Submission to:	Marsden Jacob Associates
	Department of Infrastructure, Regional Development and Cities
Title:	Consultation Regulation Impact Statement: HVRR Phase 2: Independent price regulation of heavy vehicle charges
Date:	31 August 2018

AUSTRALIAN TRUCKING ASSOCIATION

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ATA CONTACT

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1. About the Australian Trucking Association

The ATA is the peak body representing the Australian trucking industry. Its members include state and sector-based trucking associations, some of the nation's largest transport companies, and businesses with leading expertise in truck technology.

2. Summary of recommendations

Recommendation 1
Transport ministers should assess all viable policy options for improving the safety, productivity, connectivity and quality of the road network, including non-charges based options and reform to government management and decision frameworks.

Recommendation 2
Transport ministers should address the rapid decline in petrol excise revenue from light vehicles to ensure the road network is funded into the future.

Recommendation 3
Implementation of the forward-looking cost base (FLCB) should be deferred until:

- Independent price regulation has been successfully established
- Reform of the investment framework provides independent and efficient road management, and stable, long term road funding commitments
- The FLCB model and inputs are transparently assessed.

Recommendation 4
Independent price regulation should be established by implementing a new option C, which should be based on option B with the following changes:

- No forward-looking cost base
- Expanded coverage to include toll road and landside port charges, and the removal of duplicated charges such as those imposed by local government
- More scrutiny of cost inputs with the power to disallow.

Recommendation 5
Governments should implement a new Heavy Vehicle Road Reform roadmap to incorporate more comprehensive reform options, including:

1. Improvements to transparency on service delivery and expenditure.
2. Agile and innovative reform to access permits, including the permit charges regime, with appropriate amendments to the Heavy Vehicle National Law.
3. Establishing the independent price regulator (option C).
4. Creation of a genuine, national High Productivity Freight Vehicle (HPFV) network.
5. Road freight investment plan and the introduction of the National Road Investment Fund to include revenue from light vehicle charges, as well as heavy vehicles.
6. Rewarding efficiency and reducing the barriers to the purchase of the right truck, for the right job on the right road.
7. Independent and efficient road network management.
8. Service delivery reform and regulation.
9. Renewed assessment of further reforms for direct user charging, including consideration of a possible forward-looking cost base.

3. Introduction

Heavy Vehicle Road Reform (HVRR) is a joint reform process of the Australian, state and territory governments through the Transport and Infrastructure Council. The Council states that the aim of HVRR is to turn the provision of heavy vehicle road infrastructure into an economic service, where feasible. It is intended to provide clear links between the needs of users, the charges they pay and the services they receive.

The Australian Government is also concerned about declining revenue from fuel-based taxes, reducing the ability of the government to fund the provision of the road network into the future. Despite this concern, the proposed policy would do nothing to address this issue.

Heavy vehicle operators are overcharged. Governments initially decided to freeze heavy vehicle charges at 2015-16 revenue levels until 1 July 2018. For 2018-19 and 2019-20, governments decided to freeze charge rates instead of continuing the freeze on revenue, which means the overcharging will be higher than it would have been. The projected over-recovery for 2018-19 will be $189.5 million, $40.7 million more than if the revenue freeze was continued.

Governments have adopted a four-step roadmap for HVRR. This comprises:

1. Improve transparency of investment, expenditure and service delivery.
2. The implementation of a forward-looking cost base and independent price regulation.
3. Return charges revenue to road owners based on use.
4. Implement more direct user charging where appropriate.

Stage one appears to be considered complete by governments, with the consultation regulation impact statement (RIS) focused on the implementation of stage two.

These current reform options, under consideration by the consultation regulation impact statement (RIS), would implement an independent price regulator (IPR) and forward-looking cost base (FLCB).

The RIS states that the IPR would have powers to set prices independently of government, and potentially perform a range of oversight activities related to forward-looking road expenditure. The FLCB would develop a building-block model to determine allowed revenue under heavy vehicle charging based on expected future expenditure.

It is not clear why the establishment of the IPR and the FLCB are linked. It would be perfectly possible to establish one without the other, as this submission shows.

