

# HVCI Project: Moving towards reform

## Australian Logistics Council Meeting

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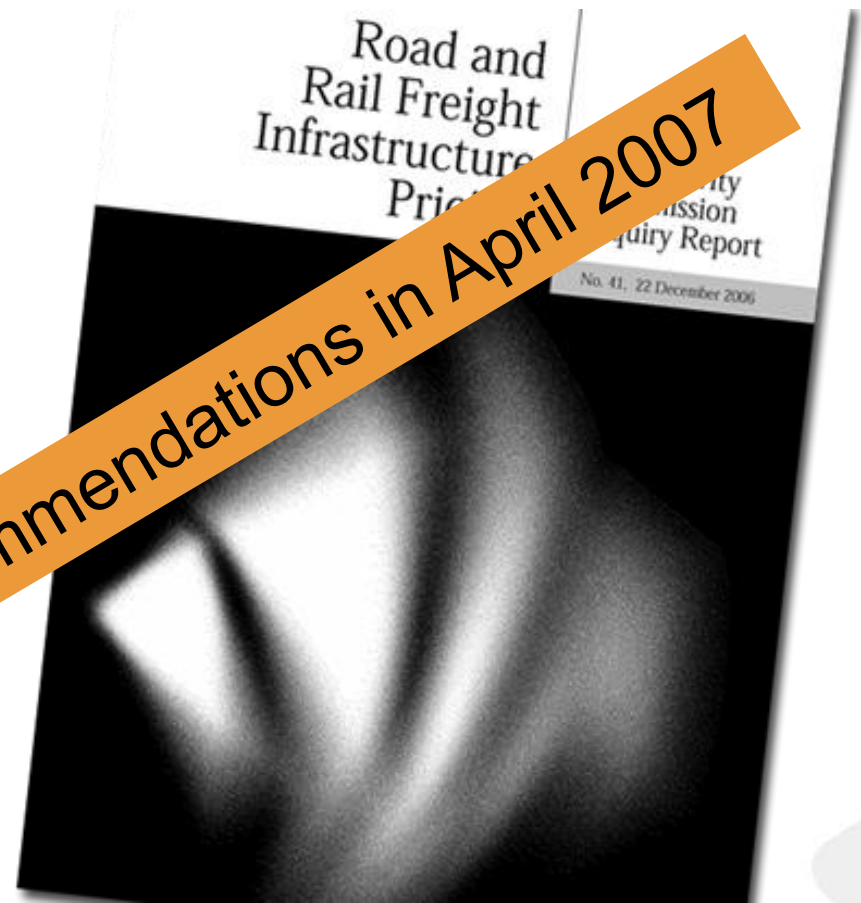
22 November 2012

# A brief history : Productivity Commission

## Road and Rail Freight Infrastructure Pricing Inquiry (2006)

- Competitive neutrality? – second order issue
- Focus should be on efficiency within the mode
- Current HV charges and institutional structure lead to distortions
- There is a case for change

