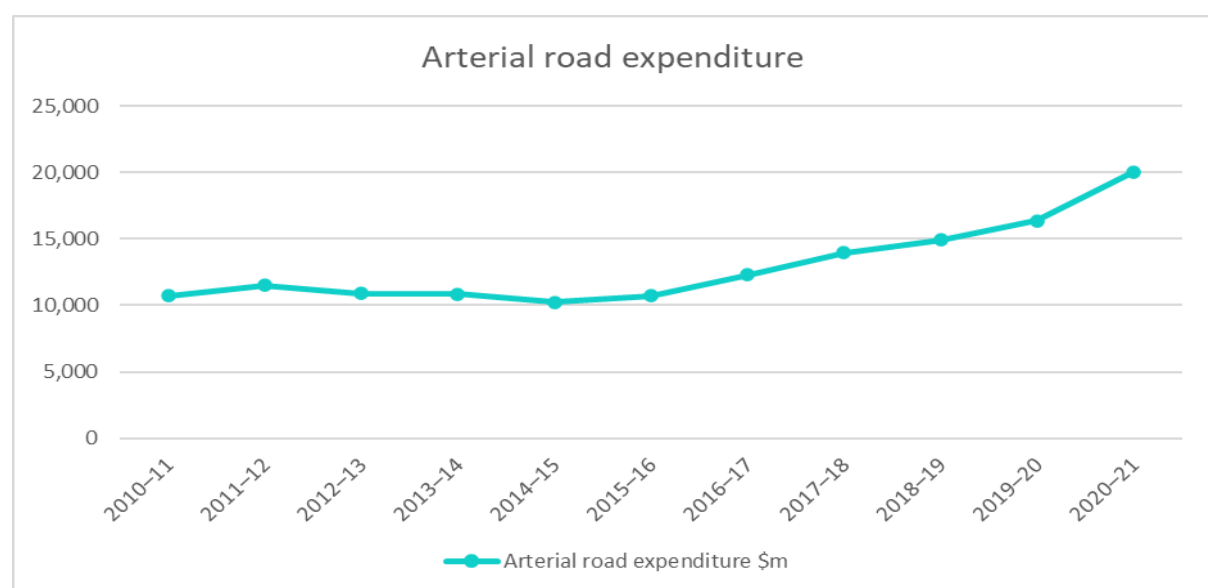
- Road expenditure by jurisdictions increased significantly in 2020–21, continuing the series of at times rapid increases since 2015–16.
- As a result of increases in total road expenditure and changes in the composition of that expenditure, the heavy vehicle cost base for the 2022–23 charges year is now \$4.363 billion.
- 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. Heavy vehicle charges were increased by 2.5 per cent for 2021–22.
- For 2022–23, the gap between the heavy vehicle cost base and estimated revenue at current charges is \$847 million or 24.1 per cent.
- Even with the proposed increase in heavy vehicle charges for 2022–23 of 2.75 per cent, the gap between the heavy vehicle cost base and revenue from heavy vehicle charges will remain significant.

