

---

# AUSTRALASIAN RAILWAY ASSOCIATION SUBMISSION

---

On the

Consultation Regulation Impact Statement HVRR Phase 2  
Independent Price Regulation of Heavy Vehicle Charges

# ABOUT THE ARA

---

The Australasian Railway Association (ARA) is a not-for-profit member-based association that represents rail throughout Australia and New Zealand. Our members include rail operators, track owners and managers, manufacturers, construction companies and other firms contributing to the rail sector. We contribute to the development of industry and government policies to ensure Australia's passenger and freight transport systems are well represented and will continue to provide improved services for Australia's growing population.

## INTRODUCTION

---

Rail needs to be both competitive and integrated to strengthen its role in Australian freight supply chains. To achieve this, there needs to be a consistent pricing and regulatory framework applying to all modes of transport. Reforms to heavy vehicle pricing are needed to create this consistent regulatory environment.

Heavy vehicle pricing reform provide benefits to both the road and rail sectors through the more efficient use and supply of land transport. Furthermore, it will help to maximise the non-economic benefits of freight rail, including reduced traffic congestion; safety improvements and a reduction in environmental impacts. More broadly, it is critical to the future growth and sustainability of the national economy.

The ARA therefore welcomes the decision of the Transport and Infrastructure Council to request a consultation Regulation Impact Statement (RIS) on the introduction of independent price regulation of heavy vehicle charges and a forward-looking cost base for road expenditure.

As the ARA has previously advocated in its submission to Government on the Independent Price Regulation of Heavy Vehicles<sup>1</sup> this reform process provides an important opportunity to address

---

<sup>1</sup> Page 4, ARA Submission - Independent Price Regulation of Heavy Vehicles, [https://www.ara.net.au/sites/default/files/17-07-21\\_Independent%20price%20regulation%20of%20heavy%20vehicles.pdf](https://www.ara.net.au/sites/default/files/17-07-21_Independent%20price%20regulation%20of%20heavy%20vehicles.pdf)

competitive neutrality issues between land transport modes on corridors where road and rail compete and to create a more direct link between road user funds received and the investments made by governments. This 2017 submission also voiced support for the introduction of a standard regulatory pricing model incorporating both future operational costs and both past and future capital investment.

The consultation RIS needs to be seen within the context of significant reports on this matter advocating the need for reform. This includes, most recently, the Inquiry into National Freight and Supply Chain Priorities Report, which identified as an industry priority efficient pricing and competitive access arrangements for key infrastructure assets<sup>2</sup>. The Report also appropriately highlighted that an integrated approach to freight modal pricing will foster more informed decisions about the appropriate mode for a particular class of freight<sup>3</sup>.

## COMMENTS ON THE RIS

---

The ARA notes that this RIS is a key part of Phase 2 of the HVRR road map. The core elements of this phase of reforms relate to:

- establishing an independent price regulator, which would have powers to set prices independently of government and potentially perform a range of oversight activities related to forward-looking road expenditure
- Implementing a forward-looking cost base, which would develop a building-block model to determine allowed revenue under heavy vehicle charging based on expected future expenditure.

The ARA understands that reform option A implements a simple level of independent price regulation, while reform option B is a larger step involving more ambitious regulatory reforms

---

<sup>2</sup> Page 49, National Freight and Supply Chain Inquiry Priorities Report, [https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry\\_Report.pdf](https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry_Report.pdf)

<sup>3</sup> Page 56, National Freight and Supply Chain Inquiry Priorities Report, [https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry\\_Report.pdf](https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry_Report.pdf)

The ARA's longer-term policy objective is for the establishment of a national economic regulatory framework for transport and the establishment of more consistent pricing principles. The ARA believes the transition to a regulated utility model (and overseen by an independent economic regulator) would provide benefits to both the road and rail industries by achieving greater efficiency in the freight logistics supply chain.

In light of this, the ARA supports Option B which provides more ambitious implementation settings and will lead to a model that is closer to the end-state reform (full economic regulation) than does Reform option A. Fundamentally, the ARA supports reform that leads to more efficient price signals, introduces important accountability measures and provides incentives to use infrastructure more efficiently. To help achieve these principles, the ARA believes there is also scope to expand the powers of the national regulator to strengthen its regulatory oversight abilities. The ARA is not in a position, however, to provide an informed view on matters such as road maintenance costs; road capacity expansion costs and road quality and levels of service under scenario B.

In terms of the reform pathway, the ARA also notes that both of these reforms are considered under two scenarios; Scenario 1 where no further reforms would be undertaken and Scenario 2 where further reform would be pursued. The ARA encourages a practical reform pathway that can be delivered at the earliest opportunity in a way that provides business certainty, productivity improvements and community benefits. In particular, the ARA supports a practical reform pathway leading to phases 3 and 4 (the implementation of more direct user charging) and therefore supports Scenario 2. Adopting scenario 1 would effectively stall heavy vehicle road reform indefinitely and result in significant opportunity costs and is not supported.

The ARA notes that there will be one Building Block Model for each state or territory government based on road management data and proposed expenditure in that jurisdiction. As noted in the National Freight and Supply Chain Priorities Report<sup>4</sup>, a nation-wide, consistent and integrated

---

<sup>4</sup> Page 7, National Freight and Supply Chain Inquiry Priorities Report.  
[https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry\\_Report.pdf](https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry_Report.pdf)

approach to freight and supply chain issues, including regulation, is needed to enhance the efficient movement of freight. In this sense, the ARA queries the establishment of different BBMs at the state and territory level, particularly in respect of the economic inefficiencies and distortions that could arise as prices vary across state borders. The ARA would welcome further consideration of this issue in the decision RIS.

## COMPLEMENTARY ROAD REFORM

---

The RIS consultation process is being carried out alongside broader work being undertaken by the Commonwealth to support Heavy Vehicle Road Reform. This includes the Business Case Program for Location-Specific Heavy Vehicle Charging Trials and the National Heavy Vehicle Charging Pilot. The ARA has been a vocal supporter of a Mass Distance Location (MDL) charging regime for heavy vehicles on arterial roads, including national highways, commencing on national highways between Melbourne, Sydney and Brisbane.

The ARA takes this opportunity to encourage ongoing focus in this area in a timely manner to implement pilots and trials of the proposed reforms and to trial different elements of heavy vehicle road user charging, based on MDL charges, as the best way to better understand the most appropriate approach to implementing this reform.

## CONCLUSION

---

The reform options presented in this RIS – **specifically Reform Option B and Scenario 2** – are important building blocks to strengthening regulatory consistency between road and rail freight and in so doing, improving the efficiency of Australia’s freight supply chains.

The ARA appreciates the opportunity to provide comments on the Consultation RIS and looks forward to further engagement as this reform progresses. For further information, please contact Duncan Sheppard, General Manager, Freight and Industry Programs at [dsheppard@ara.net.au](mailto:dsheppard@ara.net.au) or (02) 6270 4531.





PO Box 4608, Kingston  
ACT 2604 Australia

T +61 2 6270 4501  
F +61 2 6273 5581

E [ara@ara.net.au](mailto:ara@ara.net.au)  
W [www.ara.net.au](http://www.ara.net.au)