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AUSTRALIAN TRUCKING ASSOCIATION

Minter Ellison Building, 25 National Circuit, Forrest ACT 2603
P 02 6253 6900 **F** 02 6253 6999 **E** ata@truck.net.au **W** www.truck.net.au

Contents

1. About the Australian Trucking Association 3

2. Summary of recommendations 3

3. Australia's productivity performance and reform agenda 4

4. Economic importance of road freight 4

5. Moving more freight on fewer trucks 5

6. Reducing regulatory barriers 7

7. Road charging 8

8. Road investment supply reform 9

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
Reforms to improve the efficiency and road access of the PBS scheme should be made to increase productivity in road freight.

Recommendation 2
Improved local road access for freight, PBS and high productivity vehicles needs to be a reform objective.

Recommendation 3
Permit based access for A-double and HPV combinations should be progressed to 'open for business' gazettal of routes.

Recommendation 4
A-double combinations with standard length trailers should be trialled on the Hume corridor in the short term with the view to the creation of an A-double route on the Hume Highway, and following duplication, the Pacific Highway.

Recommendation 5
The Australian Government should adopt a leadership role in encouraging the uptake of High Productivity Vehicles, and announce an integrated and effective plan to remove regulatory and infrastructure impediments to greater HPV use.

Recommendation 6
Regulatory burdens for trucking businesses should be lowered.

Recommendation 7
Operator licensing for trucking businesses should not be introduced, and the focus for improving safety outcomes in the industry should remain with Chain of Responsibility legislation.

Recommendation 8
Governments should continue to progress to a national registration scheme for heavy vehicles, ensuring the new system lowers the regulatory burden for trucking businesses.

Recommendation 9
The Government should maintain a schedule of transitioning to independent heavy vehicle price regulation by 2017-18.

Recommendation 10
Accuracy and stability improvements should be made to the heavy vehicle charges model, including moving the cost base forward, including an unders and overs mechanism, and regular audits of road maintenance and construction costs.

Recommendation 11
Revenue from road user charges should be put into specific road funds, instead of general revenue, and allocated to road construction and maintenance costs.

Recommendation 12
Funding from specific road funds should be by a transparent and legislated framework, where governments set funding priorities but not specific projects.

3. Australia's productivity performance and reform agenda

The Australian Trucking Association (ATA) welcomes this productivity review being undertaken by the Productivity Commission (PC). There is a strong need for this process and the continued identification of the policies that can build on the economic reform agenda of the last 30 years. As identified in the PC discussion paper, "if we are waiting for a crisis to indicate that government should act, there is none – just an inexorable slowing towards reduced opportunity, greater dispute over shares of a smaller than expected pie, and selective protection."[1]

In short, the ATA agrees with the need to develop further policies to provide for productivity and economic growth. It is vital to the growth in incomes and living standards, and ultimately the prosperity of Australians. The PC correctly identifies that there has been a "slowdown in Australia's capacity to 'do more with the same,'" ultimately putting at risk the ability for continued growth in higher wages and poverty alleviation.

The importance of this agenda cannot be overstated, as the consequences will flow through to the Australian community's ability to pursue and fund its objectives and goals of the future.

4. Economic importance of road freight

The PC correctly identifies that "businesses are the immediate drivers of long-run productivity improvement in the market economy," and no analysis of productivity reform options would be complete without inclusion of the road freight sector.

Road freight is a critical part of the Australian economy and community with over 75% of non-bulk domestic freight carried on roads. This demand is expected to increase with a predicted doubling of freight demands from 2010 to 2030.[2] The National Transport Commission has reported that "road freight in Australia specialises in delivering time-sensitive / perishable commodities such as fresh fruit and groceries, consumer goods such as whitegoods and electronics, and construction material such as steel, concrete and timber."[3]

The performance of the road freight sector and productivity gains made within it can have important ramifications and benefits for the wider supply chain and economy. Australia is very much a trading nation, both in terms of the internal movement of goods and the need to both export and import goods efficiently within the context of trading as part of a global marketplace.

Trucking has also been described as "a critical enabler of economic growth."[4] The Harper Competition Review found that "given the size of the road transport sector, enhanced productivity in road transport can deliver large gains to the economy."