**COAG endorsed recommendations in April 2007**



# A brief history: COAG Road Reform Plan (CRRP)

## Feasibility Study (2011)

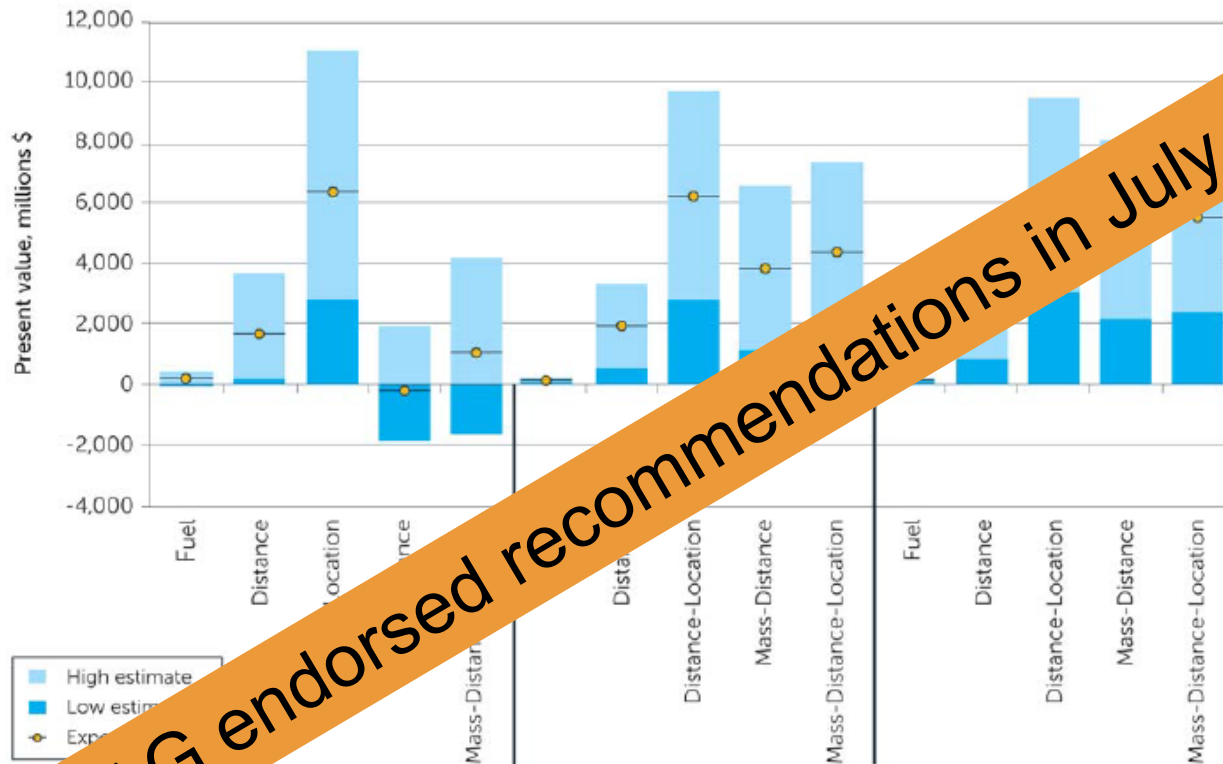
### **Objective of the study:**

- Promote the more efficient, productive and sustainable provision and use of freight infrastructure.
- Ensure that national heavy vehicle road prices promote the efficient, safe and sustainable use of infrastructure, vehicles and transport modes.



# A brief history: Feasibility Study findings

Figure 6.2: Net benefits of introducing more direct road use charges and associated funding and expenditure reforms for selected segments of the fleet (\$2011 present value)



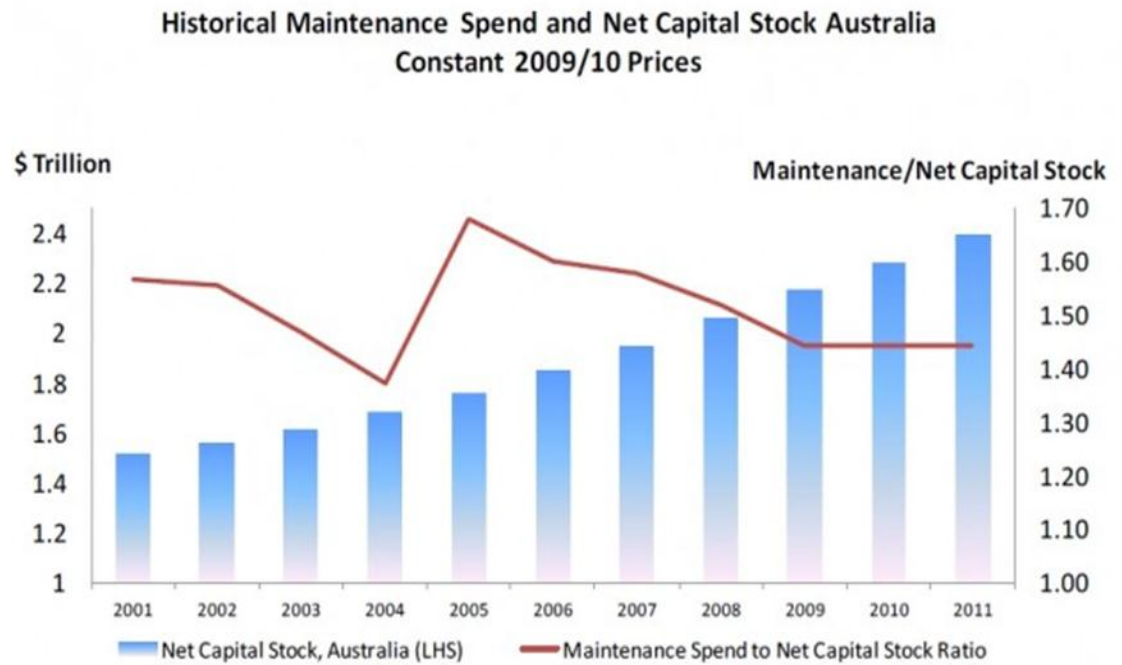
COAG endorsed recommendations in July 2012

