

21 December 2012

National Heavy Vehicle Regulator
Attention: Submissions
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Setting fees for the National Heavy Vehicle Regulator in an initial operational phase – Consultation Document

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 Setting of Fees for the National Heavy Vehicle Regulator.

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, pigs and egg producers.

Driving efficiency through pricing

Thank you for the opportunity to comment on the setting of fees for the National Heavy Vehicle Regulator (NHVR). The VFF has some considerable concerns with the proposed approach to the setting of fees which we will discuss below.

The approach outlined in the consultation paper uses forms of averaging to set national fees for some activities the NHVR will undertake. The paper also raises the NHVR's concern that the cost of providing these services currently outweighs the recovered fees, forcing a level of subsidisation by other revenue sources available to those jurisdictions.

A central question to cost recovery is determining what exactly is included in the definition of the service that the fee must cover. The consultation paper does not appear to articulate what activities the new fee structure will cover or what activities the previous fee structure under the separate jurisdictions were meant to cover that failed to do so.

Also, while it is claimed that the current fees do not cover costs, there is no information available of what the actual cost of providing these services would be in each of the jurisdictions. This is an area of concern for two reasons.

Firstly, while this claim is made but not substantiated, it calls into serious question the approach of using an averaging system for the first phase of the fee development. The costs currently charged in the jurisdictions may well reflect cost recovery and reflect the varying levels of operational efficiency. The use of averaging under this scenario will create a penalty for service seekers under a relatively efficiently operated system when moved to the national regulator. Under the proposed approach of using averages to set the fees there will be clear winners and losers.

Assuming current fees reflect service efficiency, Victoria’s freight industry has been the benefactor of a relatively efficient road regulator as is shown by the current charges outlined in the consultation document (summarised below). The deficiency in the NHVR approach is that the road users in efficiently regulated jurisdictions will effectively pay more for the same service than in the past.

Secondly, the lack of information on current service costs brings into question the ability to benchmark future performance of the NHVR. If there is no current knowledge on service costs it will be impossible to measure the performance of the NHVR under the cost recovery model imposed in the second phase of pricing when that model is adopted.

The goal of the NHVR must be to reduce regulatory burden and cost and without a benchmark this will not be possible to measure.

Figure 1 – Net Impact of Fee Changes

Activity Type	Proposed NHVR Fee	Current Victoria Fee	Difference	Total Change
NHVAS Mass Accreditation				
Entry	\$ 84.00	68	\$ 16.00	\$ 4,028.00
Renew Accreditation	\$ 84.00	0	\$ 84.00	\$ 20,944.00
Apply for entry (per vehicle)	\$ 27.00	22.5	\$ 4.50	\$ 2,685.00
NHVAS Maintenance Accreditation				
Entry	\$ 84.00	68	\$ 16.00	\$ 5,440.00
Renewal	\$ 84.00	0	\$ 84.00	\$ 17,304.00
Apply for vehicle entry (per vehicle)	\$ 27.00	22.5	\$ 4.50	\$ 3,185.00
NHVAS BFM Accreditation				
Entry	\$ 84.00	75	\$ 9.00	\$ 338.00
renew	\$ 84.00	0	\$ 84.00	\$ 19,908.00
NVHAS AFM				
Entry	\$ 127.00	75	\$ 52.00	\$ 105.00
Renew	\$ 127.00	0	\$ 127.00	\$ 127.00
Issue a work Diary	\$ 20.00	17.5	\$ 2.50	
Access Permit				
Apply for Class 1 and 3 Access Permit	\$ 84.00	58.3	\$ 25.70	\$ 570,771.00
Apply for Class 2 Access permit	\$ 84.00	58.3	\$ 25.70	
Renew Permit	\$ 84.00	58.3	\$ 25.70	
Total:				\$ 644,835.00

The above figure clearly shows that under the NHVR the Victoria freight industry will face an additional \$644k in regulatory costs. These are costs that simply add to supply chain costs and reduce the competitiveness of all industry particularly those focused on exports. As mentioned before, the agriculture industry appears to have little to gain from the regulator but will face larger fees.

The Principle of averaging

The VFF is of the opinion that a system that imposes an average of the fees across the nation is not a fair system to implement and will not drive efficiencies within regulatory framework. At best this

system will maintain current revenue associated with regulation at a national level and in some jurisdictions dramatically increase regulatory associated costs. As pointed out earlier, Victoria will face increased regulatory costs.

There should be a concerted effort and priority made to drive efficiencies within the system and ensure that no sector of the road freight industry is disadvantaged. Rather than taking an average of the costs there should be a target of lower than the average to ensure there is a greater benefit for a larger part of the sector.