Policies that deliver productivity gains in the road freight sector would fit firmly within the scope for "policies that move resources to their most productive uses," and thus contribute to a "more prosperous society."

[1] Productivity Commission Discussion Paper, *Increasing Australia's future prosperity,* November 2016, p1
[2] Australian Government, 2014, *Trends: Infrastructure and Transport to 2030*, as quoted by Volvo Group Australia, 2016, *Professional Truck Shortage*
[3] National Transport Commission, August 2016, *Who Moves What Where Final Report*
[4] Volvo Group Australia, 2016, *Professional Truck Shortage*

5. Moving more freight on less trucks

The need for high productivity vehicles

High productivity vehicles (HPVs) can move more freight on less trucks, increasing productivity in the road freight sector.

An Austroads research report published in 2014, *Quantifying the Benefits of High Productivity Vehicles*, reported clear benefits from the use of HPVs. The report found clear safety benefits with HPVs showing "76 per cent fewer accidents than would be the case for conventional trucks" and "a 63 per cent reduction in major accident incidents on a weighted fleet basis." Importantly, the report found that the safety performance of HPVs "is expected to lead to an estimated saving of 96 lives by 2030."[5]

Austroads also reported on clear environmental benefits from the use of HPVs. Operational HPV fleets, due to the use of newer vehicles, were reported to make use of the latest emissions standards. Additionally, HPVs were reported to provide significant savings in emissions through the reduction in operational kilometres travelled and were also expected "to save 5.9 million tonnes of diesel by 2030."

There were also clear productivity and economic benefits. It was reported that assuming staged access to the highways connecting Brisbane, Sydney, Melbourne and Adelaide that "Australia will gain $6.9 billion in direct real term benefits," with two thirds of the operational benefits "attributable to the direct benefits flowing from access to the Hume Highway." Austroads also reported flow-on economic benefits in real terms of $5.6 billion, where "48 per cent of this benefit will flow specifically to the manufacturing, building materials, transport and food sub-sectors of the economy."

Other indirect benefits reported included reducing the "aspects of freight operations that are observed by the community" through lower numbers of trucks, and reduced impacts from noise, emissions and accidents. Reduced truck numbers also leads to "lower pavement impacts" and the potential for a "calculable road maintenance benefit for a typical Australian highway."

The benefits of improving road freight productivity has been demonstrated before. Between 1971 and 2007, trucking industry productivity increased six-fold due to the uptake of high productivity vehicles like B-doubles. It has been estimated that in the absence of productivity improvements over this period that nearly 150,000 articulated trucks, in addition to the 70,000 registered for use in 2007, would have been required to undertake the 2007 articulated truck freight task.[6]

The need for further productivity gains in road freight is clear. The Australian Government report *Truck productivity* in 2011 reported that "with Australia's road freight task projected to continue to grow strongly, the rate of future heavy vehicle productivity growth will strongly influence the number of vehicles required to undertake the task, the number of drivers required and infrastructure implications." The report also concluded that "in the absence of further productivity enhancing reforms future heavy vehicle productivity growth is likely to be relatively low," and that the application of higher productivity vehicles would "provide important productivity benefits, helping to reduce costs and improve the competitiveness of freight-reliant industries and the broader economy."

Challenges to the uptake of higher productivity vehicles

In one sense governments have backed the need for the uptake of HPVs. Governments have implemented the Performance Based Standards (PBS) scheme which according to the National Heavy Vehicle Regulator (NHVR) "offers the heavy vehicle industry the potential to achieve high productivity and safety through innovative and optimised vehicle design."

[5] Austroads, 2014, *Quantifying the Benefits of High Productivity Vehicles,* pi
[6] Bureau of Infrastructure, Transport, and Regional Economics, 2011, *Truck productivity,* pxiv

The ATA is supportive of the policy intent of the PBS scheme, but industry holds concerns about the efficiency of the PBS process. In particular the lack of guaranteed road access for fully PBS-approved vehicles plagues the industry and feedback suggests that the PBS scheme has been a huge and costly disappointment for many operators with PBS vehicles because requests for access are often delayed or simply refused outright by road managers (often being local government) without good reason.

