Australian Livestock Transporters Association Comments:
Cost Recovery Issues Paper:
Productivity Commission Inquiry

This submission by the Australian Livestock Transporters Association to the Productivity Commission's Cost Recovery Issues Paper is made on the basis that the Heavy Vehicle Cost Recovery Program established under the Intergovernmental Agreement on Road Transport and administered by the National Road Transport Commission is included within the scope of the inquiry.

The issues paper notes that "the Commission's considers the term "Commonwealth regulatory or administrative agency" should include agencies responsible for administration and regulation of Commonwealth Government policy. This not only includes any agency or arrangement established under Commonwealth legislation but also joint Commonwealth-State agencies such as the Murray-Darling Basin Commission" (page 10).

Accordingly it appears that the National Road Transport Commission is covered by the inquiry as it is as a joint Commonwealth-State agency established under the National Road Transport Commission Act 1995 and - by extension – so too is the Heavy Vehicle Cost Recovery Program.

The Broader Context

The Australian Livestock Transporters Association believes that the heavy vehicle cost recovery program plays an important role in:

- establishing the cost recovery foundation to achieve balance between the transport modes – especially where public funds are involved

- establishing appropriate economic and social balance between transport and the broader Australian community and economy

- establishing an appropriate economic and social balance between different types of vehicles within the heavy vehicle sector.

Fuel taxes are a key foundation of this cost recovery program.

As currently structured, the Inter-governmental Agreement on Road Transport provides that a designated portion of fuel excise (currently 20 cents per litre) is recognised as a road user charge within the heavy vehicle cost recovery program.

Importantly, this approach replicates the approach in other modes and provides a degree of policy symmetry with:

- the aviation sector where taxes on fuel have been recognised as a cost recovery revenue since the late 1960's and have gone up (and generally down) to reflect cost recovery principles

- the marine sector where the principle maritime services are not subject to taxes on bunker fuels, and

- rail where rail has been relieved of any fuel taxes (on the misguided assumption that rail is not currently subject to external government support for rail infrastructure).

Is the Road User Charge an Appropriate Charge?

The Australian Livestock Transporters Association would not ague that the designated 20 cents per litre of diesel fuel tax could not be improved.

At the same time, fuel taxes have a number of clear advantages. In particular:

- they are administrative easy to collect

- charges paid by vehicle class reflect much more accurately than is often realised the weight carried and distance travelled, and

- recognising fuel taxes as a charge not only improves economic efficiency but, provides the basis for building integrity into system which in turn offers the opportunity for enhancements in changing arrangements to be made with industry support

    - provided always that the cost recovery program retains its integrity and is not distorted a part of a disguised attempt to protect other sectors.

Taxes on Trucks are Inefficient and Inequitable

Taxes on the trucking industry in excess of the average tax rate on all other industries, are inefficient and inequitable.

This is especially inappropriate for a large lightly populated country like Australia. Taxes on fuel make "the tyranny of distance work". Taxes on fuel contribute to improving development and economic efficiency.

Research commissioned by the Australian Livestock Transporters Association has consistently shown that taxes on trucking, and the equivalent in taxes on fuel, place unnecessary excessive dead weight loss on the Australian economy particularly on export orientated value adding industries.

The Issues Paper: Specific Issues Raised

This submission does not attempt to address all the specific issues raised by the Productivity Commission Issues Paper, rather key issues are addressed.

Impact on Agencies

Should agencies be able to retain control of some or all of the fees and charges they collect? Under what circumstances? (page 17).

We believe that road agencies should be able to retain 100% of all revenues collected from the trucking industry.

The argument for corporatisation are familiar to the Productivity Commission.

Looking at other transport modes, it is clear that the aviation sector is much further down the track of introducing a cost recovery program and then progressively refining that program.

In the late 60's aviation fuel taxes were identified as a cost recovery revenue. Since the structure implemented through the Department of Civil Aviation when there was little connection between expenditure, revenues and little real testing of investment in infrastructure, has evolved to a point where there is a finely articulated range of institutions and a cost recovery charging mechanisms aimed at delivering a much more efficient infrastructure investment - and a much more efficient usage pattern.

We see the trucking industry as progressing along a similar path.

As with aviation, it is important to the integrity of the system ensure industry has confidence and that changes represent improvements – and not just a grab for revenue.

Under what circumstances should capital costs be recovered? (page 19)

Currently, the Heavy Vehicle Cost Recovery Program recovers the costs on a pay-as-you go basis and therefore effectively recovers capital costs.

Because the road transport industry is heavily competitive and commercially driven we have little fundamental difficulty with the concept of recovering capital costs… after all that is the lifeblood of any commercial business.

At the same time, we are aware that arguments by others, including on some occasions the Productivity Commission, that a more academically correct approach would involve employing marginal cost pricing. While we have doubts about the practicality of such a system, it is important that any arguments along these lines are applied evenhandedly across the economy, especially between sectors which are competitive. In this regard, we would make particular reference to the rail sector where (while competition is no where near as large as sometimes imagined) there obviously still are some clear areas of competition between road and rail.

Should the capital costs of poorly utilised assets be included, or should they be written off? (page 20)

In principle, as a commercially focused sector, the Australian Livestock Transporters Association has little difficulty with the notion that the capital costs of genuinely redundant (or bankrupt) assets should be written down. However, we would caution that this can be applied in a partial fashion. For instance, one assertion made by the Northern Territory Government is that the proposed Alice Springs/Darwin railway line is viable provided that capital costs are not counted. This of course is inappropriate because it involves declaring that a proposed capital expenditure is so untenable that it needs to be written off as bankrupt before the investment is made.

Such perverse logic almost defies description.

Accountability. How accountable and transparent are they? Is it easy to get information about them?

One great strength of the heavy vehicle cost recovery arrangements supported by the Australian Livestock Transporters Association is the arrangements are transparent. It is very easy to obtain information about them.

However, it is a constant battle to maintain transparency.

In fact, the more transparent the approach, the more attempts are made to draw a veil over the program.

For example, the Heavy Vehicle Cost Recovery Program as currently apparently facing a challenge posed by a proposal to index truck registration charges.

This proposal is, in effect, for Ministers to make a charging determination shrouded in mystery and confusion.

Conclusion

Our response has focussed on the key issues and the matters raised in the issues paper. There are a range of other matters implied in our responses and we have attached a few background papers which provide greater detail.

We would, of course, be more than happy to add to our submission should the Commission wish.

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