



2020-21 PRE-BUDGET SUBMISSION THE TREASURY

20 DECEMBER 2019

1. About the Australian Trucking Association

The Australian Trucking Association and its member associations collectively represent 50,000 businesses and 200,000 people in the Australian trucking industry. Together we are committed to safety, professionalism and viability.

2. Summary of recommendations

Recommendation 1

The Australian Government should reject the proposed increases in heavy vehicle charges for 2020-21 and 2021-22.

Recommendation 2

The Australian Government should progress an integrated reform program for the setting of heavy vehicle charges and expenditure.

Recommendation 3

The Australian Government should extend new payment standards of five working days, if using e-invoicing, or 20 days maximum to big business customers of trucking operators and within the infrastructure funding agreements with the states and territories.

Recommendation 4

The *National Land Transport Act 2014* should be amended to include safety as a focus.

Recommendation 5

The Australian Government should change its approach to funding road projects to:

- require project assessments to use the willingness to pay approach to valuing the lives saved and injuries avoided from safety improvements
- prioritise funding for projects aimed at minimising road safety risks
- require the adoption of safe system principles for project design.

Recommendation 6

The guidelines for round 7 of the Heavy Vehicle Safety and Productivity Program should:

- allow rest areas on the National Land Transport Network to be funded
- require all projects funded under the program to meet the requirements of the Austroads heavy vehicle rest area guidelines.

Recommendation 7

The National Partnership Agreement on Land Transport Infrastructure Projects should require the states and territories to ensure that heavy vehicle operators working on Australian Government funded infrastructure projects meet best practice vehicle safety standards, which may be accomplished through an approved accreditation scheme.

Recommendation 8

The role of the Australian Transport Safety Bureau should be extended so it can carry out independent, no-blame, safety investigations of road crashes involving heavy vehicles.

Recommendation 9

The Australian Government should support reforms to improve heavy vehicle access and progress supply-side road funding reforms.

Recommendation 10

The Australian Government should transition the National Land Transport Network (NLTN) to a gazetted A-Double High Productivity Freight Vehicle (HPFV) network.

Recommendation 11

The Australian Government should prioritise the use of corridor and investment strategies to guide infrastructure upgrades. A strategy should be in place for each National Land Transport Network and major freight route by 2024.

Recommendation 12

The Australian Government should strengthen the legislative requirements for business cases to be prepared and published before infrastructure funding can be committed and increase support for business case development, including for regional projects.

Recommendation 13

The Australian Government should expand its support for rural roads, including:

- a national fund to deliver a minimum service level standard on rural freight roads
- delivering the regional road safety improvements project identified by Infrastructure Australia.

Recommendation 14

The Australian Government should ensure future funding under the Urban Congestion Fund delivers the intent of the Roads Network Optimisation Program identified by Infrastructure Australia in February 2016. This program would include works such as optimising traffic flow through intersection treatments, traffic light sequencing, clearways and incident management.

3. Backing small business, supporting regional Australia and delivering lower taxes

The Australian Government has articulated a strong priority for backing small businesses, supporting regional communities and delivering lower taxes. Budget 2020-21 should advance these priorities.

The trucking industry should be central to the Government's objectives. More efficient and competitive supply chains enable increased economic output for other sectors. The Competition Policy Review (Harper Review) found that in relation to road transport:

Even small changes in productivity in this sector can cascade through the economy, boosting productivity and output in other sectors. Also, given the size of the road transport sector, enhanced productivity in road transport can deliver large gains to the economy.¹

The trucking industry is critical to enabling economic opportunity for regional Australia. The Productivity Commission has reported on the importance of access to new domestic and international markets, provision of infrastructure, and removal of barriers to heavy vehicle access to encourage and support regional economic transition and development.²

The trucking industry is a small and family business industry. Over 98 per cent of trucking operators are owner operators or small businesses.³

Trucking is critical to Australian agriculture. You cannot transport agricultural products to consumers, either domestically or exported to global markets, without using trucks in the supply chain.

The trucking industry is characterised by tight margins. Research by ANZ has previously put the industry's median profit margin at just over two per cent, with the bottom quartile of the industry either experiencing negative, flat, or very tight profit margins.⁴ **Lower taxes enable trucking businesses to invest in newer, safer, cleaner trucks, employ more local people and reduce costs for exporters and consumers.**

Unfortunately, the practical experience for trucking operators is a burden of increasing taxes and unavoidable charges.