The current IPR and FLCB options and the existing HVRR roadmap:

- Do not address the required reforms needed to deliver the estimated benefits from heavy vehicle road reform, including improving road access, investment and management.
- Does not fix the main contributing factor to declining fuel tax revenue, which is the decline in petrol excise from light vehicles.
- Relies on reform options based on heavy vehicle charges, rather than considering all viable policy options to achieve the intended benefits as is required by the Australian Government Guide to Regulation.
- Does not seek to assess or understand the impacts of higher and more complex charges on industry, businesses and consumers.

4. ATA objectives for heavy vehicle charging reform

The ATA has adopted the following objectives that should be achieved by HVRR:

A. Seek the efficient movement of goods, access to markets and the reduction of costs for Australian businesses, consumers and the wider economy

B. Provide improved physical and digital connectivity and productivity for urban, rural, regional and remote Australia through an improved road network, high productivity freight vehicle access and non-build capacity augmentation

C. End the overcharging and deliver independent and fair heavy vehicle charges, including on toll roads and for landside port charges

D. Not impose additional burdens on trucking operators, and any new charges must replace existing charges

E. Reduce the costs of providing road services

F. Incorporate community service obligations to provide equitable road infrastructure across Australia

G. Provide stable, long term funding of roads

H. Deliver independent road management and project funding decisions

I. Elevate the focus for governments to set outcomes, not projects, to be achieved by road investment.

These objectives build on the ATA's extensive advocacy on heavy vehicle charges. This has included arguing for:

- An independent price setting system which ends the overcharging of heavy vehicle operators and makes the ACCC responsible for regulating toll road and landside port charges.[1]
- Returning the revenue from heavy vehicle overcharging in the short term to improved road safety and better roads funding, with longer term reform to transition to independent price regulation without continuing the overcharging.[2]
- A national High Productivity Freight Vehicle network and addressing road infrastructure gaps in rural, regional and remote regions.[3]
- Preventing the setting of heavy vehicle truck tolls that seek to maximise revenue and distort the efficiency of urban transport networks.[4]
- An independent National Road Investment Fund.[5]
- Charge reduction to end the overcharging.[6]
- Reforms to the PAYGO cost base so the moving average of costs would include one year of forecast and one year of estimated expenditure.[7]

[1] ATA submission, Independent price regulation of heavy vehicle charges, 14 July 2017, submission to the Department of Infrastructure and Regional Development.
[2] ATA submission, 2018-19 Pre-Budget submission, 21 December 2017, submission to Treasury.
[3] Ibid.
[4] Ibid.
[5] ATA submission, Inquiry into impediments to business investment, 11 May 2018, submission to the House of Representatives Standing Committee on Economics.
[6] ATA submission, Heavy vehicle charges – options for improving the accuracy and stability of the PAYGO heavy vehicle charges methodology, 27 July 2016, submission to the National Transport Commission.
[7] Ibid.

5. The estimated benefits of reform

A number of benefits have been estimated and associated with the introduction of an IPR and FLCB, and more broadly with HVRR. These are:

Value of end-state benefits: Deloitte option 1 and RIS revised ($million present values)

Benefit from end-state reform	Deloitte option 1 $m	RIS revised benefits that could result from IPR and FLCB $m
More optimal lifecycle maintenance decisions	5,738	1,547
Increased efficiency from better governance	Modelled in sensitivity analysis	3,150
Better quality roads	2,048	1,115
Implementing a charging structure solely on the road user charge	303	17
Other vehicle operating costs and benefits	303	0
Vehicle access improvements	1,749	0
Externalities	517	0
Supply chain	176	0
TOTAL	**10,834**	**5,829**

Source: Table 5, Marsden Jacob Associates consultation RIS, 30.

The RIS provides no evidence that these benefits will actually be delivered. The RIS notes that the states and territories currently use some forms of scrutiny, including internal oversight processes, budgetary oversight processes, parliamentary oversight and Auditor General reviews. The RIS also notes, however, that the extent to which these processes are driving improved efficiency is not clear.

There is also no evidence that reforms under stage one of HVRR have delivered improved outcomes and investment decisions.

