

NatRoad Submission to Productivity Commission Inquiry into Heavy Vehicle Reform

Executive summary

NatRoad calls for:

- Fastrack of the National Automated Access Scheme (NAAS)
- Simplified and accelerated PBS approvals
- Technology agnostic decarbonisation incentives
- Investment in high-risk corridors
- Fair and equitable Road User Charge (RUC)

The National Road Transport Association (NatRoad) welcomes the opportunity to contribute to the Productivity Commission's (the Commission) Inquiry into Heavy Vehicle Reform (the Inquiry). As Australia's largest association representing thousands of freight transport businesses across the \$96 billion road freight sector, NatRoad brings the on-the-ground experience of operators ranging from owner-drivers to national fleets.

Australian freight operators face unprecedented regulatory change across road-user charging, heavy vehicle access, digital transformation, and decarbonisation. The Commission's focus on designing reforms to improve productivity, maintain fairness, and ensure clear transition pathways is strongly supported.

NatRoad's position is grounded in two core realities:

1. Freight is essential, 80% of the national freight task moves on roads.
2. Operators cannot absorb further unmanaged cost increases, margins are below 3% for most businesses and insolvencies in the sector remain among the highest of any Australian industry.

Reform must therefore be sequenced, evidence based, and commercially realistic, with government and industry working together to ensure the road freight system remains safe, productive, reliable and affordable.

Key issues for operators

Rising Costs and Structural Pressures

Transport businesses are currently experiencing the most sustained cost escalation in more than a decade:

- Heavy vehicle insurance premiums have risen 15–25%¹;
- Workers' compensation premiums have increased up to 12%²;
- Parts, maintenance and repairs have risen 10–20%³;
- Fuel and labour costs continue to rise due to volatility, award increases, and skilled driver shortages;
- The transport, postal and warehousing sector has one of the highest insolvency rates across all industries⁴;
- Recent uptake data shows in 2023–24, the National Heavy Vehicle Regulator (NHVR) issued a record 4,299 PBS vehicle approvals, indicating growing demand, but also underscoring each must pass through the full, time-intensive approval process⁵;
- Current access/permit constraints are costing the economy approximately \$4–5 billion per year or \$452 per household per year⁶;
- Delays in PBS approval and access conservatively cost operators tens of millions of dollars each year⁷ (an idle truck costs operators between \$700 and \$1200 per day) and inhibits uptake of safer, greener more productive vehicles; and
- Most small and medium operators run on margins below 3%, limiting their ability to absorb further cost increases and / or increased, inefficient regulation.

Decarbonisation Pressures

In August 2025, the International Road Union (IRU), of which NatRoad is a member, released the '*IRU Green Compact Survey Report 2025: Decarbonising commercial road transport: Progress and future pathways*', which examines the decarbonisation status of commercial road transport operations in Australia, Central Asia, Europe, Mexico and Türkiye⁸. Transport operators are deeply concerned about the challenges posed by decarbonisation. In Europe, they expressed the highest level of apprehension (around 80%). This worry stems primarily from uncertainties about cost recovery and customers' willingness to absorb higher operational costs.

Key findings in the survey report include:

- 71% of Australian operators are worried about decarbonisation (82% in Europe).
- 67% of Australian operators aren't monitoring their carbon emissions, behind Europe where the figure drops to 56%.

¹ NTI, NTARC Major Accident Investigation Report 2024–25.

² Safe Work Australia, Workers' Compensation Scheme Performance Report 2024.

³ AAAA, Parts and Maintenance Cost Index 2024–25.

⁴ ASIC, Insolvency Statistics 2024–25, Transport, Postal & Warehousing sector.

⁵ NHVR, Heavy Vehicle 2023–24 Annual Report

⁶ Deloitte Access Economics, Economic Benefits of Improved Regulation in the Australian Trucking Industry

⁷ ATA, Truck Operator Costings

⁸ IRU, [IRU Green Compact Survey Report 2025: Decarbonising commercial road transport: Progress and Future Pathways](#)

- 67% of Australian operators said customers' unwillingness to cover additional costs was a barrier to decarbonising (58% for Europe), while 50% regarded infrastructure not being ready to support new technology (Europe 45%) as another roadblock.
- Australia's fleet is ageing, with half saying their fleet is between 5 and 15 years old. Only 25% of Australians reported their vehicles were less than five years old, contrasting with Europe where 57% of respondents run vehicles five years old or less.
- 100% of Australian operators said they intended to adopt biofuels as they become available in the next five years.
- 75% of Australian Operators said they planned to continue investing in diesel vehicles.

