Australian Livestock and Rural Transporters Association

MEDIA RELEASE

$111 million rip-off for the Bush

Rural transporters call for re-think on diesel tax increase

Around nine hundred small transport businesses across regional, rural and remote Australia will be over-charged by $111 million dollars – around $104,000 each – under a proposal to increase the diesel tax that is now before the Federal Parliament.

Responding to advice from the *National Transport Commission* (NTC), the Federal Parliament is poised to debate a 10.39% increase in the diesel tax paid by trucks – the single largest increase in the diesel tax that has ever been proposed for the trucking industry.

Freedom of Information laws have been used to force the *National Transport Commission* to release its pricing model.

"The figures contained in the pricing model disclose that, if this increase in the diesel tax goes ahead, the Commonwealth will single-handedly over-charge rural road trains by $27.9m per annum" said John Beer, National President of the ALRTA.

"That's a $111 million rip-off for the Bush, across the Budget period.

"It will impose unnecessarily high transport costs on farmers, graziers, miners and especially on regional communities who depend on us for their daily living. Bush transporters, in every State, are outraged."

"The national charging system for heavy vehicles is meant to be a cost-recovery system," John explained. "The NTC's own pricing model openly admits that road trains will be over-charged by an extraordinary 40% from 1 July 2012. Their figures are available for any Member of Parliament to review."

"Since the NTC's recommendations were announced, four State Governments have already implemented significantly lower registration increases, or have announced concessions to remove the unfair impost on road trains. A fifth State is considering its position."

The ALRTA strongly believes the over-charging of road trains violates the 'pricing principles' which governments have instructed the NTC to observe when it calculates and recommends charges.

The principles require the NTC to 'minimise' any over-recovery from any particular type of truck, and to manage equity impacts on regional and remote communities.

(Detailed figures are provided in the Attachment)

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About ALRTA

1) The Australian Livestock and Rural Transporters Association (ALRTA) represents 900 companies across regional, rural and remote Australia who provide the 'first and last' link of the supply chain for Australia's agricultural industries and communities.
2) Australian agriculture relies on ALRTA's members in order to access domestic and global markets. Almost all inputs to, and production from, Australian agriculture involves transport by truck.
3) The ALRTA is a member of the Australian Logistics Council (ALC), the Australian Trucking Association (ATA), and the Council of Small Businesses of Australia (COSBOA).

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ATTACHMENT 1

OVER-CHARGING OF ROAD TRAINS

Discussion

Freedom of Information laws have been used to force the *National Transport Commission* to release its pricing model. The NTC pricing model is the basis for the recommendations considered by governments on 21 March. It has never previously been published. Indeed, the ALRTA's information is that the detailed model was not even available to governments themselves when they considered the NTC's recommendations.

The NTC's pricing model shows that the registration charges and fuel tax rate recommended by the Commission would result in the Commonwealth and State governments jointly overcharging typical road train operators by 40% from 1 July 2012.

- State and Federal Governments, combined, would expect to earn $34,858 per annum from each 'Double Road Train' in Australia, but the direct impact of these vehicles onto the road network is assessed to be only $21,097. Even allowing for a contribution to all the overheads of the State road networks, the true 'cost to government' rises to just $24,894. Double Road Trains are used throughout NSW, South Australia, WA, and many parts of Queensland.
- For 'Triple Road Trains', which are essential to farming, mining and regional communities throughout Queensland, South Australia and the Top End, governments can expect to earn $53,984 per vehicle, but they need to earn only a minimum of $40,982 and, at most, $46,734.
- Double road trains account for 80% of the road train fleet.

The aggregate effect of this pricing error that, from the diesel tax alone, the Commonwealth will single-handedly over-charge Road Trains by $27.9 m per annum.

Figures are detailed further below.

Non-compliance with Ministerial guidelines

Ministers have approved formal national 'policy principles' to guide the work of the National Transport Commission (NTC), when it calculates and recommends prices. The principles require 'full recovery of allocated infrastructure costs, while minimising both the under- and over-recovery from any class of vehicle.'

Governments have approved formal national 'policy principles' to guide the work of the NTC, when it calculates and recommends charges. The principles require, amongst other matters:

- *'full recovery of allocated infrastructure costs, while minimising both the under- and over-recovery from any class of vehicle'* and
- *'the need to balance administrative simplicity, efficiency and equity (e.g. impact on regional and remote communities/access)'.*

In addition, in April 2007, COAG requested the relevant Ministerial Council to direct the NTC *'to apply principles and methods that remove cross-subsidisation across different heavy vehicle classes."*

The ALRTA suggests that the over-charging of road trains violates the 'pricing principles' which governments have instructed the NTC to observe when developing its recommendations:

- The pricing of road trains will profoundly over-recover (by 40%) against the proper costs of these vehicles;
- Over-pricing of road trains violates the instruction to protect equity outcomes, particularly as the Commission is instructed *expressly* to have regard to impacts on regional and remote communities,
  - Road trains are the 'work-horse' which dominates freight services to regional and remote Australia;
- Substantial cross-subsidisation is occurring, in direct violation of the directive given by COAG in April 2007.

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NTC figures on over-charging of Road Trains

In Table 1, all dollar figures are taken directly from the NTC's official pricing model, without any alteration, adjustment or calculation whatsoever by the ALRTA.

Percentages have been added by ALRTA.

