



1 April 2022

National Transport Commission
Level 3/600 Bourke Street
Melbourne VIC 3000

Via email: enquiries@ntc.gov.au

RESPONSE TO HEAVY VEHICLE CHARGES CONSULTATION REPORT

I write to advise that the Australian Livestock and Rural Transporters Association (ALRTA) does not support the Infrastructure and Transport Ministers Meeting's proposal to increase heavy vehicle registration and Road User Charges by 2.75 per cent in 2022-23. ALRTA would however support an increase of 2.5 per cent.

Our rationale in this regard is outlined below.

The Australian Livestock and Rural Transporters Association

The ALRTA is the peak body representing road transport businesses servicing the agricultural supply chain. We are a federation of six state associations including:

- Livestock, Bulk and Rural Carriers Association of New South Wales
- Livestock and Rural Transporters Association of Victoria
- Livestock and Rural Transporters Association of South Australia
- Livestock and Rural Transporters Association of Western Australia
- Livestock and Rural Transporters Association of Queensland
- Livestock Transporters Association of Tasmania

Together our associations represent around 700 transport businesses including owner-drivers, small fleet operators and large fleet operators.

Consideration of the Charging Consultation Report

The ALRTA National Council has considered the National Transport Commission's (NTC) Heavy Vehicle Charges Consultation Report on 4 February 2022. Key among the Council's considerations were current industry performance, infrastructure spending, recovery of charge increases and fair cost recovery principles.

Current Industry Performance

The Australian agricultural sector is recovering from a prolonged drought, bushfires and disruption due to COVID-19. ALRTA greatly appreciates the decision of (most) Australian governments to continue the heavy vehicle charges freeze in response to the crisis.

While at any one point in time there are individual transport businesses booming or in decline, overall demand for rural freight services is improving. The 2020-21 and 2021-22 harvests were at near record levels, livestock prices are high and fodder is available. ALRTA considers the rural trucking sector in position to make steps towards fair cost recovery via heavy vehicle charges.

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Together We Are Stronger

Investment in Road Infrastructure

ALRTA acknowledges that State and Territory investment in road infrastructure has increased by 20 per cent between 2016-17 and 2019-20. We also appreciate that the Australian Government's response to COVID-19 has included a \$1.5 billion infrastructure stimulus package that compliments a commitment of \$2.5 billion for local road and community infrastructure projects.

Our members report that there is a demonstrable increase in road works on regional freight routes around Australia. We do however have concerns regarding the lack consultation with the ALRTA or our state associations about the nature and quality of regional road works. Given that our members pay for the road works, we ought to have some say in how our money is spent.

Recommendation 1: *That Australian Governments be required to consult with peak road freight associations about the nature and quality of regional roadworks funded by heavy vehicle charges.*

Investment in Transport Businesses

ALRTA appreciates the additional measures implemented by the Australian Government to provide financial support during the COVID-19 pandemic. Of particular assistance to the rural transport sector were the cash flow boost; increase in the asset write-off to 31 December 2020; and accelerated depreciation of new business assets to 30 June 2021.

The measures have enabled road transport businesses to bring forward business level investments that have also benefited the supply chain and broader Australian economy. We understand that domestic truck and trailer manufacturers (and allied suppliers) have rarely been so busy.

Australia is in Recovery Mode

Road freight transport is at the core of the Australian economy. Freight is not moved for its own sake. Trucks essentially move freight from a place of lower value to a place of higher value, while at the same time representing and input cost of production for most Australian businesses. Taxing transport is akin to taxing Australian business.

While most sectors are rebounding strongly from the pandemic, the Australian National Accounts to December 2021, indicate that the transport, warehousing and postal sector remains 10.9 per cent down on pre-pandemic levels in terms of gross value added (chain volume measures, seasonally adjusted) (Figure 1).

The reasons for this situation are many fold.

Firstly, it takes time for the transport sector to adjust to changes in freight flows. Operators ordering new trucks and trailers must currently wait more than 9 months for delivery.

Secondly, inflation is currently rampant with significant increases in the cost of trucks, tyres, parts and servicing – in some cases there have been increases of more than 50 per cent.

Thirdly, there has been a massive increase in the cost of fuel – a key contributor to freight transport costs. According to the National Accounts, fuel prices have increase 6.6 per cent over the last quarter and by more than 50 per cent over the past year. The ongoing war in Ukraine has led to more uncertainty, with a large spike in current prices not yet reflected in official statistics.

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Gross value added by industry, chain volume measures, seasonally adjusted