3.1 Current state – heavy vehicle cost base and revenue

3.1.1 Road expenditure trends

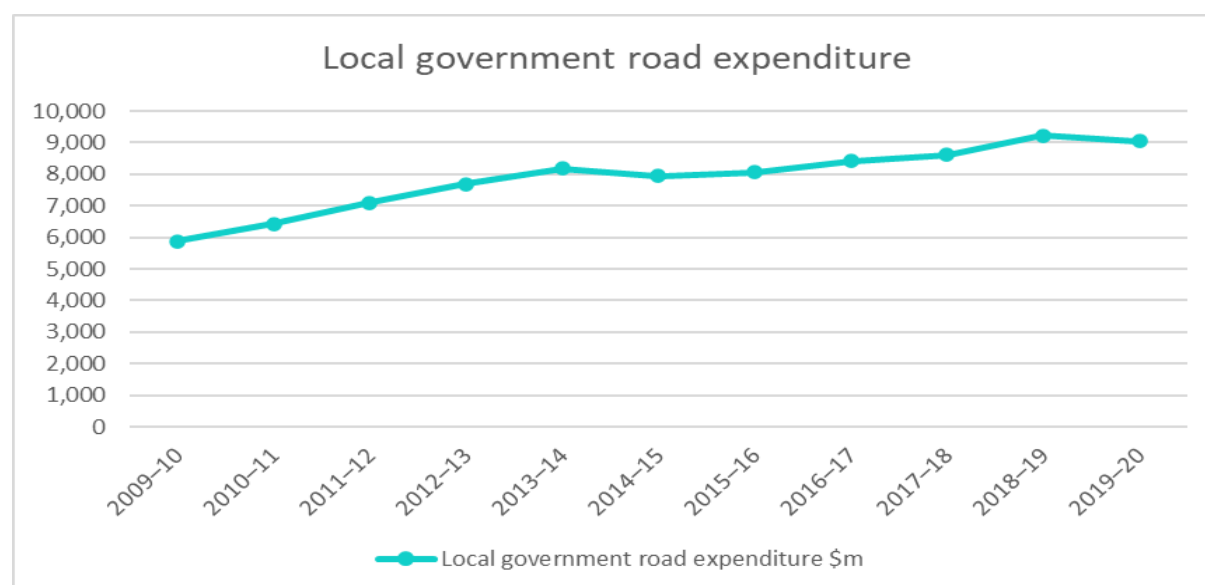
Road expenditure across all levels of government has increased significantly over recent years. Figures 3 and 4 show how national arterial road expenditure and national local road expenditure have changed over time.

Figure 3. Trends in arterial road expenditure



A key observation is that arterial road expenditure has increased significantly in recent years, with a particularly large increase occurring in 2020–21. 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

When the then-Transport and Infrastructure Council made the decision to ‘freeze’ heavy vehicle charges in November 2017, it was relying on the latest road expenditure information for 2016–17.

Table 1. Changes in state and territory road expenditure since 2016–17

Code	Expenditure category	Share allocated to heavy vehicles in 2020–21	2016–17 expenditure \$m	2020–21 expenditure \$m	Change \$m	Change %
A	Servicing and operating expenses	7.1%	785	1,142	356	45.4
B1	Routine maintenance	39.0%	690	758	68	9.9
B2	Periodic surface maintenance of sealed roads	52.2%	584	794	210	36.0
C	Bridge maintenance & rehabilitation	31.3%	284	309	25	8.8
D	Road rehabilitation	46.1%	911	1,091	180	19.8
E	Low-cost safety & traffic improvements	9.3%	1,197	2,019	821	68.6
F1	Pavement improvements	46.1%	2,006	2,722	716	35.7
F2	Bridge improvements	8.7%	1,029	2,008	980	95.3
F3	Land acquisition, earthworks, other extensions / improvement expenditure	8.2%	4,093	8,280	4,187	102.3
G1	Corporate services	7.1%	709	925	216	30.4
	Totals	21.1%	12,288	20,048	7,760	63.1

In its latest deliberations, ITMM has relied on expenditure information for 2020–21. 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 road expenditure that can be allocated between light and heavy vehicles has increased by \$7.8b or 63 per cent between 2016–17 and 2020–21. In addition to the overall increase in expenditure, the composition of expenditure has also changed.

Overall, approximately 21 per cent of total expenditure is allocated to heavy vehicles.

