

Options for setting heavy vehicle charges for 2023-24 and beyond

Consultation Paper

12 October 2022

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2. Background

The Motor Trade Association SA/NT (the MTA) is an employer organisation representing the interests of over 1,250 members and their more than 15,000 employees in the automotive retail, service and repair sector throughout metropolitan and regional South Australia (SA) and the Northern Territory (NT).

Eighty per cent of these businesses employ less than 20 employees. The automotive retail, service and repair sectors in SA and the NT add more than \$3 billion to the economy annually and employ over 30,000 people.

The MTA also operates a Training and Employment Centre in SA, comprised of both our Registered and Group Training Organisations. It is the automotive industry's training provider of choice with more than 900 apprentices in training and is the largest employer of automotive apprentices in South Australia with 450 employed through over 240 host businesses.

As a representative body, the MTA has 12 divisions representing the full range of trades within the automotive industry including:

- Automotive Dealers Association (SA/NT)
- Automotive Repair and Engineering Specialists (SA/NT)
- Automotive Dismantlers (SA/NT)
- Body Repair Specialists (SA/NT)
- Commercial Vehicle Industry Association (SA/NT)
- Farm and Industrial Machinery Dealers Association (SA/NT)
- Licensed Vehicle Dealers (SA/NT)
- Motorcycle Industry Association (SA/NT)
- Service Station (SA/NT)
- Towing Services (SA/NT)
- Tyre Dealers (SA/NT)
- General (SA/NT)

3. Industry Consultation

This submission summarises the views of the MTA's members. In developing this submission, the MTA has consulted with members in the following divisions:

Commercial Vehicle Industry Association

- Including Independent Bus and Coach Operators
- Towing Services

4. Introduction

The Motor Trade Association (MTA) SA/NT represents over 1,250 members in the automotive industry in South Australia and Northern Territory. Changes to heavy vehicle charges are important to our members in the Commercial Vehicle and Towing Divisions, and the Independent Bus and Coach Operators sub-committee of the CVIA division.

These industry sectors have had to weather the disruptions of the COVID pandemic on freight availability, reduction in business due to lockdowns, and loss of tourism due to the immobility of populations. Post-COVID inflationary pressures, primarily driven by high fuel costs, are causing the cost of business to increase inhibiting recovery from COVID disruptions. Compounding these problems is the lack of skilled labour, especially for heavy vehicle operators.

Following on from the consultation in August 2021 the MTA recognises the cost recovery has been in deficit since 2017-18.

It is the view of MTA SA/NT members that in the current economic climate of both inflation and severe skills shortages, the road user charge increases are kept to an absolute minimum, and the ITMM reconsider how the cost base is calculated in light of major spending in road infrastructure projects over the past 5 years.

Responses to the questions posed in the RIS are outlined below in section 5 of this submission.

5. Submission Response

Question 1: Are you aware of any relevant information we have not considered sufficiently in developing the forecast heavy vehicle cost bases for 2022-23 and 2023-24?

The NTC and the ITMM should investigate the sharp increase in road expenditure costs over the past 5 years. If there is a periodical renewal of old roads or government policies on road maintenance shifting to increase the cost base. While road user charges have increased by \$1 billion in a decade, the

cost base has increased by \$3 billion with the majority of growth in the past 5 years.

While the MTA recognises and supports in principle the policy for road users to proportionally pay for road maintenance, the sharp increases in road maintenance need to be explained thoroughly. As noted in Section 5 on page 19 the deficits need to be covered from general government revenue.

Considering the ability for the government to effectively subsidise the deficit in the difference between the cost base and road user charges, it should be further considered by Ministers at the ITMM as a measure to cover the costs incurred by sources other than heavy vehicles such as government policies or severe weather.

Question 2: Do you agree with the NTC's recommendation that ministers agree to set charges for a three-year period beginning in 2023-24

Further investigation is required on the cost base increases before MTA can make a judgement on behalf of members. As modelled in the RIS the current proposals do not meet the three year target and still retain a deficit.

Future road expenditure may increase and there will be another series of annual increases to charges to chase this deficit. This in an economic climate where operators are struggling to absorb the costs of business.

Question 6: Which of the options explored do you view most favourably, and what are the key reasons for this?

The MTA's position is that there are minimal increases to the cost of businesses in the current economic climate. The NTC should undertake an analysis of the cost base increase over the past 5 years to understand the cause of the large increase so Ministers can appropriately apportion cost recovery to the causes.

If there is no other options to consider, option 1 (2.75% p.a.) as it represents the lowest impact to heavy vehicle industry.

Question 7: Is there any relevant additional information that should be considered by the NTC in providing its final recommendations to ministers in December 2022?

The NTC should consider the current costs of business operators are facing in the heavy vehicle sector. Bus and Coach operators have had to weather the impacts of restricted movement and no tourism during COVID, and now facing increasing cost pressures due to inflation.

Most notably is the increase to fuel costs which is a major driver of current inflation. Delays to sourcing parts and equipment is also adding additional cost pressures as scarce parts attract a cost premium. This is while there is a

persistent shortage of drivers for both coaches and trucks increasing the cost of labour.

Businesses that have additional costs brought on by government regulation can find themselves choosing to not operate, which will impact future cost recovery if the heavy vehicle fleet is reduced due to operators closing down.

6. Recommendations

The MTA recommends the following:

1. The NTC undertakes work to detail the cause of the large increases to the cost base over the past 5 years so Ministers can properly appropriate proportional cost recovery on the causes.
2. Cost increases are minimised and done on a year-on-year bases rather than in a three year period to better respond to economic circumstances.

7. Next Steps

The MTA is available to provide further information in relation to this submission and to clarify any aspect of it.

This includes meeting with agency representatives and facilitating further consultations with industry on proposed changes.

8. Submission Contact

For further information relating to this submission please contact:

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