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## **Heavy Vehicle Road User Charging**

For the first time in almost four years the National Transport Commission (NTC) is undertaking a review of heavy vehicle pay as you go (PAYGO) charging fees in Australia at the request of the Transport and Infrastructure Council within the Council of Australian Governments (COAG). The last review led to COAG Transport Ministers, in November 2015, approving a freeze on Road User Charge (RUC) increases for trucks and trailers for two years because the revenue generated by the RUC was greater than the amount that States and Territories were spending on our nation's roads, the excess presumably going to general revenue. Operator organisations objected to this over taxing of the transport industry during the 2015 RUC review and submission process.

In the interim years, then Minister for Urban Infrastructure and Cities, the Honourable Paul Fletcher MP, released a statement in July 2018 detailing that the Federal Government with COAG's support had agreed to a forward-looking review which would provide a more transparent way of setting road transport charges. Marsden Jacob and Associates were engaged to undertake this analysis. During the consultation process the Truck Industry Council (TIC) argued that the current RUC scheme, that is based on both vehicle fuel usage and registration charge components, was fundamentally flawed. The system has a diesel tax on the fuel a truck consumes. Larger trucks use more fuel, so pay proportionally more, while those that travel longer distances also pay more. This fuel-based element is the closest metric we have to a "pay as you go" system for trucks. TIC maintained that as truck manufacturers move away from traditional diesel power to technologies such as electrification and hydrogen, this form of road user charging will generate less and less revenue and will eventually fall over. The registration component is a fixed fee, irrespective of the distance a truck or trailer travels in a year, TIC pointing out that this favours operator's travelling greater distances annually. TIC supported a new RUC concept based upon the Mass and Distance a vehicle travelled over the road network and further proposed that trucks fitted with advanced Safety and Environmental systems receive a discount. Minister Fletcher has since moved to another Cabinet portfolio and it would seem that this review, like the preceding umpteenth government examinations of heavy vehicle the RUC scheme, led to no long-term reforms.

Over the period while the RUC has remained frozen road infrastructure spending has increased substantially. The NTC's current review has identified that there is now a substantial shortfall in the revenue generated by the heavy vehicle road user charge verses road spending, highlighting that an increase to the RUC of 11.4 percent in 2020/2021 would be required to address the gap. However, if the PAYGO costing formula was applied, the NTC has calculated the increase to be a much smaller 3.7 percent. This is because the formula uses qualified government road expenditure information from 2016-2017 and not

current financial year data. Further, COAG Council members have recommended only a 2.5 percent increase be applied consecutively for the next two years, justifying the smaller increase due to a slowing economy, the drought and bushfires, that collectively have led to reduced regional road freight movements.

The debate over the current heavy vehicle charging review will continue for the next couple of months, 11.4 percent, 3.7 percent, 2.5 percent and no doubt a myriad of other numbers, before the COAG Transport Ministers finally make a decision for implementation later this year. However, no matter where the debate lands, there is no escaping the fact that the current system is fundamentally flawed for the future. The current RUC arrangements cannot take Australian road transport deep into the 21<sup>st</sup> century and a significant overhaul of the current charging arrangement is required. A RUC scheme that ensures that all vehicles pay proportionally for the damage, or lack thereof, they contribute to our roads, the safety they afford all road users and public health outcomes they generate, would be a fairer scheme. TIC calls upon State, Territory and the Federal government to show some vision and look beyond the current RUC debate, to investigate and develop a heavy vehicle road user charging scheme that will take our country out of the 20<sup>th</sup> century and into the 21<sup>st</sup>.

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