January 17, 2014

Chief Executive Officer,
National Transport Commission,
Level 15/628 Bourke Street,
MELBOURNE VIC 3000.

2014 Heavy Vehicle Charges Determination – Draft Regulatory Impact Statement

The Victorian Farmers Federation

The Victorian Farmers Federation (VFF), Australia's largest state farmer organisation and only recognised consistent voice on issues affecting rural Victoria, welcomes the opportunity to comment on the 2014 Heavy Vehicle Charges Determination – Draft Regulatory Impact Statement.

Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our State's dairy, livestock, grains, horticulture, flowers, chicken meat, pig and egg producers.

Introduction

The agriculture sector is a major heavy vehicle user and farmers comprise a large proportion of the individual fleets in Australia. Farmers have a significant stake in freight costs as a large portion of our production is for export. Any trip to port, processors, or to consumers will include at least one stage on road.

The draft Regulatory Impact Statement (RIS) outlines four options to change heavy vehicle charges. These options are summarised below for context:

Updated Status Quo **-** This involves using the current charges methodology with updated road expenditure and vehicle usage data. (63.8% RUC, and 36.2% registration split)

Option A **-** incorporates a range of technical improvements while maintaining the current split in revenue raised through RUC and registration charges. (63.8% RUC, and 36.2% registration split)

Options B **-** includes the same technical improvements as Option A, but recover a moderately higher proportion of revenue through RUC than is currently the case. (72% RUC, 28% registration)

Options C - includes the same technical improvements as Option A, but recovers the highest proportion of revenue through RUC that could be reasonably accommodated while leaving room for future annual adjustments. (79% RUC, 21% registration)

Analysis of the Options

The key difference between the Updated Status Quo and Option A is the introduction of technical improvements to the estimation of road use that result in changes to registration charges for different vehicle types. While these changes to registration charges will create winners and losers, we support the implementation of technical improvements that more accurately estimate the costs imposed by different heavy vehicles. The VFF supports Option A.

Farrer House 24-28 Collins Street Melbourne 3000 | abn 67 079 980 304 | Ph.1300 882 833 | Fax. 03 9207 5500 | E-mail. vff@vff.org.au | www.vff.org.au

The key difference between Options A, B, and C is the change to the charging split. The current system sees revenue from registration apportioned to states and territories and revenue from RUC apportioned to the Commonwealth Government. Unless there is a change to this revenue sharing arrangement we do not consider options B and C viable since they would result in a substantial reduction in transport revenue for the Victorian Government. To our knowledge the underlying negotiations between the jurisdictions that are required for a change in the revenue split to occur have not been completed. Options B and C should not be considered until revenue sharing arrangements are determined in a transparent way.

Options B and C represent a significant shift in the way heavy vehicle charges are collected, with a move towards a more use based approach to charging. However, it is unclear how such a change would impact the current State based concessions – including Victoria's Primary Producer Registration. The VFF will not support Options B and C until there is clarity on the impact of these options on primary producers.

Recommendation 1: The National Transport Commission should adopt Option A.

Recommendation 2: Options B and C should not be considered until there is clarity about the impact on primary producers and the revenue sharing arrangements are determined in a transparent manner.

Concessions and Victoria's Primary Producer Registration

The RIS confirms that the use of concessions remains the prerogative of the states and territories. The National Transport Commission recommends jurisdictions consider a set of principles when granting these concessions – which are:

- Define clear objectives – define the problem and set clear objectives for the concession.
- Minimise distortions – structure the concession to achieve the objective in the least distorted way (e.g. it should not impact on vehicle choice).
- Ensure transparency – make the concession transparent in terms of the objective and the size of the subsidy.
- Monitor and review – monitor and review the concession over time to see how much is being recovered and whether the original objectives are being met."

The Victorian Government provides a discounted registration for primary producer vehicles (Primary Producer Registration (PPR)). The PPR recognises the low mileage used by the majority of farm vehicles, and the fact many farm vehicles are predominantly operated on or around the farm. Given the cost of registration is currently a proxy for road use and wear, it is both equitable and necessary that these vehicles continue to receive a concessional registration charge.

VFF Farm Heavy Vehicle Use Survey

The VFF undertook a survey of primary producers in Victoria in 2013 to get a better understanding of the vehicle types being used by farmers, and the annual mileage of farm vehicles. There were over 315 responses to the survey.

The results of the survey showed that 79 percent of primary producer vehicles travel less than 10,000km per year – and 57% of farm based heavy vehicles travel less than 5,000 km per year. The most common farm vehicles are two and three axle rigid trucks, and prime movers with a trailer – representing 84 percent of vehicles. These results are shown on the following page in Figures 1 and 2.

Despite the low annual mileage, these vehicles provide a very valuable service for agricultural businesses. Agricultural production is time sensitive and efficient transport at peak times is crucial. Removal of the PPR will lead to reduced freight capacity, sacrificing quality and/or production levels.