¹ Harper, Anderson, McCluskey, O'Bryan, March 2015, [Competition Policy Review Final Report](#), 38.

² Productivity Commission, April 2017, [Transitioning Regional Economies Initial Report](#), 121-127

³ ABS, [8165.0 Counts of Australian Businesses](#), June 2018.

⁴ Research by ANZ, provided to ATA, 2017 & 2018.

Heavy vehicle charges

Heavy vehicle charges include a fuel-based road user charge, paid to the Australian Government, and state-based vehicle registration costs. The Transport and Infrastructure Council has announced a preference for heavy vehicle charges to rise by 2.5 per cent in 2020-21 and 2.5 per cent in 2021-22.⁵ The Transport and Infrastructure Council is chaired by the Australian Government.

This preference for increased charges is currently subject to consideration by governments. The Deputy Prime Minister has directed the National Transport Commission (NTC) to undertake a public consultation process, which is currently underway.

The proposed increase would result in higher taxes. For the Australian Government, it would apply a 2.5 per cent increase to the Road User Charge in 2020-21 and 2021-22.⁶

One of the most significant costs for a trucking business is fuel. **Now represents the wrong time to be increasing taxes on small business in regional communities.** The Treasurer has recently remarked on the effects of the devastating drought at home and trade tensions abroad. Over the past two financial years the output of Australia's farm sector is now around 14 per cent lower.⁷

Recent research indicates that falls in agricultural production, as a result of drought conditions, has seen regional South Australia, regional Victoria and regional New South Wales experience a technical recession in 2018-19.⁸ In regional NSW, the contraction in agriculture (1.0 per cent) was almost matched by the contraction in transport (0.7 per cent), as a result of the fall in agriculture products requiring transportation.⁹ Similarly in regional Victoria, the fall in transport has been second only to the fall in agriculture.¹⁰

Ultimately any tax on trucking is a tax on farmers and consumers. **In the current drought and economic conditions in regional Australia, small businesses cannot afford any increase in the tax burden at this time.**

It is also important to recognise that heavy vehicles, including small regional based trucking businesses, were overcharged for five years from 2012-13.¹¹ The Australian Government should not proceed with the proposed increases in the Road User Charge for 2020-21 and 2021-22. If Government does not accept this recommendation, then it should restrict the increase in charges to five per cent over two years.

Proposed tax increases on trucking should also be considered in light of increasing toll road charges, landside port charges and the lack of electric vehicle road user charging.

⁵ Transport and Infrastructure Council, [22 November 2019 Communiqué](#), 4, 5.

⁶ National Transport Commission, [Heavy vehicle charges consultation report](#), December 2019, 5.

⁷ Treasurer the Hon Josh Frydenberg MP, [Speech to the Australian Chamber of Commerce and Industry](#), 27 November 2019.

⁸ SGS Economics and Planning, [Economic Performance of Australia's Cities and Regions 2018-2019](#), December 2019, 9.

⁹ *Ibid*, 57.

¹⁰ *Ibid*, 59.

¹¹ National Transport Commission, [Heavy vehicle charges consultation report](#), December 2019, 17.

Toll road and landside port charges

Charges applied on heavy vehicles for toll road and landside port access have increased dramatically in recent years. These charges are above and beyond cost recovery.¹²

State governments, through lack of price regulation of privatised infrastructure assets, are effectively financing infrastructure programs through heavy vehicle access charges. These assets are effectively monopoly assets, with most new toll roads accompanied by truck bans on alternate routes. However, these unavoidable and increasing truck taxes have not been considered in the decision to increase heavy vehicle charges.

