

7 September 2018

Attention: HVRR CRIS

Marsden Jacob Associates
Level 4, 683 Burke Rd
CAMBERWELL VIC 3124

Department of Infrastructure, Regional Development and Cities

CONSULTATION REGULATION IMPACT STATEMENT: HVRR PHASE 2: INDEPENDENT PRICE REGULATION OF HEAVY VEHICLE CHARGES

Dear Sir/Madam

Gas Energy Australia (GEA) welcomes the opportunity to provide comments in response to the HVRR Phase 2: Independent Price Regulation of Heavy Vehicle Charges, Regulation Impact Statement questions.

By way of background, GEA is the national peak industry body for the bulk of the downstream gaseous fuels industry, including Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG). Our members include a range of businesses in the gaseous fuel supply chain from major companies to small businesses that are refiners and suppliers, fuel marketers, vehicle and equipment manufacturers and vehicle converters.

GEA is broadly supportive of heavy vehicle charges reform and the establishment of an independent price regulator. GEA agrees that a heavy vehicle pricing regulator needs to be sufficiently independent from decisions within governments around budgets, funding and service delivery.

GEA would also like to see more than just road costs taken into account in heavy vehicle charging deliberations. Broader social costs imposed by heavy vehicles, particularly in relation to environmental and health costs associated with vehicle emissions, should be taken into account as Australia strives to meet its commitment at the 2015 Paris Climate Agreement to cut greenhouse gas (GHG) emissions and implement the National Clean Air Agreement developed by all Australian Governments.

GEA's responses to the *HVRR Phase 2; Independent Price Regulation of Heavy Vehicle Charges, Regulation Impact Statement* questions are outlined below.

Is the reform objective appropriate?

GEA supports heavy vehicle charging reform. However, GEA suggests this reform should not be solely focused on road costs. Broader social costs imposed by heavy vehicles, particularly in relation to environmental and health costs associated with vehicle emissions, should also be taken into account. GEA considers that there are environmental and health benefits from using fuels such as LNG and CNG to power heavy vehicles. Autogas emits significantly less NOx than diesel and petrol, and natural gas fuels CNG and LNG, are also cleaner and much less damaging to health than diesel, having 30 per cent lower CO2, 75 per cent lower NOx, 90 per cent fewer particulate emissions and 99 per cent lower SOx. This was detailed in GEA's 2018-19 Pre-Budget Submission. There is a significant opportunity for governments to meet their emissions reductions targets by reforming heavy vehicle charges to encourage the use of low emission vehicles.

At present this opportunity is not being fully taken up given failure by successive governments to fulfil the promise by both the Coalition and Labor in the Federal Parliament that the tax on gaseous fuels should be no more than 50 per cent of the rate on diesel/ petrol on an energy equivalent basis. Currently, the fuel tax on LNG and CNG, and prospectively LPG, used in heavy transport, is still well over 70 per cent. This has had the unintended consequence of contributing to the decline of natural gas-powered heavy transport in Australia. Given the large and regionalised nature of Australia and the consequent need to transport goods and services over long distances, reducing the relative tax burden on gaseous transport fuels would improve environmental outcomes in both cities and regional areas and help meet our international GHG reduction commitments.

In general, do you support the program of heavy vehicle road reform?

GEA is generally supportive of heavy vehicle road reform.

GEA understands that the changing nature of road user charges (RUC) has resulted in a gap where the price paid may not directly reflect the service received, and as such has highlighted the need for reform of heavy vehicle charges and the establishment of an independent price regulator. GEA considers that the establishment of an independent price regulator would eliminate the political nature of price setting which currently exists. An independent price regulator would be more efficient, transparent and give industry greater certainty. GEA supports an independent price regulator that has broad scope to operate in.

Of the reforms considered in this Consultation RIS, which reform option(s) do you support? What are your reasons/concerns?

GEA supports reform Option B.

Option B allows for ongoing review and reform options for heavy vehicles charges. GEA considers this to be critical as vehicle types, transport patterns and funding needed for provision of road networks, are constantly changing and the review process of heavy vehicle charges must adequately reflect this.

Do you think that the preliminary analysis presented in this RIS understates or overstates the costs of any of the options? If so, by how much and in what ways?

GEA has no comment on this question.

Do you think that the preliminary analysis understates or overstates the benefits of any of the options? If so, by how much and in what ways?

GEA has no comment on this question.

6. Do you believe that any of the reform options will result in other impacts (such as regulatory burden, competition impacts or increased risks) compared to the current arrangements?

GEA sees a potential impact of the reform options on the costs of heavy vehicles carrying dangerous goods. As heavy vehicles carrying dangerous goods are unable to travel in certain prohibited areas (eg, some tunnels), they are forced to travel through alternate routes that increases the distance and time of their trip. With not all roads being accessible to all users, there are significant impacts on the costs of transportation of dangerous goods. This would be the case if RUC charges became a larger share of the revenue mix than registration charges, burdening carriers which are forced to use longer alternate routes. GEA urges that this be considered in the reform of heavy vehicle charges so as not to disadvantage heavy vehicles carrying gaseous fuels, as these can be a critical energy source for many low-income earners in rural and regional areas already struggling with ever increasing energy costs.

7. Thinking of your preferred reform option, are there particular elements that you feel strongly about and either support or oppose? Please explain your reasons and describe the change in costs and/or other changes that are likely to arise.

GEA has no comment on this question.

8. What other matters should decision-makers take into account when considering whether to implement an IPR and FLCB?

As discussed above, GEA considers it is important that all costs are included in heavy vehicle charging deliberations. And this includes not just the laying or maintaining of road surfaces, but also the provision of rest areas and parking required by heavy vehicle operators under chain of responsibility (CoR) regulations. The cost base must be therefore sufficient to provide infrastructure for all road users to access for the entire journey and not be looked at in a piecemeal fashion.

Conclusion

GEA in-principle supports independent price regulation for heavy vehicles. But GEA considers broader community concerns such as environmental impacts have not yet been considered adequately and that under current arrangements users prohibited from utilising certain infrastructure could be adversely impacted by increased RUCs.

For consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Griffiths", with a long horizontal flourish extending to the right.

John Griffiths

Chief Executive Officer