



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS  
AND TRANSPORT

**Reference: Interstate Road Transport Charge Amendment Bill (No. 2) 2008; Road  
Charges Legislation Repeal and Amendment Bill 2008**

MONDAY, 10 NOVEMBER 2008

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**SENATE STANDING COMMITTEE ON  
RURAL AND REGIONAL AFFAIRS AND TRANSPORT**

**Monday, 10 November 2008**

**Members:** Senator Sterle (*Chair*), Senator Milne (*Deputy Chair*), Senators Heffernan, Hurley, Hutchins, McGauran, O'Brien and Williams

**Participating members:** Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Humphries, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McLucas, Marshall, Mason, Milne, Minchin, Moore, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Wortley and Xenophon

**Senators in attendance:** Senators Heffernan, Hutchins, McGauran, Milne, Sterle and Williams

**Terms of reference for the inquiry:**

To inquire into and report on: Interstate Road Transport Charge Amendment Bill (No. 2) 2008; Road Charges Legislation Repeal and Amendment Bill 2008

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**Committee met at 3.47 pm****CLARKE, Mr Matthew, Senior Manager, Economics, National Transport Commission****DIMOPOULOS, Mr Nick, Chief Executive, National Transport Commission****EGGER, Mr Chris, Manager, Economic Research, National Transport Commission**

**CHAIR (Senator Sterle)**—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Committee. The committee is hearing evidence on the committee's inquiry into the Interstate Road Transport Charge Amendment Bill (No. 2) 2008 and a related bill. The bills amend the Interstate Road Transport Charge Act of 1985 and related legislation to increase registration charges for heavy vehicles registered under the Federal Interstate Registration Scheme.

Before the committee takes evidence, I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The committee prefers all evidence to be given in public, but witnesses may request to be heard in private. It is important that witnesses give the committee notice if they intend to ask to give evidence in camera. If a witness objects to answering a question, the grounds for the objection should be given and the committee will determine whether it will insist on an answer. I also remind people in the hearing room to switch off their mobile phones. I welcome representations from the National Transport Commission. Do you wish to make a brief opening statement before we go to questions?

**Mr Dimopoulos**—Thank you for giving the NTC an opportunity to present to the Senate committee. It may be helpful if I share some opening thoughts. I would like to briefly explain NTC's role in the heavy vehicle charges and more specifically talk to the points in our written submission. We are also happy to respond to any further questions.

In terms of background, the NTC's role is as a national independent body reporting directly to the Australian Transport Council. It is funded by the Commonwealth, state and territory governments. The NTC's predominant domain of responsibilities revolve around regulatory reform for road, rail and intermodal transport, including heavy vehicle charges, and as part of its role it is also expected and required to consult with industry and government on reforms.

By way of background to the charges reform, following the outcome of the Productivity Commission's Road and Rail Infrastructure Pricing inquiry in 2007, COAG and the ATC set some clear principles that underpin NTC's charging model. This included some of the predominant features that heavy vehicles overall should recover their share of road infrastructure related costs, each class of vehicles should pay its own way, and the third element was that heavy vehicles should continue to pay their way. The latter requirement by COAG for continued cost recovery is an important point in the context of today's hearing. I will come back to that later.

It is also worth pointing out that governments generally were reluctant to implement national productivity reforms for heavy vehicles when they were not paying their way or it was considered that they were not paying their way. Also, getting charges right was the first step to COAG's productivity reform agenda around incremental pricing and mass, distance, location charging.

NTC's submission really focuses on three key issues relevant to this hearing. The first is with respect to the consultation process. On all reforms, as I mentioned earlier, the NTC takes extensive communications and stakeholder consultation. We take that very seriously. All of our reforms require a regulatory impact statement approved by the Office of Best Practice Regulation. We have formal standing government and industry advisory bodies. We engage regularly with all our stakeholders through one-on-one discussions, briefings and workshops. At the end of the day we all have common goals, and they are better productivity and safety outcomes for transport for Australia.

For the charges determination it is important to recall and make note that in terms of consultation we had 22 written public submissions. They were all published on our website. We had public focus group meetings around Australia, namely, in Brisbane, Sydney, Melbourne, Canberra, Adelaide, Perth and Darwin. They were chaired by commissioners and I was also present, with transcripts again published on the NTC website. We also provided direct access to the charging models under supervision—whoever was prepared to sit down and go through the model. We had prompt responses to information requests by a number of stakeholders.