The Deloitte analysis identifies that the estimated benefits of HVRR rely heavily on the assumption that supply-side reforms to the provision of roads are implemented by the states and territories. The risks to this implementation and analysis of the optimal sequencing of reform steps was beyond the scope of the analysis.

Deloitte also state that the:

> Results from this CBA should not be interpreted as conclusive of the only optimal approach to implementing HVRR. For example; there is potentially alternative cost-effective or lower risk reform options to achieving the same outcomes; and/or that as the HVRR reform is implemented, elements to a reform option may need to be changed or merged with components of other option(s).[8]

Governments have provided no convincing reason for why potentially cost-effective alternate reform options are not being explored. The Australian Government Guide to Regulation states the importance of considering all viable policy options and considering viable, low-impact alternatives.[9]

In defining the problems with the current system, the RIS lists five key issues:

- Current heavy vehicle charges do not provide a direct signal to road users about their road use.
- Road managers have limited information about travel by heavy vehicles.

[8] Deloitte Access Economics, Economic analysis of potential end-states for the heavy vehicle road reform, 30 June 2017, xvii.

[9] Australian Government, The Australian Government Guide to Regulation, 2014, 6.

- Road managers' uncertainty about future revenue streams limits their ability to make long-term decisions.
- Current governance arrangements could be improved to provide greater scrutiny of expenditure.
- Heavy vehicle charges are set at the discretion of government ministers.

On this last point, the RIS confirms that ministers have agreed on charges at a level which does not follow the recommended charges by the National Transport Commission (NTC). **Establishing independent decisions on setting heavy vehicle charges must be the fundamental objective of introducing an independent price regulator.**

There are other, non-charges based reform options which would address a number of these current system problems. The ATA recommends a new HVRR roadmap in **recommendation five.**

Recommendation 1
Transport ministers should assess all viable policy options for improving the safety, productivity, connectivity and quality of the road network, including non-charges based options and reform to government management and decision frameworks.

6. Barriers to achieving the benefits of reform

There are a number of critical charging issues and barriers to achieving the estimated benefits of HVRR, which are not addressed either by the RIS or more broadly by the existing HVRR roadmap.

Toll road charges

The ACCC has reflected on the strong financial motives for governments to structure privatisation processes in order to maximise the sale price of their assets, and that as a result, governments have little incentive to closely examine whether the market structure and regulatory arrangements that will apply post-privatisation are conducive to competition and appropriate outcomes.[10]

This is true of toll road concessions. The incentive for state governments is to reduce the upfront cost of new road infrastructure without giving full consideration to the long-term outcomes for competition, urban connectivity and costs for businesses and other road users.

Private toll road owners and state governments have been increasing toll road charges on heavy vehicles whilst avoiding a fair distribution of increases with light vehicles. At the same time, toll roads are increasingly becoming a monopoly asset for heavy vehicle traffic, with NorthConnex in Sydney being accompanied by truck bans on alternative routes.

The New South Wales Government has progressively increased the truck toll multiplier to three times the car toll on new and renegotiated toll road concession agreements.

In Queensland, the truck toll multiplier on the Logan and Gateway motorways will progressively increase to 3.46 times the car toll once the Logan Enhancement Project is completed in mid-2019. In Victoria, the toll for heavy vehicles using CityLink increased by up to 125 per cent to fund the CityLink-Tullamarine widening project.[11]

The ACCC decision not to oppose the Transurban consortium bid for the acquisition of WestConnex[12] illustrates the inability of the current regulatory framework to provide constraints on

[10] Sims, Rod, How did the light handed regulation of monopolies become no regulation? Speech to the Gilbert + Tobin Regulated Infrastructure Policy Workshop, 29 October 2015.
[11] ATA, Submission to ACCC review – proposed acquisition of WestConnex, 31 May 2018, 2.
[12] ACCC, ACCC will not oppose Transurban consortium WestConnex bid following undertaking, 30 August 2018.

using heavy vehicle tolls as a revenue raising mechanism, above and beyond the level required for cost recovery.[13]

Landside port charges

Stevedores have increased the burden on trucking operators through significant increases in 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.[14]

Surcharge increases introduced in 2017 have ranged from $20 to $30 per container, and in some cases have increased twice within the one year. DP World imposed a surcharge in Sydney of $21.16 per container in early 2017, and then almost doubled the charge to $37.65 per container from 1 January 2018.