3.1.3 Expenditure has increased in 2020–21

Table 2. Latest change in state and territory road expenditure by expenditure category

Code	Expenditure category	Share allocated to heavy vehicles in 2020–21	2019–20 expenditure \$m	2020–21 expenditure \$m	Change \$m	Change %
A	Servicing and operating expenses	7.1%	1,040	1,142	102	9.8
B1	Routine maintenance	39.0%	683	758	76	11.1
B2	Periodic surface maintenance of sealed roads	52.2%	686	794	108	15.8
C	Bridge maintenance & rehabilitation	31.3%	370	309	-61	-16.6
D	Road rehabilitation	46.1%	1,059	1,091	32	3.0
E	Low-cost safety & traffic improvements	9.3%	1,528	2,019	491	32.1
F1	Pavement improvements	46.1%	3,038	2,722	-316	-10.4
F2	Bridge improvements	8.7%	1,546	2,008	462	29.9
F3	Land acquisition, earthworks, other extensions / improvement expenditure	8.2%	5,535	8,280	2,746	49.6
G1	Corporate services	7.1%	881	925	44	5.0
	Totals	21.1%	16,365	20,048	3,683	22.5

Total expenditure in 2020–21 increased by \$3.683 billion or 22.5 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

The following table shows the heavy vehicle cost base for the 2021–22 and 2022–23 charges years. These are based on reported expenditure for the prior seven years. These figures may differ slightly from historical published figures due to later revisions of expenditure and usage data.

Table 3. Heavy vehicle cost base in various heavy vehicle charges years

Heavy vehicle charges year	Cost base, \$m
2021–22	3,817.2 ⁶
2022–23	4,362.9

The heavy vehicle cost base for 2022–23 is \$4.363b. This is an increase of \$545.7m over the previous year.

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 2.5% for 2021–22 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 2022–23 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 \$847m 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 2021–22 levels.

⁶ The figure of \$3,817.2m for the heavy vehicle cost base for the 2021–22 charges year was calculated in early 2021, at the time ITMM considered options for setting heavy vehicle charges for the 2021–22 charges year. It reflects the information available at that time. Since then, some governments have re-stated their road expenditure. If re-calculated based on the latest available data, this figure would change.