We believe the consultation process adopted by the NTC for the charging determination was very inclusive and led to many practical, substantial and pragmatic changes in the final proposal. In other words, a number of changes were made as a result of the consultation process, namely, we had more flexible multi-combination charges and in listening to our stakeholders we recommended that there be a phasing in of the charges over three years to give industry time to adjust.

The second key point we have made in our submission is around the calculation of the road-user charge. During consultation there was some debate about what charges should be included in the modelling, and in this respect I would like to make the following points. ATC principles require the NTC to recover infrastructure related costs only. We could not, for example, include other charges, such as the old excise on high-sulphur diesel, which was part of a different government policy to encourage cleaner fuels. We need to remember this approach worked both ways, because the NTC recommended against recovering full enforcement costs because some activities, such as speed compliance, were not in our consideration related to infrastructure use. We had an independent transport consultant verify the NTC's methodology and approach in our model, and their report is on the website. The Productivity Commission also had a close look at and scrutinised the charging model, and it gave it a tick. If anything, they thought we were a little bit on the conservative side by international standards.

The third point in our submission is around the annual adjustment process. Currently heavy vehicle registration charges are indexed each year to reflect changes in roads spending and use. Each year NTC publishes the data and the full calculations on its website. This provides for a very transparent and detailed approach. An issue with the current model is that the fuel based road-user charge, which recovers roughly two-thirds of total heavy vehicle costs, is not indexed. This causes what we would term a price shock or catch-up whenever the NTC is asked to review the charges. As mentioned earlier, COAG's directive to ensure ongoing cost recovery effectively required full annual indexation of the fuel based road-user charge. It is worth pointing out that this also means that the fuel charge can go down if road spending falls.

Thank you for the opportunity to make some opening remarks. I believe we have covered the key points as contained in our submission and I am happy to take any questions that you may have.

**CHAIR**—Thank you. What is the difference between the federal interstate registration scheme and state registration schemes?

**Mr Dimopoulos**—Do you mean the technical aspects?

**CHAIR**—Dollars.

**Mr Egger**—We are talking about \$48 million versus about \$550 million.

**CHAIR**—It is quite a substantial amount. Am I right that there are three per cent of the vehicles under the first scheme?

**Mr Egger**—Yes.

**CHAIR**—As opposed to the other 97 per cent having the majority of the money.

**Mr Dimopoulos**—In very rough terms.

**Mr Egger**—In terms of numbers of vehicles it mainly applies to multi-combination vehicles and articulated trucks rather than the rigid truck fleet. That is where the numbers are.

**CHAIR**—Before I go to my colleagues, who will be keen to ask some questions, you said there had been extensive consultation with stakeholders. Does that mean everybody who has a stake in Australia's road transport systems was in the tent, so to speak? How long have these talks been going on?

**Mr Dimopoulos**—These talks have been over a 12- to 18-month period. They started as soon as we were directed by ATC to look at heavy vehicle charges—a good 12 months at least.

**Mr Egger**—Yes, 12 months. Because of the third determination not being voted in favour of, there was consultation there where we established a lot of the key principles and we went over our cost allocation process on how we charge. A lot of that was unchanged and we made that clear to everybody. Effectively, because the third determination was not passed, you could almost count that as an extra two years of consultation, over and above the 12 months that we did specifically for the most recent determination.

**CHAIR**—I must apologise. I received the submissions only this morning; I have only just got back. I have quickly flicked through them. It would be fair to say that the increase in the excise is from 19c to 21c. Was there any conjecture on that figure amongst all of the stakeholders?

**Mr Dimopoulos**—No, it was not a key point of conjecture. I participated in all of the consultations held in all capital states and it was not a particularly contentious issue.

**CHAIR**—I can take it that the industry accepts that it is going to pay its way in terms of road funding?

**Mr Dimopoulos**—That is correct. We were working on the premise that industry needs to pay its way, because that was the principle that underpinned the heavy vehicle charges.

**Senator HUTCHINS**—Am I right in stating that articulated vehicles will pay more costs but the registration costs for rigid vehicles will be reduced?

**Mr Dimopoulos**—Some actually fell.

**Senator HUTCHINS**—Under this legislation what will a four-tonne truck pay for registration?

**Mr Dimopoulos**—We will just look it up for you.

**Senator HUTCHINS**—It is my fault. I did not have the paperwork.

**Mr Egger**—The smallest vehicle that comes under our jurisdiction is 4.5 tonnes. It is about an eight per cent or nine per cent increase at most that you are talking about for the smaller sorts of vehicles. Effectively, we go from \$355 to \$380 as a basic registration. That was the minimum increase, but there were some specific vehicle types, particularly within the rigid classes, where we found that they were paying far too much based on the relative amount of travel that they did.

