



NATIONAL ROAD TRANSPORT ASSOCIATION

Submission to the National Transport Commission

***Heavy Vehicle Charges consultation 2022-2023 – Impact of Excise Cut
Highlighted***

31 March 2022

Executive Summary:

NatRoad is seeking an immediate temporary reduction of 18c in the Road User Charge (RUC) to deliver similar relief given to motorists by the temporary halving of fuel excise in the 2022-23 Federal Budget.

While the Budget announced a 22.1 cents per litre reduction in fuel duty for motorists, the effective reduction for heavy vehicle operators on public roads is only 4.3 cents per litre.

This is because heavy vehicles travelling on public roads have their fuel tax credit reduced by the RUC. The Budget leaves the RUC unchanged at 26.4 cents a litre. From 30 March 2022, the excise paid by heavy vehicles is 22.1 cents per litre, which is less than the RUC. The Fuel Tax Rebate Credit (FTC) for heavy vehicles on public roads has been reduced to nil.

As to other elements of our response to the National Transport Commission's (NTC) consultation request relating to proposed heavy vehicle charges:

- As previously expressed to the NTC, NatRoad strongly believes that road charging reform must take into account all road users and provide a better, more equitable system for paying for the costs of road construction.
- Members are against government-imposed cost increases in the current environment. We can no longer support the fixed price increase for heavy vehicle charges at 2.75% for 2022-23 as that increase provides further cost pressures to the heavy vehicle industry.
- A new costing model is needed to underpin the HVRR process and to provide better equity to the heavy vehicle sector. In the meantime, a fixed price increase is opposed given the high level of fuel increases and the small but welcome impact of the fuel excise reduction.

Introduction

1. The National Road Transport Association (NatRoad) is pleased to respond to the National Transport Commission's (NTC) consultation request. NTC is seeking feedback on behalf of Transport Ministers on a proposed 2.75% increase to heavy vehicle charges in 2022-23. This would apply to both the Road User Charge (RUC) and registration fees. In this context, NTC has produced a consultation report¹ (Report) on which comments are open to 1 April 2022. The operating environment has changed markedly since the publication of the Report. Hence, this submission focuses more on recent developments than the discussion in the Report.
2. 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, car carriers, as well as tankers and refrigerated freight operators.

Position: Reduce the Road User Charge

3. We note that in prior submissions NatRoad recommended, on the basis of simplicity, that if governments were to increase RUC and registration charges a small percentage increase or the rate of inflation, whichever is the lower, be adopted. This solution, we proposed, should be in place until a revamped cost model was implemented.
4. The NatRoad position remains that it is futile to continue to attempt to determine cost responsibility based on ex post State and Territory road expenditure. This leads to the situation where charges are driven solely by governments' spending plans, even where those plans are inconsistent with the industry's requirements (such as the need for more expenditure on road maintenance or sealing rather than particular newly constructed roads) or industry's ability to pay.
5. The statements in paragraphs 3 and 4 of this submission are, however, overshadowed by the NatRoad members operating environment in which cost pressures are intense. This cost pressure has arisen because of the very large increases in the cost of diesel that has occurred because of the Russian invasion of Ukraine.²
6. For the current financial year Transport Ministers have decided to adopt a similar approach to prior years i.e., to charge for a part of the assessed cost with a 2.75% annual increase endorsed.³
7. But events have occurred which mean that the road user charge should be adjusted so that industry participants are given similar relief as general citizens. The measures recently taken by the federal Government in reducing the fuel excise for a temporary period, discussed infra, provides much smaller relief for industry than for the public.
8. The industry has sequentially suffered from the impact of bush fires, floods (which continue) COVID-19, and now record price increases induced by the Russian invasion of Ukraine.

¹ (<https://www.ntc.gov.au/transport-reform/ntc-projects/heavy-vehicle-charges-2022-23-financial-year>).

² See for example T Brooker *Crisis looms as Russia-Ukraine tensions impact petrol prices* [Petrol prices: How Russia-Ukraine tensions cause rise in fuel cost | news.com.au — Australia's leading news site](https://www.news.com.au/news/politics-and-government/petrol-prices/news-story/20220303)

³ <https://www.infrastructure.gov.au/transport/infrastructure-transport-ministers/files/infrastructure-and-transport-ministers-30-march-2021.pdf>

These events and difficult industry conditions have constrained the industry's ability to cope with increased costs, inclusive of government charges.