Figure 1: Kilometres travelled per year by primary producer vehicles

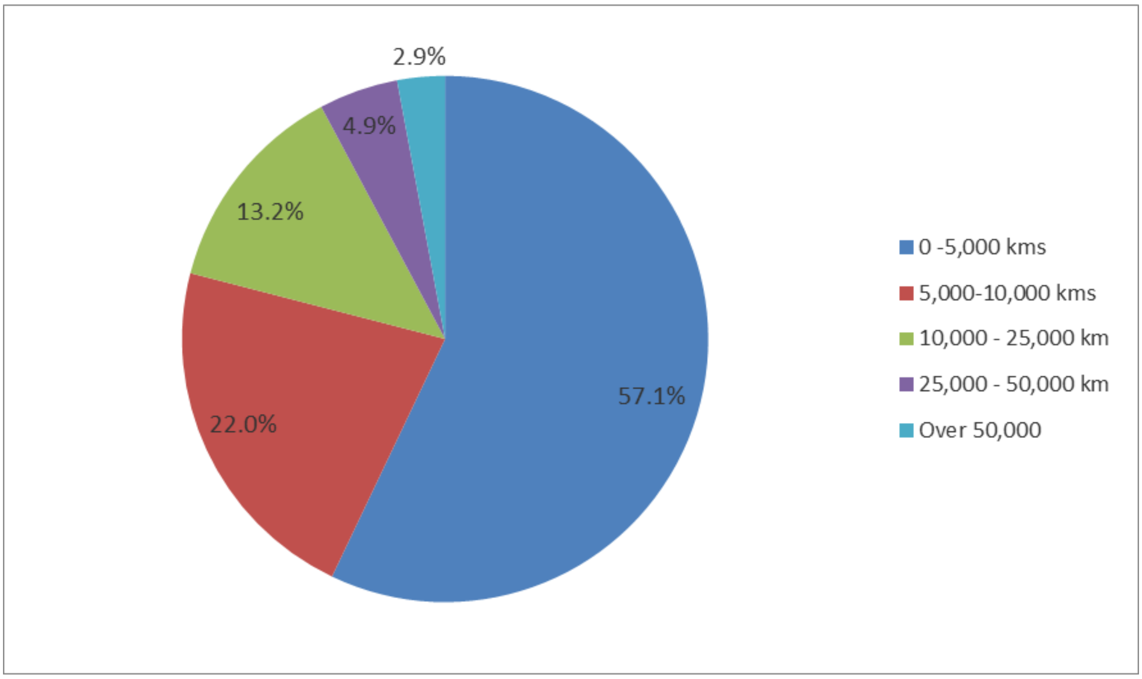
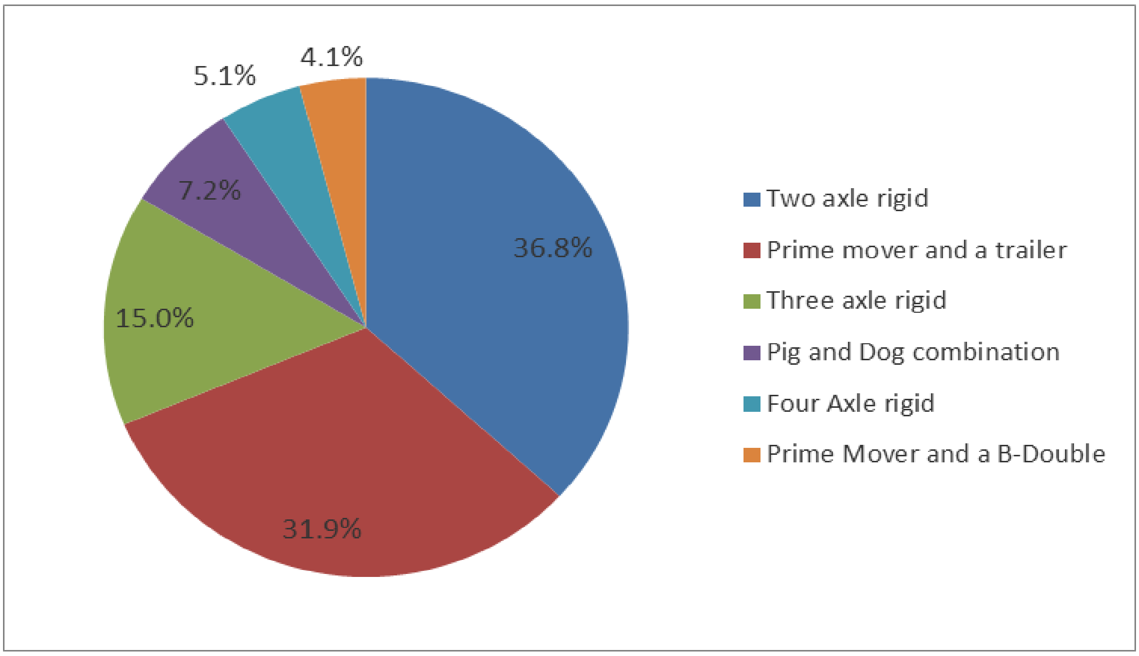


Figure 2: Vehicle types used by primary producers



The Impact of Removing the PPR

Table 1 shows the net impact on primary producers if Option A was adopted without continuing the PPR. It is clear the increase in overall running costs will be significant if the PPR is removed, particularly for users with low mileage.