Key Recommendations

Fast track the National Automated Access Scheme (NAAS)

Fast-tracking the National Automated Access System (NAAS) should be a core element of the heavy vehicle productivity reform package because it directly addresses long-recognised weaknesses in the current permit-based access regime and delivers measurable benefits to both operators and consumers. The NTC's Easy Access to Suitable Routes work⁹ and subsequent HVNL review material highlight today's access arrangements are complex, slow and inconsistent, with a heavy reliance on one-off permits create uncertainty and administrative burden for industry and road managers. In response, Austroads and governments are designing NAAS as a nationally consistent digital system to deliver an automated and streamlined access decision tool for all heavy vehicles, enabling road managers to publish and maintain network-wide access conditions and to replace around 90 per cent of current access permit requests with automated decisions¹⁰. The NHVR's Heavy Vehicle Productivity Plan 2025–2030¹¹ and recent announcements on tools such as NHVR Portal, NHVR Go and asset assessment guidelines emphasise NAAS is the logical next step in digitising heavy vehicle access and “easing the burden of permits” on both industry and councils. For operators, an accelerated NAAS rollout would mean faster, more predictable access decisions, higher utilisation of high-productivity and PBS vehicles, fewer detours and empty kilometres, and lower compliance and back-office costs, building on earlier modelling findings most of the economic gains from heavy vehicle reform come from productivity improvements.¹² For consumers, improved access flows through to lower freight costs and prices. A Deloitte Access Economics report, commissioned by the Australian Trucking Association (ATA)¹³, estimated better regulation and access for more productive trucks could save the average household around \$452 per year, alongside substantial sectoral savings in wholesale trade, construction and retail.

⁹ NTC, Easy Access to Suitable Routes

¹⁰ Austroads, Contemporary Heavy Vehicle Access Decision-Making for Road Managers

¹¹ NHVR, Heavy Vehicle Productivity Plan 2025 - 2030

¹² Houston Kemp Economists, Economic benefits of heavy vehicle regulatory reform

¹³ Deloitte Access Economics, Economic Benefits of Improved Regulation in the Australian Trucking Industry

Within the Productivity Commission's terms of reference to support pro-competitive reform under National Competition Policy, prioritising NAAS implementation is a high value, low risk reform simultaneously reducing red tape, strengthening competition in freight markets and delivering tangible cost-of-living benefits.

NatRoad proposes the Commission should endorse:

1. Governments formally prioritise and fast track the deployment of NAAS as a national digital infrastructure reform with clear implementation milestones and a jointly agreed governance model;
2. Mandated nationally consistent access rules and data standards to ensure all jurisdictions publish access conditions, bridge capacities, road geometry and restrictions in machine readable formats compatible with NAAS;
3. Requirement for maximum timeframes for road manager decisions during the transition phase so NAAS progressively replaces most permits with automated access determinations;
4. Incentivise jurisdictions and local governments through targeted federal funding or competition payments, to open networks to high-productivity and PBS vehicles where safety and asset standards permit;
5. Integration of NAAS with NHVR Portal, NHVR Go and asset assessment tools to create a single, seamless national interface for operators, road managers and certifiers;
6. Ensure NAAS supports competition and small operator participation by reducing administrative burden, improving transparency of access decisions, and enabling efficient route planning without specialist compliance resources; and
7. Embed NAAS within a broader national freight-productivity framework, linking access improvements to measurable reductions in vehicle kilometres travelled, safety benefits and emissions intensity.