9. The factors mentioned in the prior paragraph point to the need to re-examine the current pricing mechanisms, that is heavy vehicle registration charges and the road user charge (RUC) applied to reduce the fuel tax rebate payable as a means of making fairer the fuel tax excise.
10. That lack of fairness is evident from the way the welcome reduction in fuel excise impacts NatRoad's members. The 2022-23 budget announced a 22.1 cents per litre reduction in fuel duty. Through the passage of the *Excise Tariff Amendment (Cost of Living Support) Bill 2022* and the *Customs Tariff Amendment (Cost of Living Support) Bill 2022* on 30 March 2022 the fuel excise has been halved from 44.2 cents per litre to 22.1 cents per litre. The reduction in fuel duty took effect at 12.01am on Wednesday 30 March 2022. It will end at 11.59am on 28 September 2022.
11. However, for members' on-road fuel use, the effective reduction is 4.3 cents per litre not 22.1 cents per litre. This is because members pay an effective fuel duty rate of 26.4 cents per litre. This rate is obviously the road user charge which is under scrutiny by the NTC and Transport Ministers and determines the final level of fuel tax credits that members are entitled to receive. Members will not receive fuel tax credits for their on-road fuel use during the period of the temporary reduction. Instead, they will pay fuel duty at 22.1 cents per litre, which is 4.3 cents per litre less than the road user charge.
12. The above is explained by Treasury in its Fact Sheet⁴ thus:

Heavy vehicles travelling on public roads have their fuel tax credit reduced by the RUC. This means that not all fuel excise is refunded for heavy vehicles travelling on public roads. The Government is not changing the existing RUC arrangements for heavy vehicles travelling on public roads, but the temporary reduction in fuel excise will provide a net benefit for heavy vehicle operators of 4.3 cents per litre from 30 March, compared to current settings. This is because the RUC is currently 26.4 cents per litre of fuel used and, from 30 March 2022, the excise paid by heavy vehicles will be 22.1 cents per litre, which is less than the RUC. The FTC for heavy vehicles on public roads will reduce to nil.
13. Members are in difficulty because of the rapid increase in fuel prices. Whilst the reduction of 4.3 cents is welcomed, it is insufficient (especially when compared with the direct relief given to the public) to keep many members afloat.
14. In addition, there are a number of practical problems as a result of the change. As noted by the Treasurer in his Budget Speech and widely agreed by the fuel distributors, the price relief will take a couple of weeks to flow through to members – as excise is paid when fuel leaves the fuel terminal but it may take a couple of weeks to be sold to a customer at a fuel station. In this period, the excise embedded in the fuel will be 44.2 cents per litre but the FTC entitlement will be 0 cents per litre – as the FTC rate is based on the date you acquire the fuel. We estimate this will cost transport operators \$250 per truck during this period. A significant burden for an industry already under pressure.
15. Further, members are indicating that because the posted fuel price will be 22 cents less and the relevant fuel levy provision in their commercial contract is calculated on the bowser price they are worse off than before the reduction in excise.⁵ In addition, feedback from

⁴ [Budget 2022-23 - Fuel excise fact sheet](#)

⁵ Illustrated through a common customer metric; <https://freightmetrics.com.au/fuel-levy-calculator/>

members is that the “terminal gate price” index⁶ will also deliver them a reduced fuel levy on a commercial basis. This is a very real systemic problem that was difficult to foresee when the excise reduction was proposed. Members have called NatRoad to specifically complain that their fuel levy has reduced by circa 5%.

Reduction in the Road User Charge

16. Based on the prior points, NatRoad is seeking at least a temporary reduction in the RUC that delivers similar relief to members as the relief provided to the public, that is a reduction in the RUC of 18 cents per litre. That relief could extend during the period set out in paragraph 10 above or for a longer period to take into account the timing inequity mentioned in paragraph 14 above.

Conclusion

17. Road charging reform must consider all road users and provide a better, more equitable system for paying for the costs of road construction. In normal circumstances, a fixed price increase that provides cost certainty and better equity to the heavy vehicle industry would be supported. But given the current circumstances of extraordinary fuel prices and the disjunction between the relief given to the public and to the heavy vehicle industry, NatRoad calls for a reduction in the road user charge.

⁶ E.g. [Terminal Gate Prices | Australian Institute of Petroleum \(aip.com.au\)](https://www.aip.com.au/terminal-gate-prices)