

Implementing a forward-looking cost base for heavy vehicle charges

Overview | February 2026



Supporting document for the consultation regulatory impact statement

About this summary guide

- This summary guide has been developed as a **brief overview** of the detailed information contained within the associated **Consultation Regulatory Impact Statement (C-RIS)**.
- For more **detailed information** please refer to the **C-RIS document** or reach out and contact the NTC team.
- C-RIS document is intended to explore **the model under which charges are set**, and a range of illustrative transition options to set heavy vehicle charges applying from 2027-28.



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Heavy vehicle charging fundamentals

There are three key components of heavy vehicle charges in Australia:

Road User Charge (RUC)

- Collected by the Commonwealth Government from fuel suppliers in the form of fuel excise tax.
- Heavy vehicle operators can claim the difference between the fuel excise and RUC for fuel used travelling on public roads when lodging their tax returns.
- The amount of RUC paid by a heavy vehicle operator depends on a vehicle's fuel consumption.
- Fuel excise only applies to petrol, gas and diesel. Vehicles powered by other fuels (e.g. electric and hydrogen) do not pay RUC.



National

Registration Charge (Roads Component)

- Collected by State and Territory Governments at the time of registration or renewal.
- The charge is also applicable to trailers.
- The registration charge is based on vehicle or trailer type.
- The registration charges tend to be higher for larger and heavier vehicle types.



National (except WA and NT)

Western Australia and the Northern Territory levy registration charges on vehicles however they are not included in the national price setting process undertaken by the NTC.

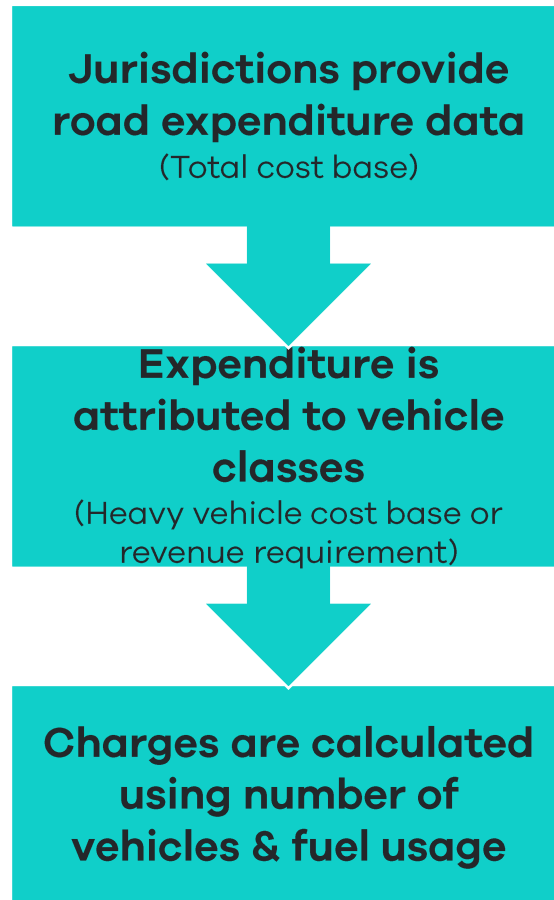
Registration Charge (Regulatory Component)

- Collected by State and Territory Governments at the time of registration or renewal.
- While included in the total registration charge, this amount is determined separately to the registration charge.
- This charge is calculated based on the approved budget of the National Heavy Vehicle Regulator (NHVR)
- This does not apply in WA and NT.



How charges are set

The 3 stages in calculating heavy vehicle charges:



The changes being proposed only affect the first stage of charge setting:

The current model (PAYGO)