**Senator HUTCHINS**—Which ones would they be?

**Mr Egger**—In particular they are the four-axle rigid trucks. They were being charged too much.

**Senator HUTCHINS**—Do you have any idea of the freight task they are involved in throughout the country?

**Mr Egger**—We are talking about twin-steer-type vehicles in particular.

**Senator HUTCHINS**—Do you have that information or is it available?

**Mr Egger**—We can take that as a question on notice.

**Senator HEFFERNAN**—Bugger all, is the answer. They will do concrete. Second-hand trucks will do wheat runs at harvest, but twin-steer are intermediate, not mainline.

**Senator HUTCHINS**—Can you take on notice the categories of vehicles and what their actual reduction or increase will be in their costs? In addition, can you identify how many vehicles are in that category?

**Mr Egger**—We do have the number of vehicles within that category.

**Mr Clarke**—The three-axle rigid might be one to look at. That has a falling cost. There are quite a few of those vehicles currently registered.

**Senator HEFFERNAN**—Is this just a plain old bogie drive?

**Mr Clarke**—We are talking about ones that are over 18 tonne with no trailer.

**Senator HEFFERNAN**—Not twin steer, just bogie drive/single drive?

**CHAIR**—You have lost me. What are we talking about?

**Senator HEFFERNAN**—That is what I am trying to find out.

**CHAIR**—Senator Hutchins has asked the question.

**Senator HUTCHINS**—I am trying to find out categories of vehicles.

**Mr Egger**—What we are talking about are vehicles where there was a recommended decrease in their registration charge. Effectively all three-axle trucks that do not normally pull a trailer, from 4.5 to 18 tonnes, of which there are many thousands, and all four-axle trucks other than those that have a gross vehicle mass of more than 42.5 tonnes. Anything under 42.5 tonnes in the four axle—

**Senator HEFFERNAN**—Are these articulated?

**Mr Egger**—No, we are just talking about rigid trucks.

**Mr Dimopoulos**—Rigid vehicles.

**Mr Egger**—There are also decreases for rigid trucks.

**Senator HEFFERNAN**—There is no such thing as a twin-steer bogie drive with 42 tonne gross.

**CHAIR**—He is not saying 42. He is saying up to 18 tonne not towing a trailer.

**Senator HEFFERNAN**—Gross?

**Mr Egger**—In gross vehicle mass. There are many thousands of vehicles that actually have a deduction in registration charge. As I said, they include the bulk of three-axle rigid trucks that do not normally pull trailers, the bulk of four-axle trucks that do not pull trailers, and we are talking about smaller articulated trucks, three- and four-axle-type semis. Smaller articulated trucks are getting reductions in their charges.

**CHAIR**—Are you talking about rigid trucks that are towing a trailer?

**Senator HEFFERNAN**—No. Articulated there—

**Mr Egger**—I am talking about two different things. I was initially talking just about rigid trucks. I am talking about the bulk of three-axle and four-axle rigid trucks. They have experienced a decrease in their charges. If you then move away from the rigid trucks into the articulated truck category, the smaller single trailer articulated that have three or four axles have all experienced a decrease in their registration charges this year in all of the states that have implemented it.

**Senator HEFFERNAN**—So, the single-axle bogie is not articulated?

**Mr Egger**—Yes.

**Senator HUTCHINS**—Is the methodology used effectively to add up the road-user charges an OECD standard? Is the one that we have used here as transparent as in, say, North America and Europe?

**Mr Egger**—Australia has always had quite a unique system. It is really the basic charging system or the pay-as-you-go system that we have used since the beginning of the NTC in 1992. That has never really been called into question. We do not have a benchmark overseas we can rely on.

**Senator HUTCHINS**—Has that one been accepted by industry and government?

**Mr Egger**—It has been accepted by industry. They have been happy to use it.

**Senator HUTCHINS**—They do not see the formula as overcompensating on charges; it is X equals X in terms of how much they are contributing to use on the road and how much the charges should be?

**Mr Egger**—Yes. The basic principles of how we calculate it have been fundamentally accepted. There have been arguments over some cost allocations rules, for example, because we changed one of them to do with maintenance, which was used in this most recent determination. Apart from that, the basics of the methodology have remained unchallenged by industry.