This increase in costs is particularly severe for prime movers. For a farmer that has a 3 axle prime mover and a 3 axle trailer the increase in freight costs would be by 239% if the vehicle is used 5,000kms annually.

Table 1: The Impact of removing the PPR on the operating costs for common farm vehicles

Two Axle Rigid (GVM 7 - 12t)	Updated Status Quo (with PPR)	Option A (with PPR)	Option A (Without PPR)	
Kms travelled	Total	Total	Total	Percent increase
5000	$ 841.62	$ 838.07	$ 1,111.38	32.5%
10000	$ 1,408.62	$ 1,402.82	$ 1,676.13	19.4%
20000	$ 2,542.62	$ 2,532.32	$ 2,805.63	10.7%
50000	$ 5,944.62	$ 5,920.82	$ 6,194.13	4.6%
100000	$ 11,614.62	$ 11,568.32	$ 11,841.63	2.4%
150000	$ 17,284.62	$ 17,215.82	$ 17,489.13	1.6%
Three Axle Rigid (GVM 4.5 -18t)				
5000	$ 1,066.40	$ 1,005.43	$ 1,446.11	41.3%
10000	$ 1,633.40	$ 1,570.18	$ 2,010.86	27.0%
20000	$ 2,767.40	$ 2,699.68	$ 3,140.36	15.9%
50000	$ 6,169.40	$ 6,088.18	$ 6,528.86	7.1%
100000	$ 11,839.40	$ 11,735.68	$ 12,176.36	3.7%
150000	$ 17,509.40	$ 17,383.18	$ 17,823.86	2.5%
Prime Mover and trailer (3 axle prime mover, 2 axle trailer)				
5000	$ 3,540.34	$ 3,516.63	$ 6,343.02	79.8%
10000	$ 4,233.34	$ 4,206.88	$ 7,033.27	66.8%
20000	$ 5,619.34	$ 5,587.38	$ 8,413.77	50.3%
50000	$ 9,777.34	$ 9,728.88	$ 12,555.27	28.9%
100000	$ 16,707.34	$ 16,631.38	$ 19,457.77	16.9%
150000	$ 23,637.34	$ 23,533.88	$ 26,360.27	12.0%
Prime Mover and trailer (3 axle prime mover, 3 axle trailer)				
5000	$ 1,925.93	$ 1,841.87	$ 6,448.33	239%
10000	$ 2,618.93	$ 2,532.12	$ 7,138.58	176%
20000	$ 4,004.93	$ 3,912.62	$ 8,519.08	115%
50000	$ 8,162.93	$ 8,054.12	$ 12,660.58	56%
100000	$ 15,092.93	$ 14,956.62	$ 19,563.08	31%
150000	$ 22,022.93	$ 21,859.12	$ 26,465.58	21%

Recommendation 3: The Victorian Government should retain the primary producer registration and the National Transport Commission should support the use of state-based concessions for primary producers.

Funding the National Heavy Vehicle Regulator

The National Heavy Vehicle Regulator (NHVR) commenced operations on 21 January 2013, and is expected to commence administering the National Heavy Vehicle Law in February 2014.

The NHVR budget of $135m as mandated by the NHVR intergovernmental agreement is collected through registration charges.

The VFF is concerned at the ability of the NHVR to set its own budget and simply add it to the cost of heavy vehicle registration. We believe the NHVR will be of limited benefit to Victorian farmers for whom the vast majority of freight is intra-state.

While the quantum of funds required for the NHVR is out of the NTC's control, we are concerned with the level of registration revenue being used to fund the NHVR. The VFF is very concerned that the NHVR adds another layer of bureaucracy and only provides benefits to some heavy vehicle users – while all users pay for it. This is a further indication that the NHVR is adding to, rather than reducing the cost of regulation.

Recommendation 4: Establish more rigour around setting the National Heavy Vehicle Regulator's budget and improve the linkage between who pays for and who benefits from the NHVR's activities.

Thank you for the opportunity to comment and if you wish to discuss this submission further please contact Jacob McElwee, Senior Policy Advisor - Farm Business and Regional Development on 03 9207 5552.

Kind regards,

Peter Tuohey
President
Victorian Farmers Federation
M: 0428 952 425
Email: ptuohey@vff.org.au