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1. About the Australian Trucking Association

The ATA is the peak body representing the Australian trucking industry. Its members include state and sector-based trucking associations, some of the nation's largest transport companies, and businesses with leading expertise in truck technology.

2. Summary of recommendations

Recommendation 1

The Government should commence a proper review and consideration of establishing an independent and hypothecated road fund, to improve the effective targeting of building productive road infrastructure.

Recommendation 2

Funding for existing road safety investment programs should be continued in line with the Coalition's election commitments.

Recommendation 3

The redirection of funding from the abolished RSRT to practical safety measures should be continued, with funding for NT and WA and a 'share the road safely' campaign introduced from 2017-18.

Recommendation 4

The Government should maintain its commitment to freeze heavy vehicle revenue for 2017-18, and implement its component of reduced heavy vehicle charges to commence on 1 July 2017.

Recommendation 5

The Government should amend the *Fuel Tax Act 2006* to remove the 1 January 1996 threshold, so that every heavy diesel vehicle used on public roads must meet a maintenance or test criteria to be eligible for fuel tax credits.

3. Introduction

The Australian Government has articulated that the 2017-18 Budget will maintain the Government's commitment to economic growth, boost job creation, and sensibly and responsibly restrain government expenditure.

As the economy continues the transition from the period when growth was led by resource investment to broader bases of economic activity, the ATA urges the Government to focus its efforts on carefully targeted measures to boost economic productivity.

With regards to road freight – a critical sector of the economy affecting supply chains everywhere – the ATA encourages the Government to progress with targeted reforms that improve safety and productivity with better roads, maintain existing safety funding, continue the freeze on heavy vehicle revenue and transition to independent price regulation, and reform fuel tax credits to encourage improved truck maintenance.

4. Improving safety and productivity with better roads

In December 2016 in a speech to the Australasian Finance and Banking Conference, the Treasurer spoke of the economic importance of infrastructure investment and the need for this investment to be productivity enhancing.

The Treasurer said that "the Turnbull Government is investing in and will continue to invest in productive infrastructure that boosts economic activity," but warned that "we can't just go out and

spend on ill-defined projects” and “all debt has to be repaid and there has to be a return on any investment.”

The Treasurer argued that there “needs to be a vigorous process to identify the best projects that will be most beneficial to productivity and economic growth.”¹

The ATA agrees with the need to select the best projects to encourage productivity and economic growth, and strongly encourages the Government to build on this agenda by commencing reforms to target road infrastructure spending more effectively.

The need to target road spending better is well established. In 2014, the Productivity Commission found that “decisions are often based on inadequate information and assessment of the costs and benefits of road projects.”² The Harper Competition Review also found that “taxes and charges on road users in general are not directly linked to the provision of roads” and suggested that “road funds could be set up separately to governments’ general budgets to increase transparency around road funding.”³ The Productivity Commission also supported a shift to road funds, reporting that “the adoption of a well-designed road fund model or a corporatised public road agency model is paramount to improving outcomes in the funding and provision of roads.”⁴

Investing in better roads is a critical enhancer for productivity and economic growth. The Harper Competition Review found that “given the size of the road transport sector, enhanced productivity in road transport can deliver large gains to the economy.” As an example of the economic benefits of investing in better roads, the Infrastructure Australia assessment of the corridor upgrade for the Pacific Highway reported the investment would align with priorities including “expanding productive capacity, improving productivity, and developing our regions.”⁵

Investing in better roads is also critical for improving road safety. Austroads has reported that “in-depth crash studies have also shown that the road is a causation factor in about 30% of all crashes, while it is known to be a factor in the severity outcome of 100% of crashes.”⁶ Safe roads are also central to the National Road Safety Strategy and the safe system approach that has been adopted by Commonwealth and state and territory governments. With the right, targeted, road investments there is the real prospect for “a substantial reduction in serious casualties due to run-off-road, head-on and intersection crashes” as a result of improved design and construction of roads.⁷

The 2017-18 Budget presents a significant opportunity to launch a road investment reform agenda to target spending to improve the productivity and safety of our roads better. Better targeting of the Government’s existing commitment to roads spending, to effectively give taxpayers more ‘bang for their buck’, would maximise the productivity, economic and safety benefits of roads infrastructure investment without slowing the task of Budget repair.

Accordingly, the ATA recommends that the Government should move to improve the targeting and independence of road funding decisions.

The Government should commence a proper review and consideration of establishing an independent and hypothecated road fund. This would complement the Government’s existing agenda to progress heavy vehicle charges reform and to consider the impacts of road user charges for light vehicles.

¹ The Hon. Scott Morrison MP, Treasurer, Speech to the Australasian Finance and Banking Conference, 14 December 2016

² Productivity Commission (PC), *Public Infrastructure*, 2014, 303.

³ Australian Government, *Competition Policy Review Final Report*, March 2015, 213-216

⁴ PC, *Public Infrastructure*, 2014, 303.