In addition, while the approach of averaging was said to be used, in the case of access permits it was not. It appears that there was an arbitrary decision that the average did not reflect the cost of providing the service and a figure of \$84 per application was determined. There does not appear to have a lot of justification for this value. This displays an inconsistency in the methodology which is concerning.

It is also disappointing that the consultation paper does not anticipate any savings that are quantifiable. The consultation document identifies areas of potential producing savings, including:

1. it will cost less than other reform options (including retaining the status quo)
2. it will allow for uniform regulation, providing certainty and clarity for operators
3. it allows for clear and transparent decision-making frameworks, to allow for local variations that enhance productivity
4. it will streamline administration systems across the range of heavy vehicle regulatory functions
5. it will provide consistent enforcement strategies that provide consistent and improved safety outcomes
6. it will build a strong body of national data and analysis to better inform heavy vehicle policy, operations and a future reform
7. it will provide a clear and streamlined responsibility framework
8. it will provide a strong focus on industry

However, these areas of savings are either unquantifiable or not applicable to the intra-state network. The regulatory costs will be increasing in Victoria (contrary to point 1 above) despite streamlined administration (point 4) and point 8 reads more like a policy statement rather than an industry outcome.

The VFF remains very dubious of the benefits of national consistent regulation to the agriculture freight task in Victoria. The VFF is particularly supportive of the following statement made by the National Farmers Federation in their submission this consultation paper:

The NFF disagrees with the statement in the consultation paper, that “a change to the dollar amount for various fees does not mean that the regulatory burden on industry is increasing, as the cost of a fee cannot be considered in isolation from other costs and, more importantly, the significant benefits that accrue from the reform”. While the benefits for the reform are expected to benefit the industry collectively, there will no doubt be certain businesses that will face increased costs from the proposed changes; and hence an increased regulatory burden for some individual businesses.

The Intra-State freight Task

It is imperative to remember that only a small portion of freight is moved inter-state. The vast majority of agriculture commodity movement in Victoria is Intrastate. In fact this holds true for all road freight movement in Victoria with 65% of all freight (on a tonne kilometre basis) is intrastate movement.

Freight Movement in Victoria Intrastate vs. Interstate¹

	Billion Tonne kilometre	Per cent
Intrastate Road Freight	28.5	65.1%
Interstate Road Freight	15.3	34.9%
Total	43.8	100%

While there may be some cost savings for interstate operators through nationally consistent laws and a 'One Stop Shop' but the benefit for small scale owner operators that only transport intrastate is unclear.

The VFF does not want to see the push to reduce regulatory burden on the large operators translate to increased regulation or costs for the smaller operators. The consultation paper mentions potential savings that are not included in the estimates, such as '*applicants will only need to make one application (instead of multiple applications to different jurisdictions).*' (with regard to access charges), however intra state freight movement will not have the benefit of those yet unaccounted for efficiencies.

Early in the discussion of a national regulator the VFF was very concerned with the possibility of no benefits returning to the agriculture sector, but there the being added costs. This consultation paper appears to be the first piece of evidence that those concerns were founded.

Since the vast majority of agricultural freight, particularly freight to and from the farm gate is intra-State, Victorian farmers set to be disadvantaged under the proposed averaging system and fee structure outlined in the consultation document.

There needs to be a concerted effort from within the NHVR to provide regulatory and cost improvements to the intra-state freight task providers.

Conclusion

The Victorian Farmers Federation remains very concerned that under a National Regulated System there is not enough of an emphasis of efficiency improvements for intra-state freight movements. We have shown that under the new model, the Victoria freight industry will face an additional \$644k in costs associated with Mass, Fatigue Accreditation and Access permits.

The VFF is not convinced that the new system will be designed to improve regulatory efficiency and lacks the proper benchmarks to measure any possible gains associated with regulatory reform.

¹ Bureau of Infrastructure, Transport and Regional Economics, 2009, *Australian transport statistics yearbook 2009*, BITRE, Canberra ACT.

While there may be some benefits associated with the NHVR and proposed fee structure for inter-state freight movements, there appears to be no tangible benefit for intra-state freight movement, but assured higher costs.

Without the guarantee, and the ability to substantiate, that a national regulator will reduce regulatory and direct costs, the move to a national regulator runs the risk of being a failure for the agriculture sector.

The VFF seeks a response from the NHVR to the issues raised in this submission, specifically:

- What services provided by separate jurisdictions were not covered by the previous fee structure?
- For access permits, how was the fee of \$84 per application determined?
- What services/activities provided by the NHVR will the new fees cover?
- What are the current service costs?
- How NHVR provide regulatory & cost improvements to intra-state service providers?
- Under the new system, what benchmarks will be included so that possible gains associated with regulatory reform can be measured?

If you wish to discuss any issues raised in this submission further, please contact Darryl Harrison, Policy Manager, on 03 9207 5522, or at dharrison@vff.org.au.

Kind regards,



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