Local government access charges

In the latest example of unregulated, unsustainable and uncoordinated fee increases on heavy vehicle operators, some local governments have imposed additional access charges.

This has been a particular issue in Western Australia:

- In one regional shire, a trucking operator is charged $700,000 for use of a road. The operator also pays for road maintenance and must provide a report to the local council on how the maintenance is spent on the road. The access charge goes into consolidated revenue.
- In a metropolitan example, trucking operators running concessional loads[15] pay a dollar per tonne per kilometre. The requirements include a 500 per cent escalation clause in the event that road wear is underestimated. Revenue goes into consolidated revenue.

In the metropolitan example, one company has abandoned concessional loads and now runs an additional 1,420 truck movements per year for a single product line within the council area.

These charge increases for toll roads, landside ports and local government access have not been subject to detailed regulatory scrutiny; they simply build additional costs into Australia's supply chains.

HVRR will not achieve its intended benefits as long as it remains an incomplete reform that excludes key charges on road transport.

[13] ATA, Submission to ACCC review – proposed acquisition of WestConnex, 31 May 2018, 4 & 5.

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

[15] Concessional mass limits allow an operator to operate at mass limits above the national general limits, provided they meet other requirements such as those required by the NHVR or the WA Government.

Antiquated framework for permits and approving road access for heavy vehicles and barriers to purchase new heavy vehicles

The RIS and HVRR aim to encourage heavy vehicle road users to choose vehicle types, routes, and travel distances that best align with the road expenditure for which they create the need.

Similarly, improved heavy vehicle access and productivity are key to the estimated benefits of the wider HVRR roadmap.

None of this is possible without access approvals for heavy vehicles to use the roads.

Industry operates under a burdensome, antiquated, permit approval system for receiving approval for heavy vehicles to access the road network. Reforming charges without reforming access will simply not deliver the intended benefits.

The Deloitte analysis identifies the use of debt funding by operators to pay for registration charges as a reason for changing the mix of charges away from registration charges towards a greater reliance on the RUC.

However, with the exception of South Australia, governments have not made monthly registration payment options available for heavy vehicles, which would be a much simpler way to curtail the use of debt funding for registration. Again, this shows that low cost alternative options have not been adequately considered in the RIS.

Reducing the cost of road management

A key goal of microeconomic reform should be reducing the cost of providing services. The IPR RIS and broader HVRR roadmap show that the costs of administering roads is likely to increase.

All HVRR end state options considered by Deloitte include higher administration costs. The options considered in the consultation Regulation Impact Statement for an Independent Price Regulator also include higher administration costs. Research by the American Transportation Research Institute found that the administration costs of distance-based charging is higher than for a fuel tax.

In contrast, reforms in the United Kingdom of the management of England's strategic road network included a focus on reducing the cost of management and provision of the network by the road manager. This included structural reform of the road manager. However, ministers are not committed to any reforms that would reduce road management costs.

Increased charges on heavy vehicle operators

The current HVRR roadmap would increase charges, despite current charges being set above the levels recommended by the National Transport Commission (NTC). The RIS identifies that the increased costs of government administration may be passed onto heavy vehicle operators through higher charges.

The ATA notes that modelling produced for Infrastructure Australia on the benefits of introducing more direct road user charging included an increase in revenue in the form of higher user charges.

The RIS, or even the Deloitte analysis, do not assess the impact of these higher charges on industry, or on businesses that rely on Australian supply chains to export or purchase goods. Higher transport costs would also increase cost pressures for consumers.

Potential unfair distributional impacts

The RIS considers establishing an IPR which could alter the proportion of revenue collected through the road user charge and registration charges. The impact of this on operators that travel longer distances, especially for rural and remote supply chains, has not been assessed.

The Deloitte analysis also found a higher proportion of estimated benefits would flow to the eastern states. Long distance operators in WA and the NT would risk paying higher charges, but with limited productivity benefits.

Long term, stable roads funding

The RIS identifies road manager uncertainty about future revenue streams, limiting their ability to make long-term decisions about investment priorities, as a key problem to be addressed.