Heavy vehicle tolls have a significant impact on trucking operators. Independent evidence to the Australian Senate reported that smaller trucking operators are less able to use their fleets (or single vehicle) to convert travel time savings to direct benefits for their companies. Smaller operators are also very sensitive to costs and road pricing.¹³

Toll Group have assessed the value for money proposition of some of these toll roads. An analysis of a Victorian based customer found that toll charges have doubled, increasing by half a million dollars since 2017. Despite this significant increase, travel time savings were either minimal to non-existent. Additionally, an assessment of 12 routes showed that fees had increased by 100 per cent and failed to delivered travel time savings, which actually increased by 1.3 per cent.¹⁴

Higher tolls cannot always be passed on to customers. A regional operator reports that it is difficult enough to get rate rises from customers to offset increasing wages and that they're unable to pass on toll road costs.¹⁵

Even larger operators cannot always pass these significant costs on. Toll Group advise that toll road charges cost them an annual \$15 million to \$20 million and due to the competitive nature of the industry that increases often have to be absorbed.¹⁶

Industry does support investment in new road infrastructure, provided the charging regime is fair. As an example, the Queensland Trucking Association successfully advocated for the pricing of the new Toowoomba second range crossing to be based on a fair toll.¹⁷

On landside port charges, ACCC Chair Rod Sims has commented that infrastructure fees imposed by stevedores on transport companies have gone up a lot more than costs have gone up, and that apart from increasing profits it is unclear what rationale there is for the increased charges.¹⁸

¹² For further information see the [ATA submission to Infrastructure Australia on the 2019 Australian Infrastructure Audit](#), 15 November 2019.

¹³ Thompson, Associate Professor Russell, Australian Senate, Operations of existing and proposed toll roads in Australia 3 August 2017 transcript, 11.

¹⁴ Toll Group, information provided to the ATA, 2019.

¹⁵ Information provided directly to the ATA, 2019.

¹⁶ Toll Group, information provided to the ATA, 2019.

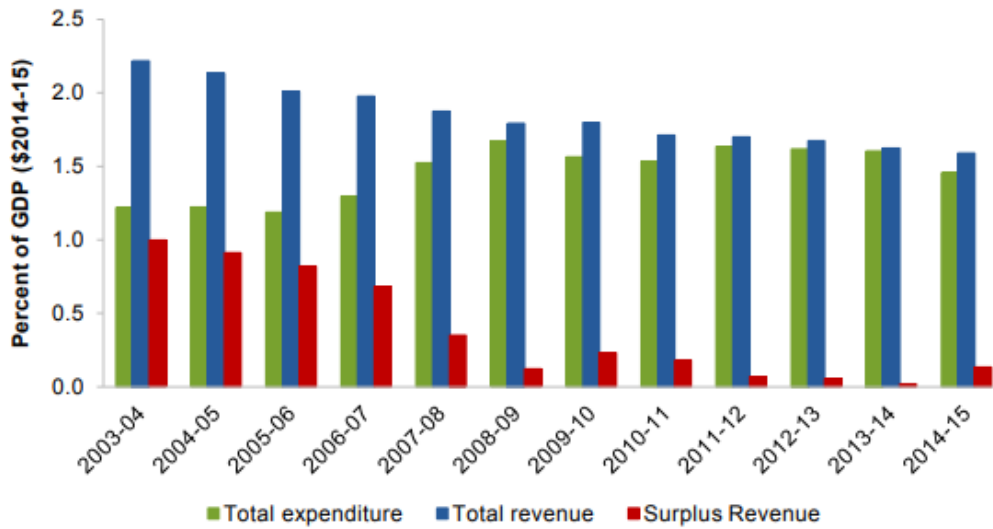
¹⁷ QTA, [Toowoomba Second Range Crossing Toll announced](#), 30 July 2019 media release.

¹⁸ Rod Sims as quoted by Ewin Hannan, [Spotlight on stevedores over hikes in charges](#), The Australian, 9 April 2018.

Road user charging for electric vehicles

Governments should not be considering increasing taxes on trucks, farmers and consumers in order to fund infrastructure investments when electric vehicles do not currently pay for their road use. The relative decline in fuel duty is driving a structural decline in road related revenue compared to expenditure, as illustrated in figures 1 and 2.

