Small Business Commissioner

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Forward-Looking Cost Base
National Transport Commission
Level 3/600 Bourke Street
Melbourne VIC 3000

By online submission:
https://www.ntc.gov.au//webform/2026_flcb_submission?source_entity_type=node&source_entity_id=1085

To whom it may concern

The NSW Small Business Commission (the Commission) welcomes the opportunity to provide feedback on the National Transport Commission's (NTC) proposal to implement a forward-looking cost base (FLCB) for heavy vehicle charges from 2027-28.

The Commission is an independent statutory office of the NSW Government. It provides strategic advice, advocacy, and affordable dispute resolution services across NSW, and serves as the Registrar of Retail Tenancy Disputes under the *Retail Leases Act 1994* (NSW).

As an agency that regularly engages with small businesses across NSW, the Commission is aware of the challenges facing small businesses in the current economic and trading environment. The Commission notes that the proposal does not currently appear to factor in the impacts of implementing an FLCB, including increased heavy vehicle charges, specifically on small businesses, and that these impacts should be appropriately considered.

Current small business landscape

In NSW, transport, postal and warehousing is the fourth-largest small business sector, representing 8.2 per cent of all small businesses in NSW. As the fourth-largest small business sector, any increase in heavy vehicle charges is likely to have broad impacts across a significant number of small businesses, with costs multiplied for businesses operating multiple vehicles.

More broadly, small businesses in NSW continue to navigate challenging trading conditions. The Commission's most recent Momentum Survey Report (April 2026) shows business confidence has reached an all-time low of 14 per cent. This is lower than during the COVID-19 (24 per cent in April 2020) and even lower than following the May 2025 Severe Weather Event (20 per cent).

Additionally, concerns about input costs remain elevated, with 90 per cent of small businesses indicating they were very or somewhat concerned about rising input costs in April 2026, a new record high. This is supported by third-party economic data from the Australian Bureau of Statistics (ABS), with the Consumer Price Index (CPI) rising by 24.9 per cent over a six year period between the March 2020 quarter and the March 2026 quarter.

Further, insolvency levels in the transport, postal and warehousing sector in NSW are rising sharply. According to the Australian Securities and Investments Commission's (ASIC) insolvency statistics, 282 companies entered external administration or had a controller appointed in the 2024-25 financial year, up from 201 in 2023-24, a 40 per cent increase on the previous financial year.

Taken together, these indicators suggest the proposed changes are being introduced at a time when small businesses are navigating particularly challenging trading conditions and are highly sensitive to any increases in costs. Even if these changes are implemented in 2027-28, there is no clear indication trading conditions will materially improve by that time.

Disproportionate impact on small businesses

Small businesses are typically more vulnerable to cost increases than larger businesses because they operate on tighter margins and have a limited ability to spread or absorb additional costs across their operations. The proposal presents cost changes on a per-vehicle basis. Many small businesses operate multiple vehicles, meaning the financial impact may be significant when multiplied across their fleets.

In circumstances where small businesses operate as sole traders or subcontractors to principal contractors or larger businesses, and are responsible for all vehicle-related costs, including fees and charges, they may have limited ability to pass these increased costs on. In these arrangements, small businesses are in a vulnerable negotiating position when seeking increased payments for services to offset rising costs.

Cumulative cost pressures

Small businesses are facing cumulative cost pressures from both the private and public sectors, and the impact of any cost increases arising from the implementation of an FLCB should be considered within this broader operating environment, rather than in isolation. While individual fee or charge increases may be considered moderate or reasonable when assessed independently, the cumulative impact of increasing regulatory and compliance costs across all levels of government is contributing to rising operating costs for small businesses. Stakeholder feedback indicates government fees and charges are increasingly viewed as contributing to inflationary pressures.

Small businesses continue to face growing regulatory requirements, compliance obligations and associated costs, which stakeholders report are, in some cases, increasing at a rate above inflation. At the same time, many small businesses report limited capacity to pass these increased costs on to consumers.

These pressures are further compounded by government thresholds and policy settings that have remained largely unchanged for several years. For example, thresholds such as payroll tax have not kept pace with increases in wages and CPI, resulting in bracket creep and progressively increasing cost burdens over time. Some stakeholders have also raised concerns about operating costs continuing to rise without corresponding productivity gains or revenue growth.

Supply chain impacts

Any increase in costs, including heavy vehicle charges arising from the proposed implementation of an FLCB, is likely to place additional pressure on supply chains. In many cases, these costs are ultimately borne by small businesses or consumers, as they often sit at the lower end of contracting chains.

Large transport operators and businesses in associated sectors are likely to pass increased heavy vehicle charges down through supply arrangements, leaving small businesses to absorb rising expenses or pass costs on to their clients, potentially reducing their competitiveness. The potential for these broader supply chain impacts, including further inflationary pressures, should be considered as part of the proposal to implement an FLCB.

Broader revenue shortfall considerations

While addressing the revenue shortfall is important, solutions should also take into account the current small business operating environment, consider cumulative impacts rather than isolated charges, and explore whether other initiatives, such as improved infrastructure delivery, could achieve efficiency gains or cost savings, rather than relying primarily on increased fees and charges. This also presents an opportunity to consider whether productivity improvements could accompany or offset any increased charges.

While it may be reasonable and practical for governments to recover costs through increased charges, continued reliance on this approach to addressing revenue shortfalls is contributing to growing compliance obligations, regulatory requirements and associated costs for small businesses.

Thank you for the opportunity to provide feedback on NTC's proposal to implement a FLCB for heavy vehicle charges from 2027-28. The Commission looks forward to continued engagement. If you require additional information, please contact my Executive Officer at commission@smallbusiness.nsw.gov.au.

Yours sincerely

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Kalina Koloff
Commissioner
NSW Small Business Commission

Date: 01/06/2026