

Heavy vehicle charges Consultation 2026 - 27

NatRoad submission to National Transport Commission

Executive summary

- The proposed 6.0% RUC increase exceeds both current CPI (~3%) and the long-run, 20-year CPI average of 2.5%–3.0%.
- Transport businesses are facing the highest sustained cost pressures in over a decade, including 15–25% increases in insurance, 10–20% rises in parts and maintenance, and up to 12% increases in workers compensation premiums.
- Most freight operators, especially SMEs, operate on margins below 3%, and the sector is experiencing one of the highest insolvency rates in the economy, meaning above-trend increases are not sustainable.

About NatRoad

As Australia's largest association representing thousands of road freight transport businesses, the National Road Transport Association (NatRoad) advances the interests of a \$96 billion industry. Our Board draws from operators across the sector, from owner drivers to national fleets, ensuring our advocacy reflects practical realities and commercial pressures. As a leading voice for the industry, NatRoad works with government, members, industry and partners to improve the operating environment for freight operators nationally.

The National Transport Commission (NTC) is consulting on proposed changes to the Heavy Vehicle Road User Charge (RUC) for 2026–27 as part of its broader efforts to align heavy vehicle charges with road expenditure and long term cost recovery principles. As the peak body representing road freight operators of all sizes, NatRoad has a direct interest in ensuring RUC settings are fair, economically responsible and reflective of the sector's capacity to absorb additional costs, particularly during a period of historically high inflation in core operating inputs.

NatRoad's Understanding of the Proposed Increase

The NTC proposes a 6.0% increase to heavy vehicle charges in 2026–27, including raising the RUC from 32.4 cents to 34.3 cents per litre.

The consultation paper estimates:

- Heavy vehicle cost base (2026–27): \$6.307 billion;
- Expected revenue under current charges: \$5.621 billion;
- Funding gap: ~\$686 million.¹

¹ NTC, *Heavy Vehicle Charges Consultation Report 2026–27*, pp. 17–18.

This proposed increase exceeds both:

- Current inflation (~3%); and
- 20-year average CPI of 2.5%–3.0%².

The heavy vehicle sector acknowledges the importance of sustainable road funding, but aligning charges with cost recovery must also consider operator capacity, supply chain impacts and structural under-investment in the road network.

NatRoad's Key Concerns

Transport businesses are currently experiencing the most sustained cost escalation in more than a decade:

- Heavy vehicle insurance premiums have risen 15–25%³;
- Workers' compensation premiums have increased up to 12%⁴;
- Parts, maintenance and repairs have risen 10–20%⁵;
- Fuel and labour costs continue to rise due to volatility, award increases, and skilled driver shortages;
- The transport, postal and warehousing sector has one of the highest insolvency rates across all industries⁶.

Most small and medium operators run on margins below 3%, limiting their ability to absorb further government mandated cost increases. Applying a 6.0% RUC increase, double the long run CPI average, risks accelerating business closures, reducing competition (particularly in regional areas), and increasing costs across supply chains.

For example, should the NTC's proposal of a 6% increase be accepted, the RUC would impose additional costs of approximately \$1,940 per year for an operator consuming 100,000 litres of diesel, whereas a 3% increase, in line with inflation, would limit the annual impact to around \$970, half the cost burden. When extrapolated across a fleet, a small operator running 10 trucks could face nearly \$20,000 in additional annual operating costs under the NTC's proposal.

A typical operator using 100,000 litres of diesel per year now pays \$32,400 per truck under the 6% RUC schedule, compared with \$29,700 if the RUC had risen in line with CPI. This represents an annual difference of approximately \$2,700 per truck, or \$27,000 for a small 10-truck fleet. Over the three-year period, the cumulative impact is more than \$5,200 per truck, more than double the cost burden that would have occurred under CPI.

² ABS & RBA, *Historical CPI Series* (20-year CPI trend 2005–2024).

³ NTI, *NTARC Major Accident Investigation Report 2024–25*.

⁴ Safe Work Australia, *Workers' Compensation Scheme Performance Report 2024*.

⁵ AAAA, *Parts and Maintenance Cost Index 2024–25*.

⁶ ASIC, *Insolvency Statistics 2024–25*, Transport, Postal & Warehousing sector.

NatRoad's Position on the Proposed Increase

NatRoad recommends any RUC increase for 2026–27 be capped at no more than the average 12-month inflation rate of approximately 3.0%, representing an increase of 0.972 cents per litre. This:

- Aligns with current economic fundamentals and long run inflation trends;
- Avoids exacerbating viability pressures across the road freight sector;
- Prevents above trend increases ahead of the shift to the future Forward Looking Cost Base (FLCB) model.

Given cumulative above CPI increases in recent years and unprecedented cost pressures, a CPI aligned approach is the most proportionate and economically responsible approach.

Conclusion and Next Steps

NatRoad supports a fair and sustainable road-charging framework but considers the proposed 6.0% RUC increase disproportionate relative to both economic indicators and sector capacity. The NTC's own analysis highlights a \$686 million funding gap, but this shortfall should not be addressed through increases which exceed both current and long run inflation benchmarks.

NatRoad recommends adopting a CPI aligned increase for 2026–27 and focusing on the forthcoming consultation on the Forward-Looking Cost Base (FLCB). NatRoad understands the FLCB process includes expenditure modelling, efficient cost allocation, network prioritisation and transition arrangements. This consultation will be essential to establishing a fair, transparent and economically sustainable heavy vehicle charging system. NatRoad reaffirms any changes to the RUC need to be applied to all classes of vehicles including low emission vehicles to ensure road users pay for the roads they use and equity across road funding and investment.

NatRoad looks forward to engaging constructively to ensure future charges reflect the real cost of road use and the commercial realities facing road freight operators.

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About NatRoad

The National Road Transport Association (NatRoad) is Australia's largest national representative road freight transport operators' association. NatRoad represents road freight operators, from owner-drivers to large fleet operators, general freight, road trains, livestock, tippers, express, car carriers, as well as tankers and refrigerated operators.