Whilst the introduction of a FLCB may allow for recovery of expenditure, it does not reform the framework for investment decisions. Without reforming investment framework it is highly likely that the benefits of the FLCB would be limited, with no guarantee that certainty would be improved.

A key feature of road funding in New Zealand and the United Kingdom is the provision of a stable, long term approach to funding roads. This allows road managers to make decisions about maintenance that encourage a longer term and lower cost approach to managing the network, and to seek efficiencies with suppliers. Reform must be broader than just the collection of charges to drive these efficiencies, it must provide a stable funding commitment for roads due to the long lead times in building infrastructure.

Revenue from light vehicle charges

The growth of electric vehicles and the resulting impacts on the reduction of fuel tax revenue is highly likely, at least initially, to be driven by changes in the light vehicle fleet. Deloitte reported in 2013 that petrol excise revenue as a proportion of GDP was declining faster then diesel excise revenue over the years from 2001-02 to 2010-11. During this period, diesel excise replaced petrol excise as the largest contributor to total excise revenue as a proportion of GDP.[16]

Governments cannot address the question of declining road revenues from fuel-based taxes by focusing on HVRR, as this ignores the rapid revenue decline for petrol excise. A higher priority should be given to introducing a road user charging mechanism for electric vehicles.

Recommendation 2
Transport ministers should address the rapid decline in petrol excise revenue from light vehicles to ensure the road network is funded into the future.

[16] Deloitte, Road pricing and transport infrastructure funding: reform pathways for Australia, 2013, 8.

7. ATA response to IPR RIS options

Forward-looking cost base (FLCB)

The ATA does not support the introduction of a FLCB as part of stage two of HVRR. Governments have provided insufficient detail to provide confidence that the FLCB would deliver the intended benefits, and the RIS provides no evidence to alter this view.

The introduction of a FLCB should not occur until:

- The IPR has been successfully implemented
- Reform of the investment framework provides independent and efficient road management, and stable, long term road funding commitments
- The FLCB model and inputs are transparently assessed, including the processes for determining coefficients.

The Deloitte analysis establishes that in some cases roads have the characteristics of a natural monopoly. As a result, efficient pricing will require regulatory oversight to ensure that only long run average costs for a forward-looking cost base are recovered.[17] Heavy vehicles face numerous restrictions on their use of the road network, increasing the natural monopoly characteristics that they face.

To ensure HVRR delivers improved efficiency, this regulatory oversight is important and must be first successfully established. The experience of toll road concessions and their lack of appropriate regulatory oversight illustrates the risk to businesses and increased supply chain costs when regulatory frameworks are insufficient.

The Deloitte report links the FLCB to the aim of minimising the cost of providing services. There are a number of other reform options, such as improving the investment framework and reforming road managers, that should be included. These supply side reforms should proceed the possible introduction of the FLCB. Further detail is in the recommended new HVRR roadmap, as part of **recommendation five**.

Independent price regulator (IPR)

The RIS considers two options for the introduction of an IPR:

- Basic price regulation (Option A)
- Price regulation plus (Option B).

A summary of the options is included in the following table.

[17] Deloitte, Economic analysis of potential end-states for the heavy vehicle road reform, 2017, xii.

<table>
<tr><td colspan="3">Parameters for RIS options</td><td>ATA recommendation</td></tr>
<tr><td></td><td>Option A (Basic regulation)</td><td>Option B (Regulation plus)</td><td>Option C (Expanded regulation plus, minus FLCB)</td></tr>
<tr><td>Network coverage</td><td colspan="3">All roads currently covered by PAYGO.</td></tr>
<tr><td rowspan="3">Independent regulation</td><td rowspan="2"></td><td>Some scrutiny of expenditure, but no power to disallow.</td><td>Increased scrutiny and power to disallow.</td></tr>
<tr><td colspan="2">Formal mechanism for user input into pricing determinations (expert panel).

Can alter the mix of registration and RUC charges with changes to be revenue neutral.</td></tr>
<tr><td colspan="3">Reviews expenditure proposals to ensure they’re based on consistency with scope of charging system.

Requires expenditure proposals in a comparable format.