# The current environment: investment

- Current funding and investment does not support HV Productivity
- Maintenance has not kept pace with capital expenditure

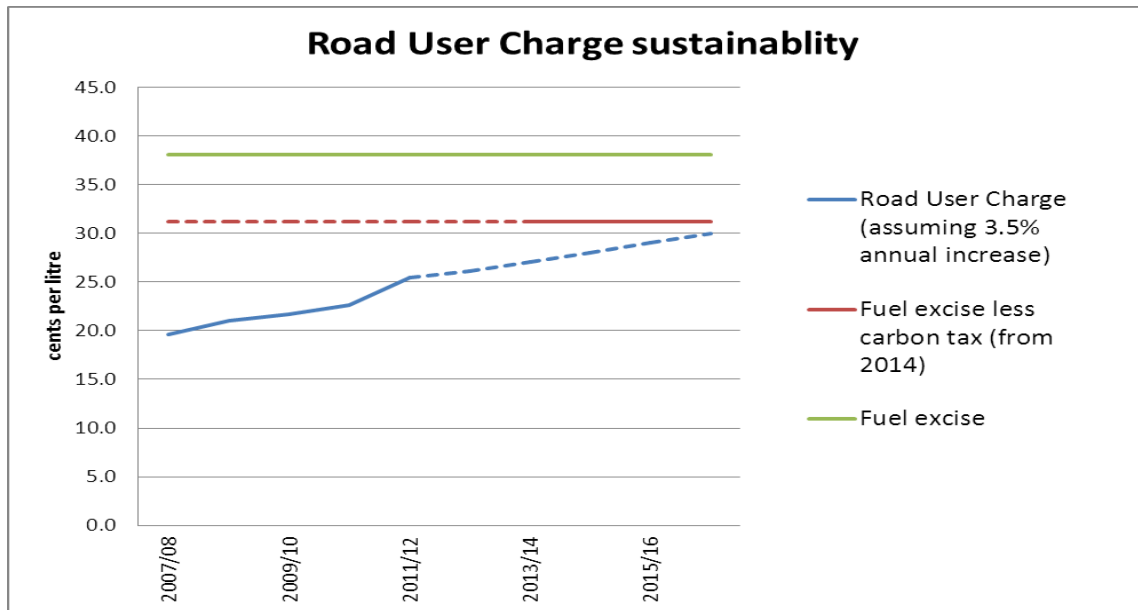
“We simply don't have the infrastructure for another 14 million Australians. We don't have the mechanism for thinking about the sort of infrastructure we're going to need or how it is going to be funded.”

- Ken Henry



# The current environment: charges

- Current charging arrangements are not efficient equitable or sustainable
  - Lack of industry acceptance
  - National charges no longer uniform
  - Limits to the fuel charge



# New governance with new focus

## Independent Chair

Michael Lambert

### Premier & Cabinet

Jim Hallion (SA)

### Treasury

Jim Murphy (Cwth)  
Brendan Flynn (Vic)  
Kevin Cosgriff (NSW)  
Anthony Kannis (WA)

### Transport

Lyn O'Connell, (Cwth)  
Norm McIlfratrick, (Tas)  
Mark Cridland, (Qld)  
Tim Reardon, (NSW)  
Sharron Noske, (NT)