Additionally, the PBS scheme outcomes are at odds with the nature of current commercial demand. The scheme has facilitated the supply of many rigid truck and trailer sets without an equally steady supply of safer, roll-coupled articulated combinations suitable for linehaul and general freight.

Industry has also found that PBS Review Panel (PRP) meetings held with road manager representatives to assess and approve applications are infrequent, and add significant delays and costs to the scheme. At the end of the PRP process there is no guarantee that the same road managers will allow access to their road networks even though a vehicle approved by the PRP has met all the required performance standards. The ATA supports the NHVR alone to have oversight of PBS applications, and to manage the audits of all PBS-approved vehicles both at first registration and in-service to ensure long-term compliance.

The ATA acknowledges that the PBS scheme is presently being reviewed by the National Transport Commission (NTC). This review, and potential improvements, are one clear mechanism for productivity enhancing reform.

In addition the issue of local road access will be an ongoing need for reform. Whether under an improved PBS scheme or by other measures, the future uptake of HPVs is limited partially to the ability to gain local road access for 'first mile last mile' access, to commence and end the freight journey. It should be acknowledged that the Australian Government provides significant support to local government for the maintenance of the local road network through funding programs such as Roads to Recovery, and a more proactive reform approach to improving road access for HPVS would be in the national interest.

Improving road access for HPVs will also need to extend to the main freight routes. The aim should be for a HPV combination, such as an A-double, to have a reliable key corridor network such as is available for B-doubles. For example, A-double combinations presently operate to both the Port of Brisbane (from Toowoomba) and on a Victorian HPFV A-double network, including the Port of Melbourne. In Victoria, for example, even if an A-double combination operates on an already determined route it still requires an annual permit. A key productivity enhancing reform would be for a gazetted HPV A-double network, making routes 'open for business' and without permit regulatory red tape.

The core to this network and the link between present permit based routes in Queensland and Victoria would be on opening up the Hume corridor for A-double use. In the earlier cited report on economic benefits from HPV use access to the Hume Highway was critical to achieving those benefits, and as the corridor between Sydney and Melbourne the economic importance of the corridor is significant.

The ATA is presently working with both the Victorian and NSW governments on an A-double trial on the Hume corridor. The trial should make use of A-double combinations with standard length trailers to maximise the potential productivity benefits. Progression of this trial is critical to future potential for productivity growth in road freight. Following the Hume trial and present duplication works on the Pacific Highway, linking Sydney to Brisbane, a gazetted HPV A-double route on the Hume and Pacific corridors, linking Melbourne, Sydney and Brisbane, would be a critical improvement in road access for improved productivity. Critically, the infrastructure investment on duplication of these road corridors has either already been made, or is presently underway. Allowing HPV use would maximise the benefits of infrastructure investments that have already been made.

Improving the uptake of HPVs to increase the HPV component of the composition of the truck fleet would be a productivity enhancing outcome in the critical economic sector of road freight. The task for doing so stretches across regulatory issues (such as vehicle approval and road access decisions) and infrastructure needs. In considering that all three levels of government have a role, and the costs in not achieving

productivity improvements, the Australian Government should adopt a leadership position in increasing the use of HPVs and announce an integrated and effective plan to remove the regulatory and infrastructure impediments to greater HPV use.

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6. Reducing regulatory barriers

The trucking industry is highly regulated, as is demonstrated by the preceding discussion of high productivity vehicles, their approval and ability to access the road network. Regulatory burdens should be minimised, including not imposing unnecessary burdens or seeking to duplicate mechanisms to achieve desired outcomes.

Critically this must apply to the consideration of any new regulatory barriers such as operator licensing. Requiring a licensing system in order to operate a road freight business, as applies in the United Kingdom and New Zealand, would impose a new and additional regulatory regime on trucking businesses.

Usually advocated on the basis of safety, operator licensing is in effect an attempt to retrofit safety objectives over an anti-competitive regulatory licensing measure. In the UK applications for a goods vehicle license may be objected to by industry associations, trade unions, local councils and planning authorities. Approval is also required for the location of a depot or operating centre, even if the site already has local government approval, in effect doubling the regulatory burden.