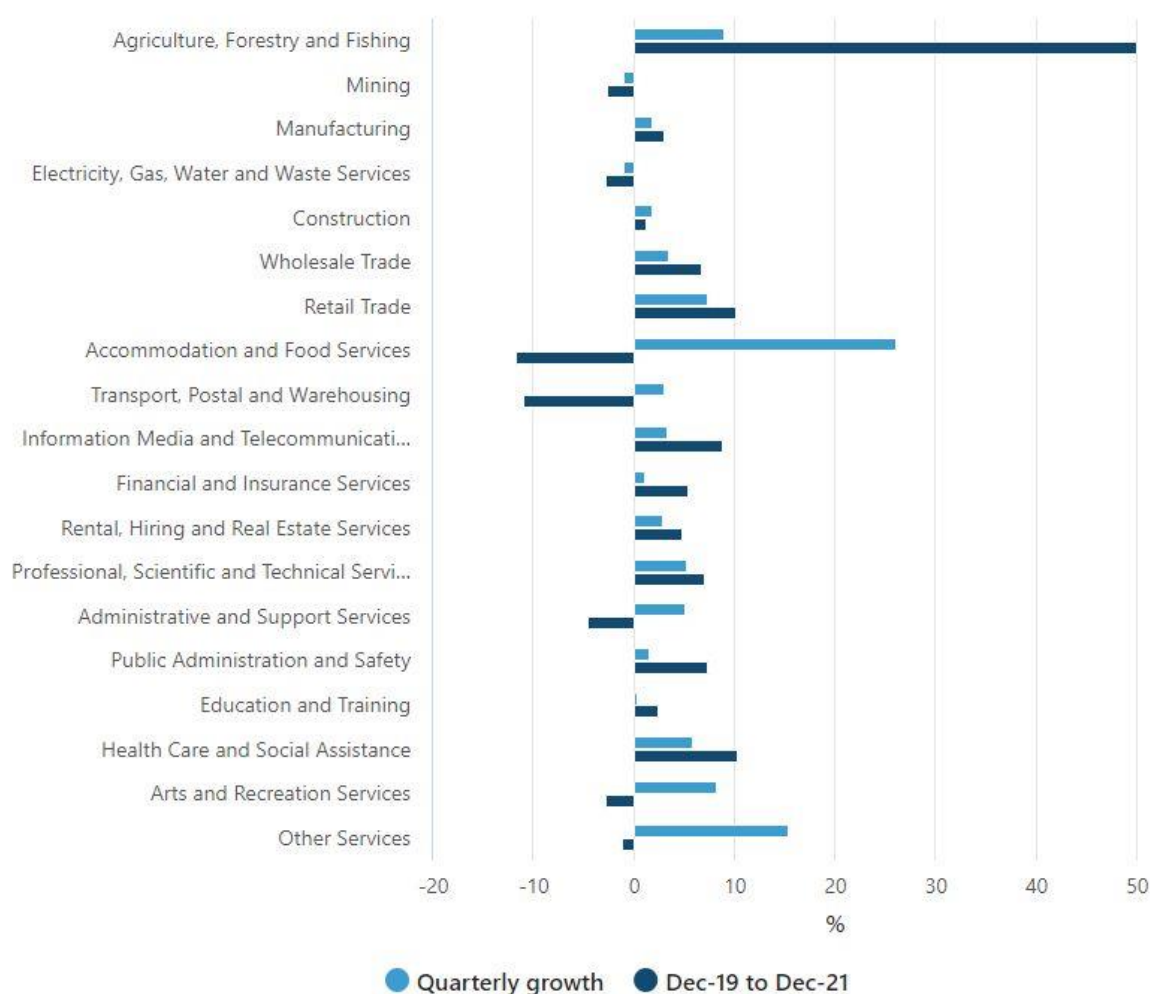


Figure 1: Gross Value Added by Industry. Source: Australian National Accounts: National Income, Expenditure and Product – ABS.

Lastly, there is a dire shortage of truck drivers and support staff throughout the transport sector. The general Australian unemployment rate has sharply fallen from around 7 per cent at the height of the pandemic to 4.2 per cent now. Some economists are predicting a further fall below 4.0 per cent. This situation means that capital utilisation in the industry has fallen, with some trucks and other equipment remaining idle due to a lack of available workers, and other workers with COVID or close contacts.

Moving Forward

While now is not the time for large increases in heavy vehicle charges, ALRTA acknowledges that government and industry must take steps to return to a state of fair cost recovery.

Together, government and industry has previously agreed that a 2.5 per cent increase is reasonable. This figure was agreed to apply in 2021-22 before being abandoned in the face of the COVID pandemic. As per the ALRTA’s previous submission to the NTC, we continue to hold that the vast majority of road transport businesses would be anticipating and able to adapt to an increase in heavy vehicle charges of 2.5 per cent.

Recommendation 2: *That heavy vehicle registration and Road User Charges be increased by 2.5 per cent in 2022-23.*

ALRTA remains strongly supportive of multi-year price pathing to give certainty to industry and governments. It is disappointing that Ministers have put forward a single year increase only.

If governments were to take a decision to increase charges by 2.75% each year over three years, this may have been supported. However, given that this decision relates to one year only, with no certainty beyond that time horizon, ALRTA is able only to support a 2.5% increase at this time.

We welcome further consultation on a multi-year price path. Improved certainty for industry and governments over a longer time period may enable bolder charging decisions to be made in future.

Recommendation 3: *That Australian governments accelerate work on multi-year price pathing scenarios, aiming to return to fair cost recovery in a reasonable period without threatening the viability of road transport businesses.*

Conclusion

ALRTA continues to believe in the long-standing principle of fair cost recovery via PAYGO.

ALRTA does not support the proposal to increase heavy vehicle charges by 2.75 per cent in 2022-23. We consider this excessive in the current economic circumstances.

However, ALRTA would support an increase of 2.5 per cent in 2022-23. This level of increase was previously flagged by governments and agreed by industry more than twelve months ago. The vast majority of road transport businesses would be anticipating and able to adapt to an increase in heavy vehicle charges at this level.

If you would like to discuss this matter in more detail please do not hesitate to contact the ALRTA Executive Director, Mathew Munro, on (02) 6247 5434 or mathew@alrta.org.au

Yours sincerely



Scott McDonald
National President