Table 1: Over-charging of road trains: individual vehicle sets

	Revenue required from vehicle type:		**Forecast revenue per vehicle**	**Over-recovery …**	
	Attributable cost per vehicle	***Allocated cost per vehicle***		***… against attributable cost per vehicle***	***… against allocated cost per vehicle***
Double Road Train *(Prime mover and two trailers)*	$21,097	$24,894	$34,858	$13,761 *(65%)*	$9,964 *(40%)*
Triple Road Train *(Prime mover and three trailers)*	$40,982	$46,734	$53,984	$13,001 *(32%)*	$7,249 *(16%)*

Source: National Transport Commission, "Model Option 3B – Worksheet *'CHECK – Charge'* ", document published following FOI application, located at www.ntc.gov.au/ViewPage.aspx?DocumentId=2287

Note 1: All revenue entries are a combination of State-based registration and federal diesel tax receipts which, together, comprise the national heavy vehicle charging system

Note 2: *'Attributable cost'* is the minimum each class of vehicle must pay in order to meet its own direct cost impact on the road network. It is equivalent to a 'marginal cost'.
'Allocated cost' is the desired target price for each vehicle class, and includes a contribution to various road network overheads.

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Surplus revenue taken from Road Trains

Table 2 shows that the *aggregate* value of the overcharging of each road train comes to a total of $50.4 M per annum.

This table takes additional data from the NTC pricing model and calculates the amount by which forecast revenue exceeds the aggregate costs that must be recovered in the NTC model.

Table 2: Over-charging of road trains: aggregate surplus						
	Cost allocated by vehicle type …			Revenue obtained by vehicle type …		Aggregate surplus revenue
	Allocated cost per individual vehicle set ***(a)***	***Number of vehicle sets*** ***(b)***	***Aggregate cost to be recovered within NTC model*** ***(c) = (a)*(b)***	***Forecast revenue per vehicle***	***Aggregate revenue within NTC model*** ***(d)***	***= (d) – (c)***
Double Road Train *(Prime mover and two trailers)*	$24,894	4,286	$106.7 M	$34,858	$149.4 M	$42.7 M
Triple Road Train *(Prime mover and three trailers)*	$46,734	1,068	$49.9 M	$53,984	$57.7 M	$7.7 M
Totals	-	-	$156.6 M	-	$207.1 M	$50.4 M
Data source	*(1)*	*(2)*	*ALRTA calculation*	*(1)*	*(2)*	*ALRTA calculation*

Sources: National Transport Commission, "Model Option 3B – (1) Worksheet 'CHECK Charge', and (2) Worksheet 'Revenue' documents published following FOI application, located at www.ntc.gov.au/ViewPage.aspx?DocumentId=2287

Note: All revenue entries are a combination of State-based registration and federal diesel tax receipts which, together, comprise the national heavy vehicle charging system

Commonwealth surplus revenue from Road Trains - $27.9m per annum

Table 3 calculates the Commonwealth's share of the surplus revenue derived from road trains.

Under the proposed new diesel tax, the over-charging of road trains will see the Commonwealth gain surplus revenue from road trains with a value of $27.9 M per annum.

Table 3: Over-charging of road trains: Commonwealth share of surplus

	Composition of revenue by vehicle type within NTC model …			**Allocation of surplus revenue from each vehicle type …**		
	Regist'n charges ***(a)***	***Diesel tax*** *(25.5 cpl)* ***(b)***	***Total revenue*** ***(c)***	***C'wlth share of revenue by vehicle type*** ***(d) = (b)/(c)***	***Surplus by vehicle type*** ***(e)***	***C'wlth surplus revenue*** ***= (d)*(e)***
Double Road Train *(Prime mover and two trailers)*	$68.8 M	$80.6 M	$149.4 M	54%	$42.7 M	$23.0 M
Triple Road Train *(Prime mover and three trailers)*	$21.5 M	$36.1 M	$57.6 M	63%	$7.7 M	$4.9 M
Totals	-	-	$207.1 M	-	$50.4 M	$27.9 M
Data source	*(2)*	*(2)*	*(2)*	*ALRTA calculation*	*Table 2*	*ALRTA calculation*

Sources: National Transport Commission, "Model Option 3B – (2) Worksheet 'Revenue' documents published following FOI application, located at *www.ntc.gov.au/ViewPage.aspx?DocumentId=2287*

ATTACHMENT 2

Background material

History of the national charging system

Since 1990, there has been a national arrangement which sees all Transport / Roads Ministers seek to agree on 'nationally uniform charges' for Heavy Vehicles.

This arrangement is not legally binding. All charges in Australia are set, and collected, by each registering jurisdiction.

A small, stand-alone government agency, called the National Transport Commission (NTC), has the role of calculating and recommending appropriate charges, for consideration by Ministers.

The general objective of the national charging scheme is to ensure that each heavy vehicle is paying for the costs it imposes onto the road network.

The charging system comprises two elements: registration charges for each type of vehicle, raised by the States; and a single national diesel tax, levied by the Commonwealth.

There have been a number of occasions where Ministers have rejected or declined to implement the recommendations of the NTC; this has been done by individual Ministers or even by the entire group of Ministers in the past.

What are attributable and allocated costs?

"Allocated expenditure: This is the allocable expenditure distributed across the various classes or groups [of heavy vehicles]. This report will generally refer to heavy vehicle allocated expenditure, which is the share of allocable expenditure recovered by all vehicles over 4.5 tonnes. Total allocated expenditure equals allocable expenditure.

Attributable expenditure: This is the expenditure related to the provision and maintenance of roads and which varies depending on the use of the road system by different types of vehicles. *It is equivalent to the long run marginal cost* and therefore includes capital as well as operational costs. These costs are directly attributable to vehicle types."

Source: National Transport Commission, *2007 Heavy Vehicle Charges Determination Regulatory Impact Statement Volume 1,* 'Box B1: Definition of key terms', p5, located at www.ntc.gov.au/filemedia/Reports/2007HVChargesDetRISVol1Dec2007.pdf

(Emphasis added by ALRTA)