Sets a suitable rate of return, and for option C for trueing up forecasting errors or smoothing the trajectory of charges.

Corrects for under and over expenditure in previous period.

Determines prices in law.</td></tr>
<tr><td>Forward-looking cost base</td><td colspan="2">Apply a building blocks model to determine allowed revenue. One BBM for each state government.</td><td>No FLCB.</td></tr>
<tr><td>Levels of service</td><td>No change.</td><td colspan="2">Customer service charter for key freight routes (not legally binding).</td></tr>
<tr><td>Data requirements</td><td>Maintain existing measurement and reporting.</td><td colspan="2">Improved data measurement and reporting to assist with expenditure oversight.</td></tr>
<tr><td>Price setting</td><td colspan="3">Regulator sets a band of allowable registration charges which allows jurisdictions to move towards nationally consistent charges during a transition period.</td></tr>
<tr><td>Hypothecation</td><td colspan="2">Maintain existing system of funding via government budget processes.</td><td>Progress towards supply side reforms as part of new HVRR roadmap.</td></tr>
<tr><td>CSOs</td><td colspan="3">Maintain existing funding to ensure minimum levels of service on all roads.</td></tr>
<tr><td>Toll roads, landside port and local council access charges</td><td colspan="2">Not included.</td><td>Included.</td></tr>
<tr><td>Draft cost estimate over 20 years, compared to base case.</td><td>$9 million (Option A)</td><td>$92 million (Option B)</td><td>To be assessed.</td></tr>
</table>

Both government options:

- Fail to address toll road, landside port and local council access charges.
- Commit to a complex FLCB, without sufficient detail or reform to the investment framework
- Commit to higher administrative costs without demonstrating benefits that will actually be delivered by reform.

Instead, the ATA recommends that governments should adopt option C (expanded price regulation plus, minus FLCB). Option C would mirror option B with the following changes:

- Maintain the PAYGO model with the changes advocated by the ATA in 2016.
- Expand price regulation to include charges set by toll roads, landside ports, and removal of duplicated charges (such as those imposed by local government).

The ATA considers that independent price regulation is necessary, as the current discretionary decision-making process means charges are subject to budgetary and electoral considerations, as opposed to cost recovery. However, the costs of introducing the FLCB are not yet, and may never be, justified.

Recommendation 3
Implementation of the forward-looking cost base (FLCB) should be deferred until:

- Independent price regulation has been successfully established
- Reform of the investment framework provides independent and efficient road management, and stable, long term road funding commitments
- The FLCB model and inputs are transparently assessed.

Recommendation 4
Independent price regulation should be established by implementing a new option C, which should be based on option B with the following changes:

- No forward-looking cost base
- Expanded coverage to include toll road and landside port charges, and the removal of duplicated charges such as those imposed by local government
- More scrutiny of cost inputs with the power to disallow.

8. Need for a new HVRR roadmap

In light of the barriers to achieving the estimated benefits of HVRR, the lack of benefits delivered so far, the inability of the IPR RIS current options to demonstrate benefits will be achieved, and the lack of consultation on the direction and intent of HVRR, there is a clear and pressing need for a new HVRR roadmap.

The ATA recommends that governments should adopt a new HVRR roadmap, as outlined below.

Stage	New HVRR roadmap reforms
1	Improve transparency on service delivery and expenditure.
2	Agile and innovative reform to access permits, including the permit charges regime, with appropriate amendments to the Heavy Vehicle National Law.
3	Establish framework for economic regulation, including an independent price regulator. The IPR’s role will include the price regulation of: • the road network • toll roads • landside port charges with the removal of duplicated charges a priority. Local councils should not be able to charge for access to their roads. The introduction of the IPR would not be accompanied by a transition to a forward-looking cost base.
4	Creation of a genuine, national High Productivity Freight Vehicle (HPFV) network.
5	Road freight investment plan and the introduction of the National Road Investment Fund to include revenue from light vehicle charges, as well as heavy vehicles. The fund will include investment in regional and remote roads with the aim of achieving minimum service standards for all Australians.
6	Rewarding efficiency and reducing the barriers to the purchase of the right truck, for the right job on the right road.
7	Independent and efficient road network management.
8	Service delivery reform and regulation.
9	Renewed assessment of further reforms for direct user charging, including consideration of a possible forward-looking cost base. The introduction of direct user charging must include the provision of appropriate fuel tax credits so trucking businesses are not disadvantaged.