⁵ Infrastructure Australia, *2010-2011 Project Assessment Brief – Pacific Highway Corridor Upgrades*, 2011, 1.

⁶ Austroads, *Road Geometry Study for Improved Rural Safety*, 2015, 1.

⁷ National Road Safety Strategy, *Directions – what the strategy aims to achieve by 2020*, <http://roadsafety.gov.au/nrss/directions.aspx>

Presently, the road user charge linkage between revenue and investment is broken. Present road user charges, as collected from fuel excise and vehicle registrations, are not linked with reinvestment back into the road network.

The establishment of independent road funds would allow the Government to set a national agenda for road investment – and then allow for a transparent, effective targeting of funding. It would support the Government's commitment to investing in productive infrastructure that boosts economic activity – with a vigorous process to identify the best projects. It would support the Government's national economic plan, without slowing the task of Budget repair.

Recommendation 1

The Government should commence a proper review and consideration of establishing an independent and hypothecated road fund, to improve the effective targeting of building productive road infrastructure.

5. Maintaining and enhancing existing safety funding

Investment in building and maintaining better roads is a critical component in improving road safety. The Australian Government funds important programs that contribute to improved roads and enhanced outcomes for productivity and safety.

Current investment programs for improved safety are investing in critical road upgrades. These include Roads to Recovery, the Black Spot Program, the Heavy Vehicle Safety and Productivity Program, and the Bridges Renewal Program.

It is critical that funding for these programs is not reduced. It would be a false economy to reduce these existing programs and to effectively reduce the safety and productivity benefits that they deliver. The focus of Budget repair with regard to road investment needs to be on effective targeting of the existing road investment.

Maintaining these programs should include funding from 2019-20, in line with Coalition's election commitments.⁸

The Government has also committed to redirect funding from the abolished Road Safety Remuneration Tribunal (RSRT) to practical safety measures, with \$3.9 million per year allocated to the Department of Infrastructure and Regional Development over the period 2016-17 to 2019-20.

This commitment should continue to be delivered in the 2017-18 Budget.

The Government's current focus is to direct this funding to the National Heavy Vehicle Regulator (NHVR), but the NHVR is not responsible for heavy vehicle regulation in Western Australia and the Northern Territory. From 2017-18, an appropriate share of the safety funding allocated under this measure should go to these jurisdictions.

In addition, the ATA considers that a portion of the funding should be used to deliver a national communication program about how road users can share the road safely with trucks. In its 2015 major accident investigation report, Australia's leading truck insurer, NTI, concluded that other vehicles were at fault in 84 per cent of the fatal multi-vehicle accidents in its sample.⁹

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) recommended in its report on the effects of the RSRT payments order that transport ministers and the NHVR should

⁸ Liberal Party of Australia/The Nationals, *The Coalition's policy to protect jobs and growth in the trucking industry*, 2016. [Link](#).

⁹ National Transport Insurance, *2015 major accident investigation report*, NTI, Brisbane, 2015, 7. [Link](#).

consider such a campaign.¹⁰ The Government agreed with the recommendation in-principle in its response.¹¹ It is now time for the Government to deliver on that agreement.

Recommendation 2

Funding for existing road safety investment programs should be continued in line with the Coalition’s election commitments.

Recommendation 3

The redirection of funding from the abolished RSRT to practical safety measures should be continued, with funding for NT and WA and a ‘share the road safely’ campaign introduced from 2017-18.

6. Heavy vehicle charges

Truck and bus operators pay for their use of the road system through a fuel-based road user charge, administered as a reduction in their fuel tax credits, and very high registration charges.

The National Transport Commission (NTC) found in 2014 that this system overcharged truck and bus operators, because it consistently underestimated the number of heavy vehicles on the road.

The NTC recommended a number of technical amendments to the system, which governments accepted, and later put forward three options for dealing with the overcharging from 2016-17. Of these, the ATA urged governments to adopt what the NTC described as ‘direct implementation’ – an immediate cut to the road user charge and registration charges to eliminate the over-recovery.

Instead, governments agreed to freeze the revenue from the road user charge and heavy vehicle registration charges at 2015-16 levels for two years. They agreed that the charge rates would be adjusted appropriately to deliver this result.

Based on NTC figures, the governments’ decision will overcharge truck and bus operators \$250.2 million in 2016-17 and \$264.8 million in 2017-18 – \$515.0 million in all. Table 1 summarises how these figures are calculated:

Table 1: Breakdown of overcharging, 2016-17 and 2017-18

	2016-17	2017-18	Total
Registration charges	201.2	212.8	414.0
Road user charge	49.0	52.1	101.1
Total	250.2	264.8	515.0

Source: NTC. Figures may not add to totals due to rounding.