**Mr Dimopoulos**—There are two pieces of relevant information here. The Productivity Commission had a very close look at our model and came out on the side that they probably thought it was a bit too conservative. The other point is that in terms of the breakdown of the costs they were all in our regulatory impact statement, so it was all very transparent as to the components of those costs and their makeup.

**Senator HUTCHINS**—I am sure if anybody had a complaint they would have raised it by now.

**Senator MILNE**—I would like to know what your response is to the criticism from people in the industry in relation to vehicle fuel excise going from a transparent system based on historical data to an automatic indexation according to a formula. Their argument is that the system as it currently exists is transparent but it will be unclear how this charging arrangement will work. How do you respond to that criticism?

**Mr Clarke**—The previous process is almost the same process that we are going towards in terms of the data transparency. It is just that the formula is a little different. Previously we published data on road expenditure and so forth, and we will do the same thing in the future. As to the way the formula is calculated, we have put detailed calculations on our website previously, and that will be the same in the future. It will be the same level of transparency and the same data. The transparency that was there before will also be there in the future. It is just that the formula has had some improvements or changes to it and that will obviously flow through to the new calculation. In terms of all of the information that people could see on the website previously, namely, the annual adjustment calculations, that information will also be there in the future. There is not change to that data transparency. It is the same as it was before.

**Senator MILNE**—It is not just seeing it on the website. The issue is that it was based on actual historical data. This is based on a formula. Can you explain that to me?

**Mr Clarke**—Previously it was based on historical data. The new formula is also based on historical data. Now, instead of being based on previously nominal seven-year average, in future it will be based on a real

seven-year average. It is the same data set, the same road expenditure, the same seven-year average of data that is used; it is just done a little differently to ensure that we are closer to what the new determination would look like if we had run it. We are trying to make sure that we ensure total cost recovery as we move forward over time. As I said, the same level of road expenditure transparency will be there. The formula calculation will be there. All the relevant data that was there before will also be there in the future.

**Senator MILNE**—Secondly, I take on board the aim to make sure that each class of vehicle pays their own way. That would imply that at the moment that is not occurring as much as it should be. Can you tell me what level of subsidy currently goes to B-doubles and B-triples from other sectors in the industry?

**Mr Egger**—Prior to the first year of the phase in of determination charges occurring, B-doubles were experiencing a subsidy of around \$11,000. That only includes charges that are directly attributable to that vehicle type. If you include what we call common costs, that actually increases to about \$16,000. The critical figure is \$11,000. We were seeking to eliminate that \$11,000 subsidy from this determination, and we were phasing it in over three years, because it meant a big increase for B-doubles.

At this point in time the current subsidy is about \$9,000. We have had the first increase for B-doubles occur, and that has basically dropped the subsidy from \$11,300 to just under \$9,000 at this point in time. In the next two years, assuming the fuel charge rises and the new trailer charges come into effect, that will be totally eliminated and there will no longer be any subsidy whatsoever.

**Senator MILNE**—What does that mean for the transport economics of those vehicles in Australia? I understand that a lot of other countries have phased them out because of safety issues in so on.

**Mr Egger**—Can I have that question again, please?

**Senator MILNE**—There are two issues. Firstly, what does this mean for those people using B-doubles and B-triples in terms of their cost-effectiveness? The second question is related to safety. I noticed earlier when you talked about your hearings that you did not have any in Tasmania. There is quite a deal of concern about B-doubles in Tasmania and the safety record as well.

**Mr Egger**—The reason it is being phased in over three years is to allow industry time to make contract-type changes. That was deliberately done to allow them to accommodate those charges as best they could. That was a deliberate policy. The fact is that we are talking about registration charges that might make up about five per cent of the actual operating costs of a typical B-double operator. We are talking about something that is making up a relatively small share. That was a critical thing. We had done a survey during the third determination of about 20 B-double operators and their reaction if their B-double charges increased. There were hardly any that were prepared to go back to using single trailer-type vehicles. We are quite confident that it was a cost that industry could bear, particularly in phasing it in over three years.

**Mr Dimopoulos**—We had some independent studies to look at what the impact would be on the B-double operating costs. On average it would increase at around 2.8 per cent. If we went to the next level of detail as to what would be the impact on consumer goods using B-doubles, on a \$100 grocery bill using B-doubles it would be around 13c in every \$100.