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

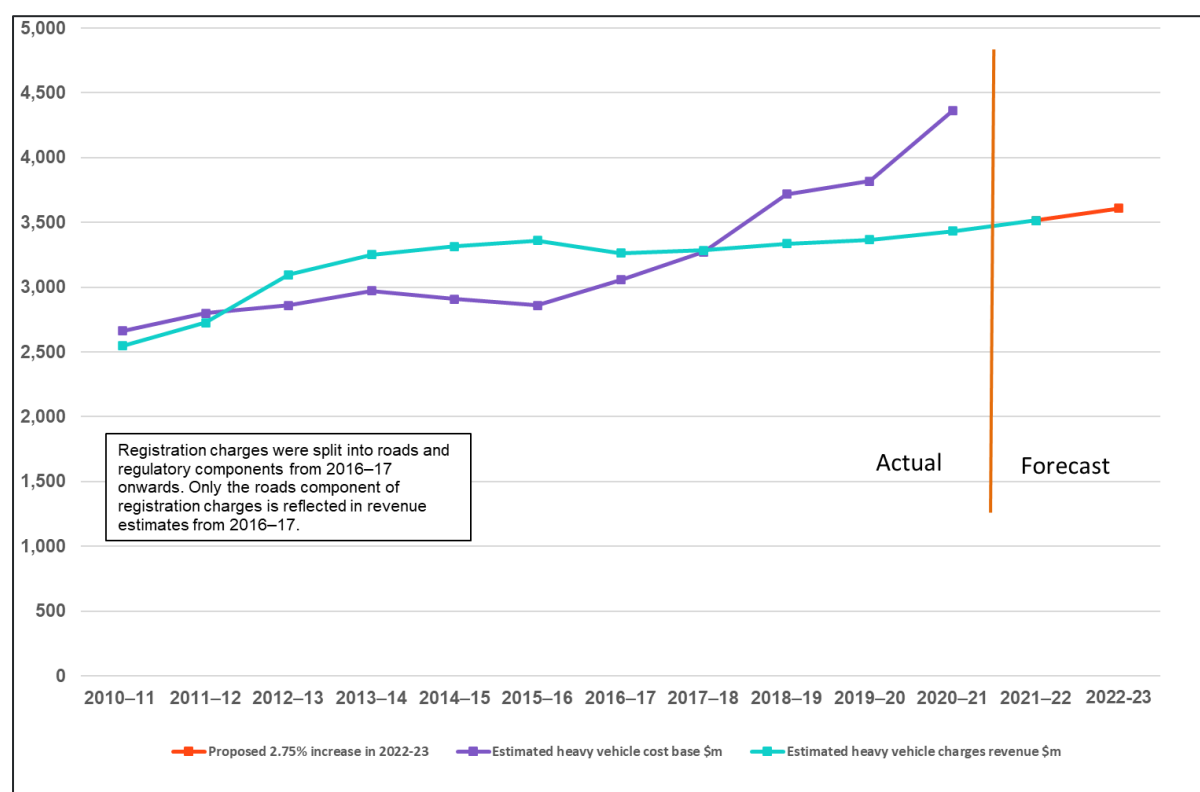


Figure 5 shows that the heavy vehicle cost base is higher than the revenue collected through current heavy vehicle charges in 2020–21, noting that under the PAYGO system, heavy vehicle charges for 2022–23 would be set based on the heavy vehicle cost base calculated using expenditure data for the seven years to 2020–21. 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 time 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 2022–23 at the earliest. An increase of 2.75% for 2022–23 as proposed by ITMM is shown as the red extension to the teal revenue line.

3.2 Costs currently exceed estimated revenue by 24.1 per cent

The cost base for 2022–23 heavy vehicle charges is \$4,362.9 million compared to estimated revenue for 2022–23 at current charges (as apply during 2021–22) of \$3,515.6 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 2021 have been implemented to date.

The NTC estimates that current heavy vehicle charges would need to rise by 24.1 per cent in 2022–23 to ensure governments recover the amount spent on providing roads to heavy vehicles in 2020–21.

Table 4. Increase in revenue required

Calculation of increase required to achieve full cost recovery	\$m
Heavy vehicle cost base for 2022–23 (expenditure up to 2020–21)	4,362.9
Estimated heavy vehicle charges revenue at current charges in 2022–23	3,515.6
Difference	847.4
Difference as percentage of estimated heavy vehicle charges revenue at current charges 2021–22	24.1%

4 Proposal

ITMM has agreed to consult on a potential 2.75 per cent increase to heavy vehicle charges. As instructed by the acting Transport Minister, the National Transport Commission will undertake the consultation between 31 January and 1 April 2022.

In making this decision, Ministers were mindful of the growing gap between the heavy vehicle share of recent government road expenditure and the current level of charges. Ministers acknowledged that charges needed to move back towards cost recovery levels, but also that any increase needed to be manageable for industry.

4.1 Federal Minister of Transport's proposed RUC rate

This proposed increase would result in the following RUC rates applying:

Table 5. RUC rates

Financial year	RUC rate in c/litre	RUC rate for gaseous fuels in c/kg
2022–23	27.2	36.3

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

4.2 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 2.75% in 2022–23.

The regulatory component of registration charges will be re-set for 2022-23 on the basis of the NHVR's approved budget of \$165.924m. 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 2021–22 that would be paid by common heavy vehicle types under the proposed increase. A more comprehensive list of registration charges is provided in Appendix B.

Table 6. Total registration charges for selected heavy vehicle types under the proposed 2.75% increase

	2021–22 total registration charge	2022–23 total registration charge	Change between 2021–22 and 2022–23
2-axle rigid truck, no trailer, GVM to 12 tonnes	\$617	\$629	+\$12
3-axle rigid truck, no trailer, GVM over 16.5 tonnes	\$1,162	\$1,185	+\$23
3-axle rigid truck with a 3-axle dog trailer over 42.5 tonnes GCM	\$11,712	\$12,018	+\$306
6-axle articulated truck	\$6,370	\$6,530	+\$160
9-axle B-double	\$15,104	\$15,488	+\$384
Double road train	\$15,160	\$15,544	+\$384

Due to the almost static regulatory component of registration charges, the increase in the total registration charges for 2022–23 is less than 2.75 per cent.