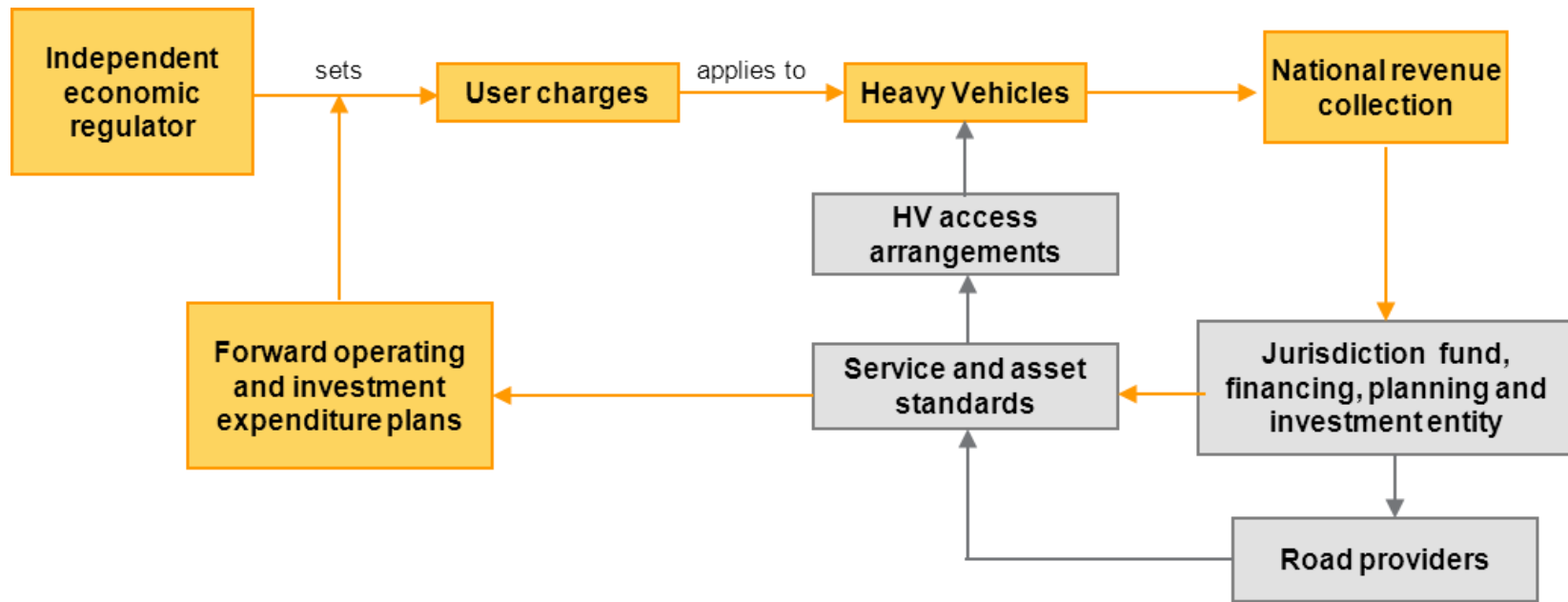
### Industry

TBC

### Other government

Nick Dimopoulos, NTC  
Adrian Beresford Wylie,  
ALGA  
Gareth Chaplin, MOT (NZ)

# A new model for charging and investment



- **Charges transparently set by independent regulator, based on maintenance and investments planned with industry**
- **Service levels determined “up front”**
- **Charges revenue flow to heavy vehicle funds to deliver stated service levels**