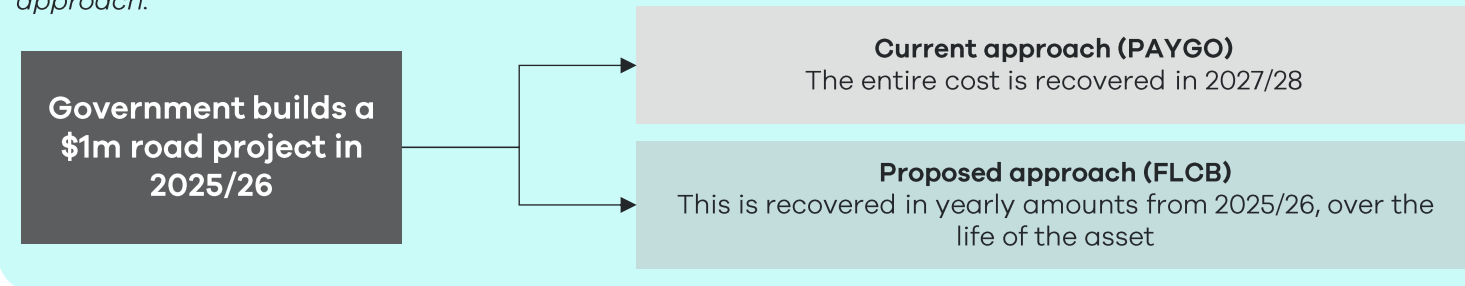
Currently, charges are calculated using a model known as PAYGO. PAYGO uses historic actual expenditure data to recover road expenditure. Over time, due to the variability of road expenditure and past decisions to limit increases in charges, a gap between what is spent and what is collected has emerged.

The future model (FLCB)

The NTC is proposing that charges be calculated using a forward-looking cost base (FLCB) model. This sees charges move from being calculated on historical expenditure to forecast, or forward looking, expenditure. Importantly, the FLCB model recovers capital expenditure over the life of the asset, rather than immediately after it occurs. This model will see more predictable changes in charges, which are less sensitive to changes in expenditure.

What does this mean?

This is a simplified hypothetical scenario explaining the key differences between the current and proposed approach.

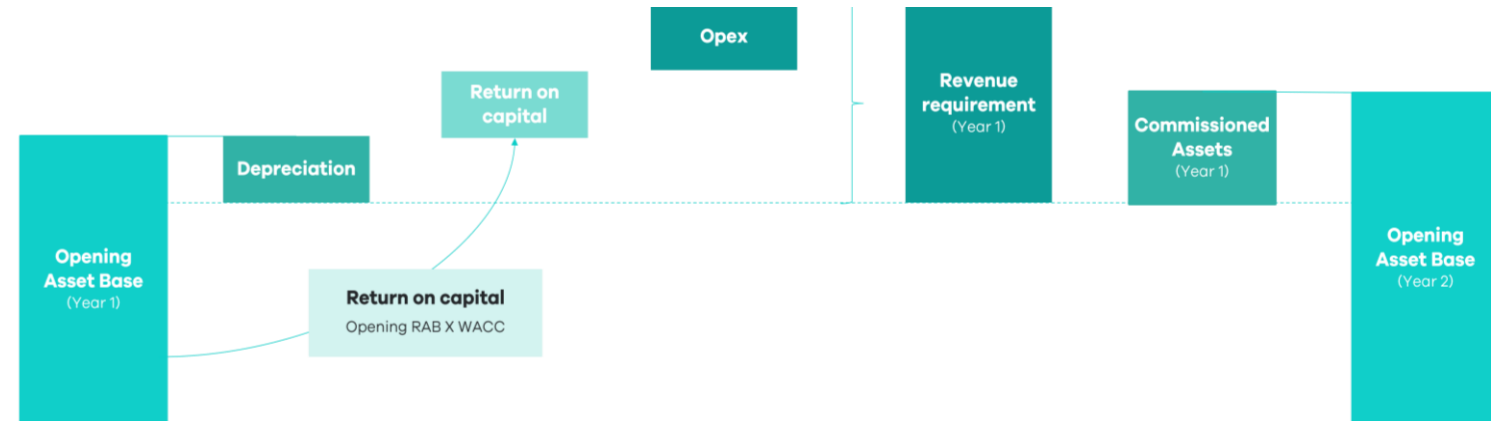


Note: To implement the transition to a new model there may be minor changes to the way in which the second and third stages operate, however in principle these elements remain unchanged.

How the FLCB works

How a forward-looking cost base model will work


State and Territory Governments will provide forecast road expenditure. With these forecasts, three components, known as building blocks, will be calculated which collectively form the revenue requirement (the total amount to be collected through charges).