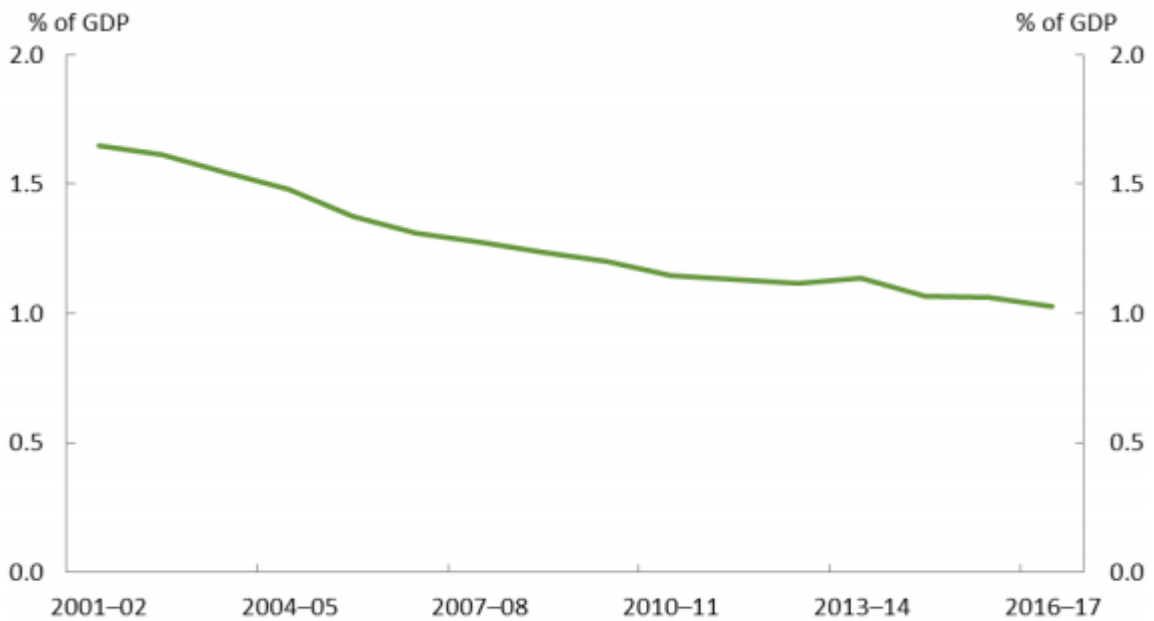
Figure 1: Road-related revenue and expenditure (Real revenues and expenditure to GDP)



^a Aggregated over all levels of government. ^b Includes work done for and by the public sector.

Source: [Productivity Commission](#) (2017)

Figure 2: Fuel duty receipts



Note: Data includes excise and excise-equivalent duty.

Source: ATO, ABS, Final Budget Outcomes 2015–16 and 2016–17, and PBO analysis.

Source: [Parliamentary Budget Office](#) (2018)

The decline in fuel duty receipts has been driven by a decline in petrol duty, with diesel duty overtaking petrol duty as the largest contributor to fuel duty revenue in 2008-09.¹⁹

Governments need to plan and implement road user charging for alternative fuels and electric vehicles, to ensure the revenue sustainability of transport infrastructure and broader government budgets. This charging mechanism could be set at lower levels initially to encourage uptake, but design and implementation of the mechanism needs to be a priority reform. This process will be more achievable whilst vehicle numbers remain a smaller portion of the vehicle fleet.

Delivering an integrated plan for heavy vehicle charges

The Government should utilise the 2020-21 Budget to provide national leadership which:

- Does not increase heavy vehicle charges in 2020-21 and 2021-22
- Progress supply-side reforms to charges and road expenditure. This should include the key elements of Heavy Vehicle Road Reform agreed by the Transport and Infrastructure Council, including:
 - Using the National Service Level Standards Framework (NSLSF) for roads to inform investment planning
 - Independent determination of what spending is recoverable from heavy vehicle charges using the NSLSF
 - Independent setting of heavy vehicle charges
 - Dedicating (hypothecating) heavy vehicle revenue to fund and finance roads.
- Progress reform to the heavy vehicle cost base²⁰
- Introduce independent regulation of toll road and landside port charges on heavy vehicles
- Commence developing reform options for road user charging of electric vehicles.

Recommendation 1

The Australian Government should reject the proposed increases in heavy vehicle charges for 2020-21 and 2021-22.

Recommendation 2

The Australian Government should progress an integrated reform program for the setting of heavy vehicle charges and expenditure.

