

27 August 2018

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**Attention: HVRR CRIS**

The Australian Logistics Council (**ALC**) welcomes the opportunity to comment on the *Consultation Regulation Impact Statement: HVRR Phase 2: Independent Price Regulation of Heavy Vehicle Charges (the RIS)*.

By way of background, ALC is the peak national body representing the major and national companies participating in the freight logistics industry with a focus on national supply chain efficiency and safety.

ALC said in its 2017 submission to the Inquiry into National Freight and Supply Chain Priorities:

*There is strong support for road pricing reform within Australia's freight logistics industry.*

*Technological enhancements, such as GPS tracking, now make it easier than ever to monitor vehicle use.*

*As such, it is imperative that we move to a fairer, more efficient road pricing and investment model where road users pay according to where and when they travel. It is important to note that to be truly effective, road pricing reform will eventually have to apply to all vehicles – not just heavy vehicles.*

*Pricing and investment reform for heavy vehicles must also be linked to improving the overall productivity and efficiency of freight transport, by ensuring infrastructure funded through new road pricing models meets the requirements of freight operators.<sup>1</sup>*

ALC has also long supported the concept of independent price regulation.

As indicated in the *Economic Analysis of Potential End-States for the Heavy Vehicle Reform*:

*Independent price regulation can improve transparency in price-setting, minimise the potential for significant price fluctuations, and create stronger incentives for prudent investment decisions. Implementation of independent price regulation requires improvements to current baseline data and enforcement of better evidence base to support investment decision-making. It is easier to implement than economic regulation and can be considered as a lighter form of regulation.*

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<sup>1</sup> <http://www.austlogistics.com.au/wp-content/uploads/2013/07/National-Freight-Strategy-Submission.pdf> : 24

*For example; there are common elements required in setting up price regulation and economic regulation (also addressed by the Transport and Infrastructure Council (2017), this include:*

- establishment of asset registers that collect information on heavy vehicle road network, including: access condition, functions, location, length, economic life and maintenance cost;*
- establishment of nationally consistent asset maintenance and investment reporting standards;*
- establishment of principles for preparing road expenditure investment and maintenance plans that covers consideration of expected demand and level of service;*
- establishment of the technical systems and protocols required for collecting baseline information and record-keeping investment and maintenance expenditure plans; and*
- development of pricing principles that outline the methodology that will be followed by the regulator in conducting price determinations.<sup>2</sup>*

It is for this reason that ALC supports reform option B as set out in the RIS, which includes:

- the ability for an independent price regulator to undertake additional scrutiny of road manager expenditure proposals;
- encouragement for road managers to develop a customer service charter on key freight routes;
- creating a more formal mechanism for user input into pricing determinations and;
- allowing for an alteration to the mix of registration charges and road user charges.<sup>3</sup>

That said the RIS does not examine:

- the reform package as a whole;
- mass distance charging;
- elements of any forward looking cost base including the valuation of the regulated asset base, cost base allocators or determining the cost of capital, or;
- the ambit of community service obligations.

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<sup>2</sup> <https://infrastructure.gov.au/roads/heavy/files/DIRD-HVRR-reform-CBA-ncic.pdf>: iv

<sup>3</sup> RIS:ii

As noted that *Economic Analysis of Potential End-States for the Heavy Vehicle Reform*:

*However, it is worth noting that jurisdictions will be allowed to determine how far along the supply-side reform spectrum they wish to go. This recognises that there is a level of upfront investment and institutional and technical changes (for example; in terms of better data collection and monitoring system) required to implement the reform and that this investment decision will have to be made at the jurisdictional level.<sup>4</sup>*

It is acknowledged this RIS tests the cost and benefits to governments in moving to a model where road pricing decisions are made by an economic regulator.

As ALC members have no knowledge of the internal operations of government it is difficult to make comments on the identification and valuation of costs to governments involved in changing the road pricing model set out generally in Part 6 of the RIS.

However, it is most unlikely that the end state benefit of \$5.829 bn estimated in Table 5 of the RIS will be achieved unless Option B is developed.

The only other observation ALC would make is the assessment in Table 29 of the RIS that the annual regulatory costs of business in moving to a system of economic regulation is \$0.

It is acknowledged the RIS follows PM&C guidance provided in the *Regulatory Burden Measurement Framework*.

It is erroneous to assume that there are no costs in developing a submission for an administrative mechanism that has, as an integral part of its design, the encouragement of user input into pricing determinations as anticipated by option B.

The *Regulatory Burden Measurement Framework* does not anticipate this form of cost.

The preparation of such a submission on, for example the quality of road standard desired on a particular road to enhance productivity can be regarded as being similar in nature to the cost of making an application to government.<sup>5</sup>

It is difficult to quantify how much it will cost industry to make a submission until the nature of any proposed mechanism is identified, however to suggest that the cost is nil is simply wrong.

This observation should be reflected in the Decision RIS.

The Department may also suggest to PM&C that the *Regulatory Burden Measurement Framework* should be amended so that the document expressly deals with administrative costs incurred in responding to an administrative scheme that has an integral part of its design the encouragement of public input into decision making.

ALC hopes that governments make a quick decision to adopt Option B, as set out in the RIS so that an appropriate and equitable road access pricing model utilising a forward looking cost base approach that is consistent both nationally and across modalities can be developed as soon as possible.

<sup>4</sup> [https://www.pmc.gov.au/sites/default/files/publications/Regulatory\\_Burden\\_Measurement\\_Framework.pdf](https://www.pmc.gov.au/sites/default/files/publications/Regulatory_Burden_Measurement_Framework.pdf)

<sup>5</sup> *Measurement Framework*:3

Please contact me on (02) 6273 0755 or at [Lachlan.Benson@austlogistics.com.au](mailto:Lachlan.Benson@austlogistics.com.au) should you wish to discuss this submission.

Yours sincerely

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