Simplify and Accelerate PBS approval process

Simplifying and accelerating the PBS approval process should be a priority reform because the PBS scheme already demonstrably delivers major gains in productivity, safety, and environmental outcomes but its full potential is constrained by administratively burdensome, costly and slow approval and network access processes. Under the current system a vehicle must pass through multiple stages (design approval, certification, access permit) before it can operate, and access remains at the discretion of state/territory road authorities even after PBS approval¹⁴. This complexity acts as a barrier to uptake, limiting the number of operators willing to invest in high productivity PBS vehicles, especially smaller operators or those with volatile or unpredictable freight demand.¹⁵ If PBS approval and access were streamlined, for example via a pre-approved national PBS design list, faster certification, and a national

¹⁴ NHVR, PBS approval process overview

¹⁵ NTC, Assessing the Effectiveness of the PBS Scheme Discussion Paper

framework assuring timely and consistent network access, the transport sector would see significantly higher uptake of PBS and high-productivity heavy vehicles resulting in:

- more freight moved per journey via fewer;
- more efficient trucks;
- reduced total vehicle kilometres travelled;
- lower operating costs; and
- improved supply-chain reliability.

Further, the broader economy would benefit from lower logistics costs and stronger competitiveness across agriculture, retail, mining and manufacturing supply chains. Safety outcomes would also improve as PBS vehicles are shown to have substantially lower crash rates than conventional heavy vehicles.¹⁶ With fewer trips required, emissions per tonne kilometre fall, supporting national emissions reduction targets and reducing community impacts such as noise and congestion.¹⁷ In short, streamlining PBS approval is a high-value, low risk reform which aligns with the Commission's objectives around competition, efficiency and reducing regulatory burden.

NatRoad proposes the Commission endorse:

1. Establishment of a nationally consistent, streamlined PBS approval pathway, including a national pre-approved library of standard PBS vehicle designs to reduce assessment costs and delays.
2. Mandated maximum approval timeframes for PBS design approval, vehicle certification and access decisions, supported by automated assessment tools where feasible.
3. Integrated PBS access into the National Automated Access System (NAAS) so access determinations are transparent, timely and consistent across jurisdictions.
4. Creation of a national PBS network expansion plan, with funding incentives for states and local governments to open suitable routes and upgrade pinch points based on transparent safety and productivity criteria.
5. Provision of targeted support for small and regional operators, including simplified application processes and reduced compliance duplication, to ensure broad uptake of PBS innovations.

Technology Agnostic Decarbonisation Incentives

In decarbonising the heavy vehicle industry in Australia, operators require a long transition time and realistic targets, combined with incentives. Governments need take an agnostic approach to decarbonisation, electrification is not the most viable solution for the Australian freight task.

Measures will need to include a variety of tools and technologies to reduce energy and carbon intensity and investment and incentives to kickstart decarbonisation. NatRoad encourages government to take advantage of existing technologies for governments to incentivise uptake as immediate steps to assist

¹⁶ Industrial Logistics Institute, Performance Based Standards Marketplace Outlook Project, Quantifying the Benefits of Performance Based Standards

¹⁷ NTC, Performance Based Standards RIS

transport operators to decarbonise, whilst investing in medium and long-term solutions such as biodiesel and infrastructure.

NatRoad recommends the immediate establishment of a \$3.5 billion 'Clean Transport Fund'¹⁸ including:

- \$1 billion in road freight transport decarbonisation financing for both vehicles and infrastructure, similar to the Clean Energy Finance Corporation model.
- \$1 billion in low emission vehicle and technology incentives, with priority for smaller and medium sized operators, focus should initially prioritise:
 - Incentives for operators to transition to lower rolling tyres, resulting in up to 40% reduction in long-haul emissions¹⁹.
 - Incentivise transition to and retrofitting of Euro VI engines, and other engine optimisations such as high-pressure fuel injection, improved piston designs and enhanced exhaust treatment systems, in aging vehicles increasing engine efficiency by up to 54% and reducing fuel consumption by 7%²⁰.
 - Incentives for EV and ZEVs should be considered in the medium to long term planning as charging, refuelling and grid investment increases.
- \$500 million for investment in a low and zero emissions heavy vehicle recharging and refuelling strategy, including shared use facilities.
- Create an investment fund for research and development in bio and synthetic fuels.
- Incentives to train drivers in eco-driving with the potential to reduce road transport emissions by 15%.
- Develop simple guidance and tools to allow for businesses to calculate their emissions.