4.3 Financial Implications

The following table shows the financial implications for industry and governments of a 2.75 per cent increase in heavy vehicle charges.

Table 7. Comparison of heavy vehicle cost base and estimated revenue (\$m) under the proposed 2.75% increase

Charges year	2022–21 (current)	2022–23 (2.75% increase)
Heavy Vehicle Cost Base	3,817.2 ⁷	4,362.9
Estimated Road User Charge Revenue	1,953.0	2,022.6
Estimated Registration Roads Component Revenue	1,496.3	1,595.2
Total Heavy Vehicle Charges Revenue	3,449.4	3,617.8
Difference between Heavy Vehicle Cost Base and Total Revenue	-367.9	-745.1

This shows that heavy vehicle operators are estimated to pay an additional \$168.4m in heavy vehicle charges in 2022–23 compared to 2021–22.

Governments depend on revenue from heavy vehicle charges to be able to fund the investment in the road network reflected in recent road expenditure figures.

⁷ The figure of \$3,817.2m for the heavy vehicle cost base for the 2021-22 charges year was calculated in early 2021, at the time ITMM considered options for setting heavy vehicle charges for the 2021-22 charges year. It reflects the information available at that time. Since then, some governments have re-stated their road expenditure. If re-calculated based on the latest available data, this figure would change.

5 Next steps



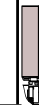


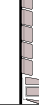



5.1 Next steps

Public submissions on this proposal are invited through this discussion paper available on the NTC website. The closing date for submissions is 1 April 2022.

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 Deputy Prime Minister as Minister for Transport.

Appendix A Heavy vehicle charges

The proposal is that a 2.75 per cent increase be applied to the roads component of registration charges in 2022–23. The regulatory component of registration charges will be re-set on a cost recovery basis for 2022–23, with minimal changes expected. This means that the overall increase in total registration charges including both regulatory and roads components is expected to be slightly below 2.75 per cent, as shown in the table below.

Vehicle Type	Mass Rating for Charging	2021+22 Heavy Vehicle Registration Charges			2022-23 Heavy Vehicle Registration Charges (proposed)			Change from 2021+22 to 2022-23	
		Roads Component	Regulatory Component	Total Registration Charge	Roads Component	Regulatory Component	Total Registration Charge	\$	%
	Up to 12.0t	422	195	617	434	195	629	12	1.94%
	Over 12.0t	738	255	993	758	255	1,013	20	2.01%
	Under 42.5t	1,992	341	2,333	2,048	341	2,389	56	2.40%
	Up to 16.5t	738	230	968	758	230	988	20	2.07%
	Over 16.5t	837	325	1,162	860	325	1,185	23	1.98%
	Under 42.5t	2,718	416	3,134	2,795	416	3,211	77	2.46%
	Over 42.5t	11,010	702	11,712	11,315	703	12,018	306	2.61%
	Over 42.5t	11,637	704	12,341	11,960	705	12,665	324	2.63%
	Up to 20.0t	738	245	983	758	245	1,003	20	2.03%
	Over 20.0t	837	346	1,183	860	346	1,206	23	1.94%
	Up to 12.0t	317	204	521	325	204	529	8	1.54%
	Over 12.0t	317	334	651	325	334	659	8	1.23%
		2,317	414	2,731	2,380	414	2,794	63	2.31%
		5,912	458	6,370	6,072	458	6,530	160	2.51%
		14,084	1,020	15,104	14,467	1,021	15,488	384	2.54%
		14,084	1,076	15,160	14,467	1,077	15,544	384	2.53%
		15,785	1,186	16,971	16,213	1,187	17,400	429	2.53%

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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