¹⁹ Deloitte, 2013, [Road Pricing and Transport Infrastructure Funding: Reform Pathways for Australia](#), 8.

²⁰ The [ATA made detailed recommendations in a submission to the NTC on heavy vehicle charges](#), 27 July 2016.

Helping cash flow

The vast majority of the costs incurred by small trucking businesses must be met before they can bill their customers. These include wages or personal living costs, fuel, tyres, insurance, finance costs, registration and maintenance. Small trucking businesses are therefore vulnerable to adverse changes in their payment terms, and often have little capacity to negotiate them with large customers.

The ATA has advocated developing a **mandatory code for the trucking industry under Part IVB of the Competition and Consumer Act (CCA)** to address the payment terms issues facing small trucking businesses.

The provisions of existing industry codes show it would be possible to construct a code covering payment terms for these businesses, which could for example include payment times – recommended as no more than five days from the date an electronic invoice is issued, or 20 days where e-invoicing is not used²¹ – a prohibition on set offs and pay when paid arrangements, and alternative dispute resolution.

It would also be necessary to include special rules covering recipient created tax invoices (RCTIs), to prevent customers from delaying the creation of these invoices to avoid triggering the five or 20-day period.

Additionally, Commonwealth-funded infrastructure projects should reflect the new payment term standards which apply from January 2020, and Australian Government funding agreements with states and territories should implement these new payment terms for major road projects.

Recommendation 3

The Australian Government should extend new payment standards of five working days, if using e-invoicing, or 20 days maximum to big business customers of trucking operators and within the infrastructure funding agreements with the states and territories.

²¹ Consistent with the [new Australian Government payment standards](#).

4. Delivering safe and productive road infrastructure

The Australian Government should implement reforms to improve the safety and productivity of the road network, which would support and compliment the objectives of the Government's existing commitment to the \$100 billion infrastructure investment pipeline.

Building safer roads

Safer roads are one of the pillars of the safe systems approach. The road is a causation factor in about 30 per cent of all crashes and is a factor in the severity of 100 per cent of crashes.²²

The Australian Government invests in roads under the *National Land Transport Act 2014*; however, safety is not a specific object of the Act.

Safety is not sufficiently prioritised in road spending, either. In its 2019 infrastructure audit, Infrastructure Australia called for:

- the identification, assessment and prioritisation of upgrades to high-risk sections of the transport network
- safety improvements to high-risk regional roads across Australia as a high priority initiative.²³

The ATA accordingly recommends:

Recommendation 4

The *National Land Transport Act 2014* should be amended to include safety as a focus.

Recommendation 5

The Australian Government should change its approach to funding road projects to:

- require project assessments to use the willingness to pay approach to valuing the lives saved and injuries avoided from safety improvements
- prioritise funding for projects aimed at minimising road safety risks
- require the adoption of safe system principles for project design.

²² Austroads, [Road geometry for improved rural safety](#). Report AP-T295-15, 2015. 1.

²³ Infrastructure Australia, [An assessment of Australia's future infrastructure needs: the Australian infrastructure audit 2019](#). June 2019. 310-311.

Truck rest areas

Truck rest areas enable drivers to rest so they are more alert and safer when driving.²⁴

Austrroads released new truck rest area guidelines in January 2019. The new guidelines specify that:

- detailed heavy vehicle rest areas strategies should be developed for major highways and significant freight routes.
- class 1 and 2 rest areas should be 70-100 kilometres apart; class 3 and 4 rest areas should be 35-50 kilometres apart, and class 5 rest areas should be 15-25 kilometres apart.

The guidelines also set out detailed considerations for the services that should be provided at each class of rest area.

The Australian Government invests in rest areas through the Heavy Vehicle Safety and Productivity Program (HVSP), but rest areas on the National Land Transport Network – Australia’s busiest and most important freight corridors – are not eligible for funding.²⁵

Additionally, there is no requirement for rest areas funded under the HVSP to meet any particular standard.

Recommendation 6

The guidelines for round 7 of the Heavy Vehicle Safety and Productivity Program should:

- allow rest areas on the National Land Transport Network to be funded
- require all projects funded under the program to meet the requirements of the Austrroads heavy vehicle rest area guidelines.