NatRoad cautions against making pre-emptive policy changes to the existing Fuel Tax Credit Scheme as this will do little to incentivise industry to shift to cleaner technologies. There are significant infrastructure and commercial realities which require action prior to forcing industry to shift to significantly more expensive vehicles (2 to 4 times the cost of an internal combustion engine) without sufficient infrastructure investment. The simple reality is transport operators cannot absorb the cost, and customers are not willing to pay of transition. Australian domestic transport by road, rail, and sea is more expensive per unit than in many other countries, which drives up the overall cost of freight services. Australian freight is up to three times more expensive than peer economies²¹.

Noting, 80% of Australia's freight task is undertaken in an urban and metro setting, focus should be given to increasing grid capacity and investment in heavy vehicle charging infrastructure in metropolitan settings. For medium to long haul freight focus should be on agnostic technology solutions, increasing efficiency and investment in bio and synthetic fuels, improving access and allowing for higher productivity vehicles with increased payload. By increasing the payload by 5 tonnes an emissions

¹⁸ NatRoad, [Australian Road Freight Transport Decarbonisation](#)

¹⁹ IRU, [IRU Green Compact Survey Report 2025: Decarbonising commercial road transport: Progress and Future Pathways](#), pg. 36

²⁰ IRU, [IRU Green Compact Survey Report 2025: Decarbonising commercial road transport: Progress and Future Pathways](#), Pg 85

²¹ NatRoad, [Macro trends for road freight operators in Australia](#)

reduction of up to 44% can be achieved, therefore automated access for PBS vehicles should be accelerated.

Investment in High-Risk Corridors

Commonwealth and state road upgrade funding should be linked to transparent, evidence-based safety and productivity criteria and be a central recommendation of the Inquiry because Australia currently lacks a consistent framework to ensure investment goes to the corridors to deliver the greatest reduction in road trauma and the highest freight productivity return. The Australian Automobile Association (AAA) has repeatedly highlighted the absence of nationally consistent, publicly available road safety performance data and continues to call for mandatory safety star ratings for any road seeking federal funding, arguing this transparency is essential to target investment where it saves the most lives.

The National Road Safety Strategy 2021–30 similarly identifies infrastructure quality including lane width, clear zones, median treatments and shoulder sealing, as a decisive factor in fatal and serious injuries, yet progress reporting shows persistent gaps in upgrading high risk rural roads used heavily by freight.

Local governments manage around 77 per cent of Australia's road network²², including the majority of the first and last mile freight links, ultimately determining where high-productivity vehicles can operate. Local Council Road Managers often take a risk adverse approach to management of assets including hesitation in letting heavy vehicles access their networks due to lack of funding to maintain and / or lack of accurate assessments on load capacities.

Councils receive only a small share of national road funding allocations and face widening infrastructure backlogs driven by rising construction costs, ageing assets and growing freight demands. The Australian Local Government Association (ALGA) has consistently highlighted this structural underinvestment and is advocating for federal funding for local roads to be returned to at least 1% of GDP, arguing current arrangements are insufficient to maintain, let alone upgrade, critical freight routes to modern safety or load-bearing standards. Increasing and indexing these funding pools such as the Roads to Recovery and Local Roads Investment Program, would provide councils with the financial certainty needed to plan multi-year upgrades, strengthen bridge and pavement capacity, and deliver safer regional corridors aligned with AusRAP and National Road Safety Strategy targets. This is essential not only for reducing rural road trauma, insurance and maintenance costs, but also for unlocking national productivity gains by enabling more consistent, cross jurisdictional access for PBS and high-productivity freight vehicles.

Previous work undertaken by the Commission shows structural barriers in road funding, short funding cycles, fragmented responsibilities across 537 local governments, and limited asset condition data, undermine efficient investment and impede the rollout of High Productivity Freight Vehicle (HPFV) networks. To address these shortcomings, NatRoad recommend the Commission should endorse:

²² ALGA, \$1 billion 'opportunity' to fix Australia's local roads and boost productivity

1. Federally funded upgrades be tied to transparent safety and productivity metrics, such as AusRAP star ratings, freight-task volumes, crash risk, and bridge and pavement capacity;
2. Jurisdictions publish access relevant asset data (bridge limits, road geometry, surface condition) in machine readable formats to support the National Automated Access System;
3. Funding pools for local governments be expanded and indexed, consistent with ALGA's advocacy to lift federal support to at least 1% of GDP, enabling councils to bring freight routes up to safe, fit-for-purpose standards; and
4. Cost benefit analyses explicitly incorporate freight efficiency gains, including reduced detours, fewer permits and increased HPFV access.