In NZ the system evolved out of an attempt to restrict the ability of road freight to compete with government owned railways, and under the present system can result in trucking companies operating different trucks on different licenses. Chain of Responsibility – recently extended under amendments to the Heavy Vehicle National Law to include vehicle maintenance, is a much better approach to improving safety. The objective should not be used to disguise the introduction of an anti-competitive and increased regulatory burden measure in operator licensing.

In addition to not introducing additional regulatory burdens, existing regulation should be improved. This would include improvements to the efficiency of the PBS scheme and local road access as previously discussed. Removing unnecessary jurisdictional differences, such as with vehicle registration, is one such example. The ATA acknowledges that a national heavy vehicle registration system is presently the subject of work by governments, and any new system should be designed with principles of lowering unnecessary regulatory burdens for business.

Recommendation 6
Regulatory burdens for trucking businesses should be lowered.

Recommendation 7
Operator licensing for trucking businesses should not be introduced, and the focus for improving safety outcomes in the industry should remain with Chain of Responsibility legislation.

Recommendation 8
Governments should continue to progress to a national registration scheme for heavy vehicles, ensuring the new system lowers the regulatory burden for trucking businesses.

7. Road charging

Truck and bus operators pay for their use of the road system through a fuel-based road user charge, administered as a reduction in their fuel tax credits, and very high registration charges.

In 2014 the NTC found that this system overcharged truck and bus operators because it consistently underestimated the number of heavy vehicles on the road. The present system has a mismatch between the actual revenue and the cost base, and it does not provide industry with predictability and stability in pricing. Registration increases are often as high as 20 to 30 per cent.

Reforms that improve the forecasting model, smooth the trajectory of prices, and designates an independent pricing regulator would provide industry with certainty, and provide an achievable, short term reform option for improving the road charging system.

The Australian Government has announced a commitment to consult on options for an independent price regulator for heavy vehicle charging, which would be an important initial reform. The NTC should initially be designated as the independent price regulator. Transport ministers should set legally binding pricing rules in accordance with legislated pricing and consultation principles. Ministers must not have the power to override or review pricing determinations, and there must be merits-based appeals to the Australian Competition Tribunal.

Other reform, such as moving the cost base to the charges model forward and including an unders and overs mechanism in the PAYGO model are also required. Regular audits of the cost of maintaining and building roads should be implemented to ensure transparency in the forecasting of expenditure by road managers.

The ATA made a detailed submission on heavy vehicle charging to the NTC review for improving the accuracy and stability of the heavy vehicle charges methodology.

Recommendation 9
The Government should maintain a schedule of transitioning to independent heavy vehicle price regulation by 2017-18.

Recommendation 10
Accuracy and stability improvements should be made to the heavy vehicle charges model, including moving the cost base forward, including an unders and overs mechanism, and regular audits of road maintenance and construction costs.

8. Road investment supply reform

Road user charges are theoretically designed to recover the costs to the road network by road users. These costs should then be reinvested back into the network, otherwise it is nothing more than a road tax.

Whilst trucking operators already pay – or as present, overpay – for their use of the road network there is not a clear link back to investment in the network. The Harper Competition Review found that "taxes and charges on road users in general are not directly linked to the provision of roads" and suggested that "road funds could be set up separately to governments' general budgets to increase transparency around road funding."

Establishing separate funds for road construction and maintenance would help to separate long term infrastructure decisions from the budgetary and electoral cycles. The framework of these funds should be well designed, inclusive of light vehicle charges, and base funding decisions on published criteria for road construction and maintenance priorities.

Governments should set the funding criteria and then be bound by the resulting funding decisions. The New Zealand National Land Transport Programme is one such example. Unlike the NZ example however, funds put into the roads fund should be fully hypothecated to road expenses. That is, funds from road user charges designed to recover the costs of road use should be put back into roads and not transport or infrastructure in general.

Better planning and provision of roads maintenance and construction would be a critical step towards providing the right roads that will be needed to handle the road freight task that is critical to Australia's economic performance. Additionally, a better framework around the supply of road investment would build a better linkage between road use and supply, and the current road user charging system.

Recommendation 11
Revenue from road user charges should be put into specific road funds, instead of general revenue, and allocated to road construction and maintenance costs.

Recommendation 12
Funding from specific road funds should be by a transparent and legislated framework, where governments set funding priorities but not specific projects.