The FLCB model is similar purchasing a house using a mortgage

	<h3>A mortgage</h3> <ul style="list-style-type: none"> Principal repayment Interest repayments Maintenance & insurance 		<h3>The FLCB model</h3> <ul style="list-style-type: none"> Depreciation Return on capital Operating expenditure
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Other regulated industries which use FLCB models to set charges




Fixed Line Phone Services



NBN and ADSL networks



Australian Rail Track Corporation



Australia Post

The inputs of an FLCB model

We have developed the proposed model settings in consultation with government and industry stakeholders

Expenditure categories

State and territories provide expenditure forecasts for the next 3 years and actuals for the most recent year to the NTC annually. This expenditure is broken down by categories which allow for like assets to be combined.

Depreciation

Capital expenditure is depreciated, at a category level, evenly over the course of the asset life. States and territories provide the asset lives when providing their expenditure returns.

Local government expenditure

The FLCB model uses the ABS' dataset which reports local government road expenditure across Australia. Any funds provided to local governments by states and territories are removed if they are also reported by the state or territory.

Rates of return

To calculate the return of capital building block an interest rate is used, the selected interest rate used in the FLCB model is a 14-year trailing average return on either Australian Government bond rates or a blended rate.

Inflation

To ensure that the value of assets maintains value over the time the RAB is indexed. The forecast for the rate of inflation utilises a hybrid of the RBA's inflation forecast and the mid point of their target inflation rate.

Toll roads and PPPs

Where states and territories involve the private sector in aspects of road projects such as public private partnerships or toll road projects, this expenditure is treated different. If a state or territory does not contribute funds or receive any revenue, the project is excluded from the cost base. If funds are contributed or revenue is received these are included in the cost base, as expenditure less any revenue received.

Regulatory Asset Base (RAB)

Each year, expenditure is added to a cumulative calculation representing the total expenditure, less accumulated depreciation, which forms a regulatory asset base.

A key element of the transition to a FLCB model is establishing the opening asset base. The value of this asset is set using a 'line-in-the-sand' approach which ensures stability of charges over the transition period.

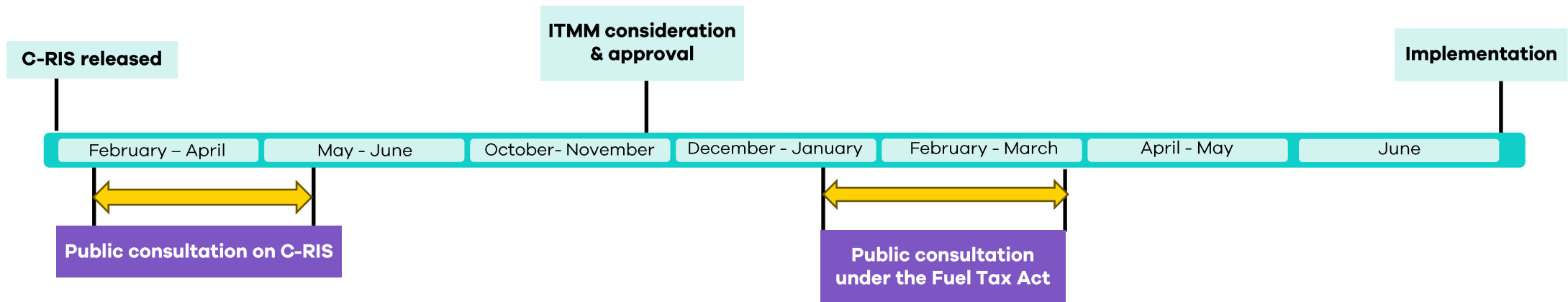
Regulator costs

The regulatory component of the registration charge is adjusted each year. It is set to recover the NHVR's annual budget, as approved by transport ministers.

What are the options being proposed

	Base case	Option 1	Option 2	Option 3
Summary	Preferred 2026-27 charges continued	FLCB with 2.5% increase in 2027-28	FLCB with 6% increase in 2027-28	FLCB with 10% increase in 2027-28
Increase to charges in first year	No change	2.5% increase	6% increase	10% increase
Model used	PAYGO	FLCB		
Pricing period	Up to 3 years	3 years		
Average price change over 3-year period	-	3.2%	4.8%	6.6%
Inclusion of non-standard financing	X	✓	✓	✓
True-up mechanism	X	✓	✓	✓

The road to implementation





Further consultation


In addition to the current consultation being undertaken for the C-RIS there will be an additional consultation process on the proposed Road User Charge as required under the Fuel Tax Act.