Best practice safety standards for heavy vehicles on construction sites

The infrastructure boom in Australia’s cities has resulted in a dramatic increase in heavy vehicle traffic associated with construction projects.

The maintenance of these heavy vehicles can be poor. A standard combination used in the construction sector is a truck and dog: a rigid truck pulling a trailer with two separate axle groups. NSW Government figures show that **43 per cent** of the truck and dog combinations examined in Sydney in 2018 were non-compliant with safety standards, compared to a statewide average of **14 per cent**.²⁶

Some major construction clients require the trucks used by their contractors to meet additional safety standards beyond those required by law. For example, the Melbourne Metro Tunnel project requires its contractors’ trucks to have:

- side underrun protection
- eliminated or minimised front, rear and side blind spots

²⁴ Austrroads, [Guidelines for the provision of heavy vehicle rest area facilities](#), 2019, 7.

²⁵ DIRD, Heavy vehicle safety and productivity program (HVSP): round six program guidelines. December 2017. 7.

²⁶ Weeks, R. “Risk-based heavy vehicle compliance.” Presentation to the ATA Technology and Maintenance Conference 2019, 15 October 2019.

- an audible means for warning other road users of a left manoeuvre
- prominent signage.²⁷

The National Partnership Agreement on Land Transport Infrastructure Projects does not impose a similar requirement on Australian Government funded infrastructure projects.

Safety accreditation schemes encourage best practice safety standards. As an example, heavy vehicle operators accredited under the ATA's TruckSafe scheme are independently audited against higher standards than those required by law.

Recommendation 7

The National Partnership Agreement on Land Transport Infrastructure Projects should require the states and territories to ensure that heavy vehicle operators working on Australian Government funded infrastructure projects meet best practice vehicle safety standards, which may be accomplished through an approved accreditation scheme.

No-blame safety investigations

Presently, road crashes are investigated by the police and the coronial system. While this system may meet the needs of the legal and insurance systems, it is not achieving the reduction in road crashes that governments should be seeking.

In contrast, the Australian Transport Safety Bureau (ATSB) conducts independent investigations of transport crashes and other safety occurrences in the aviation, marine and rail modes of transport. Lessons arising from ATSB investigations are used to reduce the risk of future accidents and incidents through the implementation of safety action by industry and the Government.

The ATSB also seeks to improve safety and public confidence in those transport modes by pursuing excellence in safety data and research and fostering safety awareness, in addition to independent investigation of accidents.

The ATSB is an independent statutory agency that is separated from transport regulators, policy makers and service providers. It is not a function of the ATSB to apportion blame or to provide a means for determining liability.

As stated by the ATSB, no blame does not mean no responsibility. It means that disciplinary action and criminal or liability assessment are not part of an ATSB safety investigation and should, if necessary, be progressed through separate parallel processes.

Introducing ATSB investigations of road crashes involving trucks would supplement, not replace, existing police and coronial investigations and would provide valuable insights and recommendations for improving safety.

That's why the ATA has long argued for the role of the ATSB to be extended to include crashes involving heavy vehicles; the Productivity Commission's draft report on the national transport regulatory reforms includes a similar recommendation.²⁸

²⁷ Hayden B. "Raising the Bar for Public Safety." Presentation to the ATA Technology and Maintenance Conference 2019, 15 October 2019.

²⁸ Productivity Commission, [National transport regulatory reform](#). Draft report, November 2019. 322.

Recommendation 8

The role of the Australian Transport Safety Bureau should be extended so it can carry out independent, no-blame, safety investigations of road crashes involving heavy vehicles.

Encouraging the use of high productivity freight vehicles

Better access for more productive vehicles, to move more freight on less trucks, is central to increasing the industry's productivity. Infrastructure Australia reports that despite the benefits from using High Productivity Freight Vehicles (HPFVs), their use has been limited. Restricting the use of HPFVs locks in high freight costs for businesses and consumers, and limit benefits to road safety, air pollution and amenity.²⁹

Ultimately better access and increased productivity will require reforms to:

- access decisions under the Heavy Vehicle National Law
- the supply-side provision of road funding, including by the Australian Government
- identifying, planning and delivering road networks for High Productivity Freight Vehicles.