Stage 1: Improved transparency on service delivery and expenditure.

The ATA does not consider this stage complete. Ministers should agree to and publicise a program of works for further improvement. Governments should transparently use the data in the published asset registers to support their funding decisions and announcements.

Stage 2: Agile and innovative reform to access permits, including the permit charges regime, with appropriate amendments to the Heavy Vehicle National Law.

HVRR will not achieve improvements in productivity and vehicle selection without reforms to access. Amending the Heavy Vehicle National Law to introduce an innovative and agile access framework must be integrated into HVRR.

The ATA notes that the non-HVNL jurisdictions already apply better access arrangements, which was acknowledged by the Deloitte analysis.

Stage 3: Establish framework for economic regulation, including an independent price regulator.

As outlined in **recommendation 4**, this should be a new option C model (expanded price regulation plus, without the FLCB).

Stage 4: Creation of a genuine, national High Productivity Freight Vehicle (HPFV) network.

The Deloitte analysis of the estimated benefits of the potential end states of HVRR identifies improved road access, such as a national network for A-doubles or B-triples, as a key benefit. The track record of jurisdictions in this area is poor. Achieving this outcome would require a commitment to delivery of a national HPFV network and allowing gazetted access.

Stage 5: Road freight investment plan and the introduction of the National Road Investment Fund to include revenue from light vehicle charges, as well as heavy vehicles.

This stage should build on the delivery of the HPFV network, drive investment in achieving minimum service standards and transition roads funding to a long term, stable commitment.

It should elevate the focus from governments to set outcomes, not projects, to be achieved by road investment. The Government would commit to a funding period, identify the outcomes that should be achieved, and then allow independent road managers to deliver the investments.

Stage 6: Rewarding efficiency and reducing the barriers to the purchase of the right truck, for the right job on the right road.

Barriers on the purchase of new vehicles and changing the make up of the heavy vehicle fleet should be removed. This should include introducing monthly registration payment options for heavy vehicles.

Stage 7: Independent and efficient road network management.

Improving the independence in road management will strengthen the link between HVRR and its estimated benefits by driving a stronger incentive for reducing the cost of managing and providing the road network. This will require reform of road managers by state and territory governments.

As an example, the United Kingdom's reforms of strategic roads in England included:

- Creation of operationally separate government body that can operate and contract in its own right with a funding stream that is insulated from short term change (Highways England)
- Government remains responsible for the long-term strategic direction of the network, and produces a Road Investment Strategy every five years
- Allow Highways England to approach network management as much like an efficient and commercial, market-driven entity as possible
- Reform was focused on the way roads were managed and not on the way they were paid for, but leaves open options for future reforms of charging.

Governments would be in a better position to make decisions about regulating service delivery when they are not in the position of making decisions about regulating themselves.

Stage 8: Service delivery reform and regulation.

This would include a number of aspects currently proposed under the existing stages two and three of HVRR.

Governments should regulate the cost recovery and expenditure decisions of road managers, with the ability to disallow decisions.

This stage will also be required before direct user charging can be considered.

Stage 9: Renewed assessment of further reforms for direct user charging, including consideration of a possible forward-looking cost base.

Following the reforms of the new HVRR road map, there should be a renewed assessment of further reforms for direct user charging, as well as consideration of introducing a forward-looking cost base.

This would be informed by current work underway as part of the Business Case Program and National Heavy Vehicle Charging Pilot, and the outcomes from stages one to eight of the refocused ATA HVRR road map.

Ultimately, direct user charging would need to deliver efficiencies and a net benefit in its own right, and not as a result of delivering benefits that should result from other reform options.

Recommendation 5

Governments should implement a new Heavy Vehicle Road Reform roadmap to incorporate more comprehensive reform options, including:

1. Improvements to transparency on service delivery and expenditure.
2. Agile and innovative reform to access permits, including the permit charges regime, with appropriate amendments to the Heavy Vehicle National Law.
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