Such a framework would align investment with the Commission's objectives under National Competition Policy by reducing avoidable transport costs, improving safety outcomes and ensuring public funding delivers maximum productivity benefit.

Road User Charge

Transport businesses are currently experiencing the most sustained cost escalation in more than a decade, with rising pressures across fuel, labour, maintenance, insurance and compliance. While NatRoad supports the development of a fair and sustainable heavy vehicle charging framework, the government's proposed increase to the Road User Charge (RUC) is, in NatRoad's view, disproportionate to both prevailing economic indicators and the financial capacity of the freight sector to absorb further costs. The National Transport Commission's (NTC) analysis identifies a \$686 million funding gap.²³

However, this shortfall should not be addressed through RUC increases which exceed both current and long run inflation benchmarks, particularly when ABS data shows elevated and persistent input-cost pressure across key transport indices, including the CPI, fuel price indices and business input costs.²⁴

NatRoad welcomes the forthcoming consultation on the Forward-Looking Cost Base (FLCB), noting its role in establishing a more transparent, future-oriented and economically sustainable charging model. The FLCB framework, outlined in the NTC's Heavy Vehicle Road Reform program, sets out core elements including expenditure modelling, efficient cost allocation, network prioritisation and transition pathways²⁵:

A credible FLCB must also ensure equity across all vehicle classes including light and passenger classes and low and zero emission vehicles, to prevent cross subsidisation and ensure all users contribute proportionately to the network they rely on.

NatRoad looks forward to working constructively with the Commission throughout this inquiry process to help shape a charging framework reflective of the real cost of road use, supports efficient public investment, and is economically viable for the nation's freight operators.

NatRoad recommend the Commission should endorse:

²³ NTC, Heavy Vehicle Charges 2026-27 Consultation Paper

²⁴ ABS, Consumer Price Index Australia

²⁵ NTC, Heavy Vehicle Road Reform

1. Interim RUC increases remain aligned with inflation and sector capacity while the FLCB framework is being finalised;
2. Emphasise the need for a transparent, nationally consistent Forward-Looking Cost Base with clear methodologies for cost allocation, expenditure forecasting and network prioritisation;
3. Changes to charging arrangements apply consistently across all vehicle categories, including low and zero emission vehicles, light and passenger vehicles, to ensure equitable cost recovery;
4. Future charge increases be subject to rigorous economic impact testing, particularly for small and regional operators;
5. Staged transition arrangements to allow operators to adapt commercial models, contracts and capital planning; and
6. Charging reform must be matched with increased transparency in how governments allocate, prioritise and report road funding to ensure charges correspond to service levels and network condition.

Conclusion and Next Steps

The road freight industry is willing and ready to contribute to a more productive, safer and lower-emissions transport system, but reform must be grounded in the operational realities of freight businesses, the capacity constraints of SMEs, and the challenges posed by Australia's vast and diverse geography. NatRoad stands ready to work with the Commission to shape a reform framework that strengthens national productivity, delivers fair and transparent charging, accelerates decarbonisation and safeguards the long-term sustainability of the sector.

Next steps should include structured engagement with operators across all fleet sizes, targeted consultation on the Forward-Looking Cost Base, co-design of implementation pathways for the National Automated Access System, and transparent impact testing of proposed regulatory and charging changes. NatRoad will continue to provide data, member insights and practical policy solutions to ensure the Commission's recommendations are both evidence-based and workable on the ground.

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About NatRoad

The National Road Transport Association (NatRoad) is Australia's largest national representative road freight transport operators' association. NatRoad represents road freight operators, from owner-drivers to large fleet operators, general freight, road trains, livestock, tippers, express, car carriers, as well as tankers and refrigerated operators.