AUSTRALIAN LOGISTICS COUNCIL

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ALC INITIAL RESPONSE TO THE HEAVY VEHICLE CHARGING AND INVESTMENT REFORM - OVERVIEW

Introduction

Governments are increasingly looking at new funding models that directly charge vehicle use as a way to fund infrastructure necessary to ensure the efficient movement of freight.

The Council of Australian Governments (COAG) has established the Heavy Vehicle Charging and Investment Reform (HVCI) to build on the work of the COAG Road Reform Plan (CRRP).

HVCI is looking at investment and planning, access and regulatory oversight of setting of charges. It is likely HVCI will come up with a funding model that will recover more than the short run marginal costs incurred by asset owners attributable to heavy vehicles largely recovered under the current 'Pay As you Go' (PAYGO) system.

HVCI is expected to release a Regulatory Impact Statement (**RIS**) outlining possible funding models developed under the HVCI process in 2013.

Basis for supporting reform

ALC supports the objective of the HVCI reform of providing revenue to asset owners through reformed funding arrangements in an attempt to encourage the efficient provision and maintenance of infrastructure and infrastructure services for use by heavy vehicles.

When considering the options contained in the RIS prepared for the HVCI reform, ALC will support those proposals that:

1. Provide a net increase in efficiency, productivity and reliability.
2. Encourages asset owners to act as if they are providing services for which they receive a 'fee' rather than as passive 'asset protectors'.
3. Produces a road user charge that is transparent and justified.
4. Does not distort the heavy vehicle industry – that is, it applies to all heavy vehicles and operators in a manner that neither cross-subsidises different classes of heavy vehicle nor discourages the use of more productive vehicles that over the long run will impose less wear on infrastructure.
5. Only collects the efficient cost of providing, maintaining and operating roads used by heavy vehicles *and no more.*
6. Contains a rigorous compliance and enforcement regime to ensure everyone pays their way.
7. Develops incentives for vehicle operators that use efficient automated paying arrangements.

Roads not on the National Freight Network

Over 80 percent of roads are owned and maintained by local governments. Many of these roads feed onto, but would not form part of, any National Freight Network.

In some cases a particular route could become uneconomic for heavy vehicles to use if a mechanical application of a particular road pricing method was applied, noting that in some circumstances there may only be only one route to a particular freight source – there is no more 'efficient' route to take.

ALC therefore believes there will be a need for continued taxpayer support for road infrastructure through schemes such as the Regional Infrastructure Fund.

National approach

More generally however, ALC supports the concept of an agreement between governments to establish objectives, outcomes, outputs and incentives to guide governments in the use and supply of road infrastructure with a single institution nominated to lead road tax reform.

This concept was suggested in the Henry Tax Review (Recommendation 68).

ALC also supports the establishment a body called **Freight Australia** to play a key governance role in any new road pricing and investment reform arrangements.

Pricing

Both access to infrastructure and the more efficient use of infrastructure and related services are integral reasons for pricing reform. It follows there must be an incentive for asset owners to grant heavy vehicles access.

Asset owners should be required to provide access on the basis of agreed service levels with the 'road portfolio manager', with payments to asset owners that may otherwise be payable reduced where service levels have not been met or where access to infrastructure is denied.

Finally, should a 'building block' funding mechanism be adopted, the rules to be applied when considering a building block proposal from an asset owner should be established in a clear manner. Chapter 6 of the NatŠnal Electricity Rules is an example of this.

Asset users should also have the opportunity to respond to any draft determinations made by a 'road portfolio manager' with respect to an asset owner's building block proposal.

Corridor Preservation

ALC calls on all jurisdictions to ensure that transport corridors are identified and preserved as part of effective broader planning arrangements which include the future development of intermodal terminals and freight precincts.

In addition, the resources must be available to ensure that transport corridors are set aside.

Complying with the National Ports Strategy

ALC notes that jurisdictions will be developing planning documents intended to be consistent with the National Ports Strategy and, in due course the National Land Freight Strategy.

ALC will expect that documents proposing the development of infrastructure anticipated to be used by freight contain:

» the mechanism through which the expenditure is to be financed;

» how the proposal is to be funded; and

» a timeline by which the project will be completed.

For further information, please refer to the ALC Initial Response to the Heavy Vehicle Charging and Investment Reform Project which is available at www.austlogistics.com.au.