The ATA made detailed recommendations about these reforms in our submissions in response to the HVNL review issues paper on easy access to suitable routes and the 2019 Australian Infrastructure Audit.^{30,31}

These recommendations include:

- reforming access decisions under the Heavy Vehicle National Law
- developing national service level standards for roads with a focus on providing heavy vehicle access and rest areas
- transitioning the National Land Transport Network to a High Productivity Freight Vehicle Network.

Recommendation 9

The Australian Government should support reforms to improve heavy vehicle access and progress supply-side road funding reforms.

Recommendation 10

The Australian Government should transition the National Land Transport Network (NLTN) to a gazetted A-Double High Productivity Freight Vehicle (HPFV) network.

²⁹ Infrastructure Australia, [2019 Australian infrastructure audit](#), August 2019. 344, 345.

³⁰ ATA, [Easy access to suitable routes](#). Submission to the NTC. August 2019.

³¹ ATA, [2019 Australian infrastructure audit](#). Submission to Infrastructure Australia. November 2019.

Improving the selection of infrastructure investment projects

The findings of the 2019 Australian Infrastructure Audit highlight the need to improve how infrastructure investment decisions are made. These include:

- Road funding and maintenance are not directly linked to use or road-related revenue. Funding and maintenance are susceptible to budget limitations and regional roads in particular lack funding consistency³²
- Road expenditure should be sufficient to maintain a pre-determined service level and should be part of a detailed asset management plan
- Smaller projects, such as better use interventions to improve the productivity of existing assets, cost less and generally produce better economic returns³³
- Infrastructure projects can improve people's quality of life, increase productivity and kick-start economic development. However, to achieve these outcomes, projects need to be carefully assessed, designed and timed. Getting our infrastructure decisions right is crucial to our future success³⁴
- Early announcement of infrastructure projects, prior to effective problem identification and robust assessment, narrows choices and excludes the possibility for more efficient and less expensive solutions
- Big capital fixes often take undue priority over smaller and more frequent maintenance spends. This is often the by-product of a lack of clear long-term policy objectives
- Projects are often announced without a detailed assessment of needs and analysis of a range of potential solutions. Business cases are not always published to allow for public consultation and scrutiny. Post-completion reviews are rarely undertaken³⁵
- Four-year forward estimates make it difficult to plan for the future of assets and can lead to patch up problems, rather than more efficient long-term solutions³⁶
- Infrastructure is not an end in itself. It is not so much an engine of growth as an enabler of growth. It exists to provide services to users in a way that best meets their immediate and future needs³⁷
- Governments and service providers do not always adequately measure and report on access, quality and costs for users.

Additionally, the Australian Livestock and Rural Transporters Association (ALRTA), an ATA member association, has highlighted the chronic under investment in rural and regional roads and the resulting impact on heavy vehicle access and the ability to capture the economic benefits of agricultural growth.³⁸

³² Infrastructure Australia, June 2019, [An Assessment of Australia's Future Infrastructure Needs: The Australian Infrastructure Audit 2019](#), 291, 297.

³³ Ibid, 298.

³⁴ Ibid, 212.

³⁵ Ibid, 216.

³⁶ Ibid, 228.

³⁷ Ibid, 166.

³⁸ ALRTA, October 2019, [Submission to Senate inquiry on the Importance of a Viable, Safe, Sustainable and Efficient Road Transport Industry](#), 11-13.

To address these challenges, the ATA recommends:

Recommendation 11

The Australian Government should prioritise the use of corridor and investment strategies to guide infrastructure upgrades. A strategy should be in place for each National Land Transport Network and major freight route by 2024.

Recommendation 12

The Australian Government should strengthen the legislative requirements for business cases to be prepared and published before infrastructure funding can be committed and increase support for business case development, including for regional projects.

Recommendation 13

The Australian Government should expand its support for rural roads, including:

- a national fund to deliver a minimum service level standard on rural freight roads
- delivering the regional road safety improvements project identified by Infrastructure Australia.

Recommendation 14

The Australian Government should ensure future funding under the Urban Congestion Fund delivers the intent of the Roads Network Optimisation Program identified by Infrastructure Australia in February 2016. This program would include works such as optimising traffic flow through intersection treatments, traffic light sequencing, clearways and incident management.