What will the impact be ⁷

Illustrated below are total registration charges calculated by the FLCB model, these results are indicative only and proposed charges will be finalised when data is available.

		Total registration charge (year 1)
 2 axle rigid truck no trailer GVM 7 - 12t	Current (base case)	\$543
	Option 1	\$556
	Option 2	\$575
	Option 3	\$597

		Total registration charge (year 1)
 3 axle rigid truck no trailer GVM > 18t	Current (base case)	\$1,133
	Option 1	\$1,161
	Option 2	\$1,201
	Option 3	\$1,246

		Total registration charge (year 1)
 Bus GVM > 12t	Current (base case)	\$429
	Option 1	\$439
	Option 2	\$454
	Option 3	\$471

		Total registration charge (year 1)
 B-double articulated truck >9 axles	Current (base case)	\$18,097
	Option 1	\$18,522
	Option 2	\$19,182
	Option 3	\$19,906

Note: Current charges represents approved heavy vehicle charges for 2026/27. Sub-option A is referenced in the above values.

Have your say ⁷

- On the following page we outline the key questions we are seeking views from stakeholders on the options for developing a forward-looking cost base for heavy vehicle charges
- There are questions posed throughout this paper to help guide stakeholder discussion. Questions follow each relevant chapter of the paper.
- Broad comments and views are also welcome. Your feedback will ensure the forward-looking cost base for consideration is robust, achievable and accepted by the community.
- We invite you to write a submission or complete the survey at the Have Your Say portal on the National Transport Commission website (ntc.gov.au).
- Submissions close at 5.00 pm on 21 May 2026.



What are your views?

Overview of FLCB model

- Q1** How important is the aim of reducing the volatility of heavy vehicle charges?
- Q2** Do you support the transition to the forward-looking cost base method?
- Q3** Are there other issues that need to be considered when ITMM decides whether to adopt the forward-looking cost base to set heavy vehicle charges in the future?

Model & policy design

- Q4** Do you agree with the expenditure categories? If not, please outline your preferred approach.
- Q5** Do the current expenditure categories allow for a fair estimate of the collective asset lives with each category?
- Q6** Do you prefer using a rate of return based on the Australian Government 10-year bond rate or a blended rate in the FLCB model? What reasons is your preference based on?
- Q7** Do you agree with the proposed treatment of toll roads and non-standard financing projects? If not, please outline your preferred approach.

- Q8** Do you agree with the recommended approach to true-ups? If not, please outline your preferred approach.
- Q9** Do you agree with the use of ABS' Government Financial Statistics data to forecast the local government road expenditure for the FLCB model? If not, provide details of your preferred source for government road expenditure.
- Q10** Do you agree with the local government road expenditure forecasting methodology? If not, outline your preferred methodology.
- Q11** Do you agree with allocating local government road expenditure to FLCB asset and expenditure categories via jurisdictional category expenditure over each year of the three-year regulatory period?
- Q12** Do you agree with the proposed approach regarding hybrid and electric heavy vehicles? If not, what is your preferred approach and what information should this approach be based on?
- Q13** Do you agree that, if possible, year-to-year adjustments to the regulatory portion of heavy vehicle registration charges should be implemented through an automatic adjustment mechanism in the Heavy Vehicle Charges Model Law?

What are your views?

Long term outcomes

- Q14** Do you have any comments on the sensitivity analysis?
- Q15** Are there any other sensitivity analyses that should be considered?
- Q16** Do you support using the sum-of-the-years digits method for depreciating the initial RAB? If not, are you aware of an alternative methodology that would provide a low value for depreciation of the initial RAB in the final year?
- Q17** Do you support adopting a 20-year lifespan for the initial RAB? If not, what lifespan would you prefer, and for what reasons?

Implementation

- Q18** Do you agree with the proposed information publication measures and how its outputs are used to advise governments on setting heavy vehicle charges from time to time
- Q19** Is there other information that should be published?
- Q20** Do you support the broad approach to communication surrounding expenditure forecasts? If not, what other approach should be considered?

Charge setting options

- Q21** Do you support any of the four options as presented? Outline the reasons for your preference
- Q22** Are there any alternative options not included in this C-RIS that should be explored? Outline why this alternative option is preferred to the ones included in this C-RIS



 **Economics Team**

National Transport Commission