In November 2016, the Transport and Infrastructure Council approved heavy vehicle charges for 2017-18. Due to growth in the heavy vehicle and trailer fleet the Council approved reduced heavy vehicle charges to apply from 1 July 2017, in order to maintain the commitment to freeze revenue over this period.

This includes an average reduction in heavy vehicle registration charges of 1.6 per cent, and a road user charge reduction from 25.9 to 25.8 cents per litre. The ATA strongly urges the Government to implement its component of these reduced charges in 2017-18 in order to maintain its commitment to freeze heavy vehicle charges revenue.

¹⁰ Australian Small Business and Family Enterprise Ombudsman, *Inquiry into the effect of the Road Safety Remuneration Tribunal’s Payments Order on Australian small businesses*. ASBFEO, Canberra, 2016. 45. [Link](#).

¹¹ Australian Government, *Australian Government response to the Australian Small Business and Family Enterprise Ombudsman inquiry report into the effect of the Road Safety Remuneration Tribunal’s Payments Order on Australian small businesses*. Australian Government, Canberra, 2017. np. [Link](#).

Recommendation 4

The Government should maintain its commitment to freeze heavy vehicle revenue for 2017-18, and implement its component of reduced heavy vehicle charges to commence on 1 July 2017.

7. Improving truck maintenance through fuel tax credits reform

The 2017-18 Budget presents the Government with the opportunity to reduce vehicle emissions – and contribute to the Governments wider environmental agenda – without slowing the task of Budget repair.

Regular maintenance is the key to ensuring that vehicles continue to meet emission standards. For example:

- the 2004 energy white paper reported that repairing poorly maintained diesel vehicles could reduce their particulate emissions by 45 per cent.¹²
- case studies in the US mining industry of the relationship between diesel engine maintenance and exhaust emissions found that effective maintenance could reduce CO emissions by 65 per cent and PM emissions by 55 per cent.¹³
- a test of 168 diesel cars (ranging from pre-Euro to Euro 4 emission standards) found that 75 per cent had emission faults. Performing maintenance on a Euro 4 vehicle with multiple induced defects reduced all its pollutant emissions except carbon monoxide; its particulate emissions were reduced by 70-80 per cent over all driving cycles. The research found no correlation between the age of the diesel vehicles in the sample tested and the number of emission defects.¹⁴

When it came into force, the *Fuel Tax Act 2006* included a powerful incentive for truck operators to maintain their vehicles.

Under the Act, businesses that operate trucks with a gross vehicle mass (GVM) of more than 4.5 tonnes on public roads can claim fuel tax credits for each litre of fuel they buy for use in those vehicles.

Under s41-25(1) of the Act, vehicles used on public roads must meet one of four environmental criteria to be eligible for the credits. These criteria are:

- (a) the vehicle was manufactured on or after 1 January 1996, the commencement date of the ADR 70/00 (Euro 1 and equivalent) emission standards for all new heavy vehicles,
- (b) the vehicle is registered in an audited maintenance program accredited by the Transport Secretary. The ATA's TruckSafe program is accredited under this section; the NHVAS Maintenance Management module is not currently accredited,
- (c) the vehicle meets Rule 147A of the Australian Vehicle Standards Rules 1999 (ie: it has passed a DT80 in-service emissions test within the last two years), and
- (d) the vehicle complies with a maintenance schedule endorsed by the Transport Secretary. The endorsed maintenance schedule is not onerous.¹⁵

When the Act came into force, 61 per cent of the trucks registered in Australia were manufactured before 1996, and therefore had to meet one of criteria (b) – (d) to be eligible.

¹² Australian Government, *Securing Australia's energy future*, 2004, p103.

¹³ McGinn, S. *The relationship between diesel engine maintenance and exhaust emissions*, Noranda Technology Centre for the Diesel Emissions Evaluation Program (DEEP), p8.

¹⁴ Pillot, D et al. *Impacts of inadequate engine maintenance on diesel exhaust emissions*, Transport Research Arena, 2014, Paris.

¹⁵ Department of Transport and Regional Services, *Fuel tax credit for heavy diesel vehicles: guidelines for satisfying environmental criteria*, 2006, pp7-9.

By 2016 this had fallen to 33 per cent of the trucks in service. As a result, the majority of the trucks in Australia do not have to meet any maintenance requirement or test to be eligible to receive fuel tax credits.

The original incentive for regular maintenance included in the *Fuel Tax Act 2006*, critical to maintaining emissions standards in trucks, has been diminished by the passage of time and will only continue to decrease without legislative change.

Given the importance of maintenance to achieving emission standards, the ATA proposes that the 1 January 1996 threshold (criteria a) should be removed entirely. Every heavy diesel vehicle used on public roads should be required to meet one of the three maintenance/test criteria to be eligible for fuel tax credits.

Recommendation 5

The Government should amend the *Fuel Tax Act 2006* to remove the 1 January 1996 threshold, so that every heavy diesel vehicle used on public roads must meet a maintenance or test criteria to be eligible for fuel tax credits.