# Option one: Incremental

**Supply side reform**

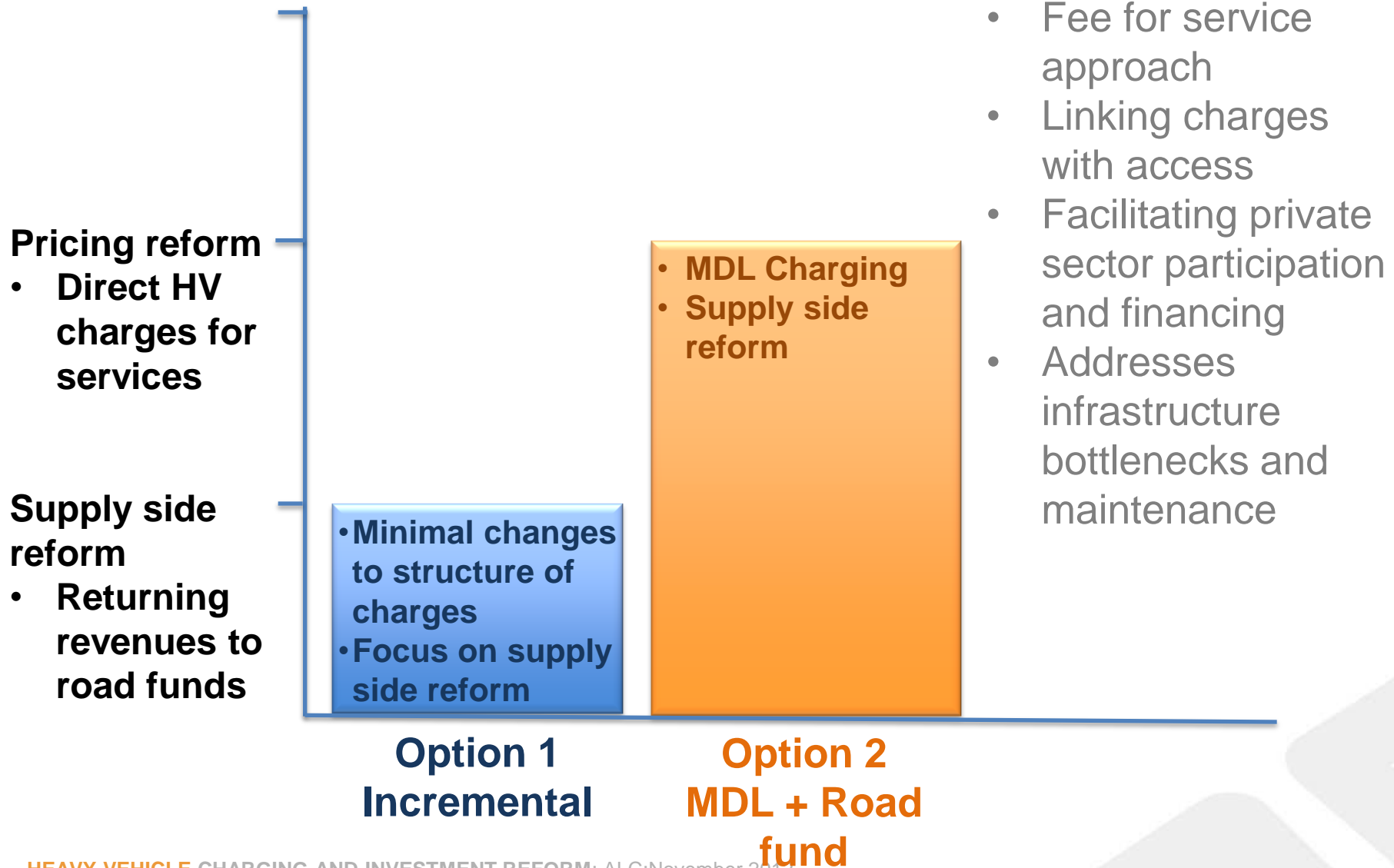
- **Returning revenues to road funds**

• **Minimal changes to structure of charges**  
• **Focus on supply side reform**

**Option 1  
Incremental**

- Hypothecation of funds for HV investment
- Charges independently set
- Rebalance RUC and Registration charges
- Incremental charging for access over prescribed limits
- Primarily addresses maintenance funding issues

# Option two: MDL and road fund



# Option three: Corporatised

**Integrated road planning and investment**

Addresses mixed use investments, infrastructure bottlenecks and maintenance

- Integrated LV and HV planning and investment
- MDL Charging
- Supply side reform

**Pricing reform**  
• Direct HV charges for services

- MDL Charging
- Supply side reform

**Supply side reform**  
• Returning revenues to road funds

- Minimal changes to structure of charges
- Focus on supply side reform

**Option 1  
Incremental**

**Option 2  
MDL + Road fund**

**Option 3  
Corporatised**

# Next steps

