Victorian Farmers Federation

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Chief Executive Officer,
National Transport Commission,
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Heavy Vehicle Charges Review Discussion Paper March 2013

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 National Penalties Framework.
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.

Introduction

The VFF appreciates the opportunity to comment on the Heavy Vehicle Charges. The agriculture sector is a large user of heavy vehicle freight and farmers also comprises 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 so in at least 2 stage of the trip to port (or the processor or consumer) will include a stage on road.

We recognise that the Standing Council on Transport and Infrastructure and the Council of Australian Governments has set a number of principles when determining heavy vehicle charges, which are:

- full recovery of allocated infrastructure costs while minimising both the over and under recovery from any class of vehicle
- cost effectiveness of pricing instruments
- transparency
- the need to balance administrative simplicity, efficiency and equity (e.g. impact on regional and remote communities/ access)
- the need to have regard to other pricing applications such as light vehicle charges, tolling and congestion.
- on-going cost recovery in aggregate
- the removal of cross subsidies between vehicle classes.

Based on the discussion paper, there were two recommendations in particular that the VFF is interested in providing comment.

1. **Exploring options for raising the level of the road user (fuel) charge to allow for decrease in registration charges**

The NTC has recommended exploring an increase in the level of the Road User (fuel) charge to allow for a corresponding decrease in registration charges. Industry feedback suggests that this may reduce operators' fixed costs and address problems currently being experienced by low mileage operators.

The flaw of the current system is its reliance on averaging to determine the appropriate level of registration charge and RUC. At first chance, a change in the system may assist low mileage heavy vehicle operators. Victoria has a system, albeit imperfect, to recognise farmers as low mileage users. Much of the farm based fleet is has a low mileage use and there is a risk that low mileage operators are overpaying under a high registration cost scenario.

Currently, the farmers in Victoria pay a registration charge that is either a 50% or 80% discount on the commercial rate. This approach was developed in the 1990s which recognised that farm trucks are generally low mileage vehicles. The reduction in the registration recognises there is less road damage from a farm truck; therefore farmers should be contributing less

The VFF is supportive of the user pays principle which is the driving force behind a reduction of the registrations and an increase in the RUC, but we are concerned that if this is not done with enough empirical rigour it may just be replacing the current system with an equally blunt pricing approach.

To add to the complexity of the issue for farmers is the reliance on the local road network. The local road system is already suffering due to underinvestment in many areas. As stated in an issues paper under the COAG Road Reform Project, $3.1bn of the $5.7bn spent on local roads were funded by local government.[1] A large portion of the local government funding is through municipal rates, of which farmers pay a disportionate burden compared to other businesses. An increase in the cost of heavy vehicles through the increased in RUC will be seen by the farm community as 'paying twice' and possibly over charging the low mileage users of the farm sector.

There is the possibility, depending on the registration level determined and the RUC, that there could be a net increase if the registration charges are reduced below that level and the RUC is increased there could be a net increase in amount paid, depending on KMs travelled by the farmer.

VFF Recommendation: Any change in the pricing approach should not disadvantage farmers

VFF Recommendation: Before any pricing options are proposed, there should be farm vehicle based case studies developed to demonstrate the impact on farm costs.

2. A better understanding of how heavy vehicles impact upon roads

Within the current system, a key determination of how much each heavy vehicle type will pay is based on how much damage they are estimated to inflict on the road (pavement wear). Relative levels of pavement wear caused by each vehicle class are calculated using the Equivalent Standard Axle (ESA) methodology. This provides an estimate of the relative pavement wear associated with different loads, axle grouping types and tyre configurations.

It appears that the ESA would be taken into account by changing the registration charge to be based on axle groupings to reflect the relative road damage. The downfall in this approach is that it will still

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suffer from the short comings identified with a heavily weighted registration charge, as discussed above.

Also, it is unclear if a move to axle grouping charging is really required and how that may shift the road charge burdens or the actual total cost allocation attributed to heavy vehicles.

If the ESA was to be accounted for through the registration charge of different axle groupings, it would be introducing an increased level of complexity in the registration determination and it would also make assumptions about average kilometres. Considering the goal of the recommendation above was to move away from highly variable and large registration charges, the value of this approach is questionable and would need to be supported by improved data.

Thank you for the opportunity to comment and if you wish to discuss further please contact Darryl Harrison, Policy Manager (03 9207 5522)

Kind regards,

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