**Senator McGAURAN**—So, 13c per \$100?

**Mr Dimopoulos**—That was the total impact on a \$100 grocery bill.

**Senator McGAURAN**—That is significant.

**Senator HEFFERNAN**—The only thing significant about it is that it is a guess and it is probably bullshit.

**CHAIR**—Senator Heffernan.

**Senator HEFFERNAN**—Under the old regime there was a demographic slant where you put more cost on the A trailer than the B trailer. Are you continuing that? There was a certain demographic in the trucking industry where you could run a tri-axle cheaper than a B-double because, as you know, the excise was on the front trailer and not the back one.

**Mr Egger**—All of the focus in the past has been on the actual pulling vehicle, the prime-mover. The trailers were charged a minimum fee and there was a standard per axle charge. We have now changed that system to one where we have differential trailer axle charging.

**Senator HEFFERNAN**—Is that what the states have at present?

**Mr Egger**—No, they have not at the moment. They have the same charge for every—

**Senator HEFFERNAN**—The ACT?

**Mr Egger**—ACT has as well. Every state and territory has the same system. The differential trailer charging system does not come into effect until 1 July next year.

**Senator HEFFERNAN**—That is not right. I will clarify that later. My understanding at the present time is that there is a differential in the A and the B trailer. There are more registration costs on the A trailer than the B trailer.

**Mr Egger**—Not at this point in time. It does not come into effect until 1 July next year. Every trailer, no matter what type and axle configuration, is charged a standard fee of \$380 per axle.

**Senator HEFFERNAN**—Depending on the interstate running, though.

**Mr Egger**—It does not matter if it is interstate or where it is.

**Mr Clarke**—If you added up the cost per axle times the number of axles, the cost for that particular trailer might be more than another trailer that uses a different number of axles.

**Senator HEFFERNAN**—There are people in the industry who are giving consideration to going back to a bogie tri-axle because of this configuration.

**Mr Clarke**—At the moment the cost per axle is the same for every axle, but we are moving to a different system. It depends on the number of axles on the trailer.

**Senator HEFFERNAN**—Can you clarify that?

**Mr Dimopoulos**—We are happy to provide further information on that.

**CHAIR**—Senator Milne.

**Senator MILNE**—I have a question in relation to the road-user charge being linked to the road expenditure. I see this as a bit of a chicken and egg scenario. Am I to understand that the road-user charge will fall if the road expenditure falls?

**Mr Dimopoulos**—In simple terms that is correct.

**Senator MILNE**—That is a conundrum.

**Senator HEFFERNAN**—How would we ever know?

**Mr Egger**—We would tell you.

**Senator HEFFERNAN**—Do you think we would believe you?

**Mr Clarke**—We do publish that data when we do the annual calculation. We publish how road expenditure has moved.

**CHAIR**—I am sure the transport industry would assist you in calculating it as well.

**Senator HEFFERNAN**—The industry is concerned that some of this money goes into truck stops. It is ridiculous now that, with the dysfunctional interstate arrangements for logbook truck stops, you can legally be allowed to pull up and there is no truck stop. Are we going to get some sort of guarantee that this money is going to find its way into truck stops, or are we just going to have this ridiculous situation we have now where you can get pinged because you have not got yourself to a truck stop and you are over your log?

**CHAIR**—With the greatest respect, what you are being told outside and what actually happens in real life may be different. I am happy to have a personal conversation with you. That is a very simplistic ridiculous argument that some sectors of the industry like putting up when it suits them. Let me tell you, Senator Heffernan, what happens in real life and what you get told are three different things.

**Senator HEFFERNAN**—Unlike you, I still drive trucks.

**CHAIR**—Unlike you, I'll tell you the truth. Senator Milne.

**Senator MILNE**—I would like to come back to this conundrum about the road-user charge and the expenditure on roads. The problem that I have is that, if you did not have some of these trucks on roads that are not built to take them, then governments would not need to spend the money on them. You end up with a constant circular argument. Where do you break that conundrum when it comes to putting B-doubles on country roads? Perhaps I should elaborate on that. I refer to Tasmania, in particular. Tasmania's roads were not built for B-doubles and now we have them. The road damage is quite considerable, which requires expenditure on the roads to maintain them for all vehicle users, including B-doubles. It becomes a constant roundabout. If the B-doubles were not there, the state governments would not be expending anything like what they have to

expend on the roads. At what point do you make a judgement about when you say, 'This is ridiculous. We ought not be destroying the roads in the first place', saving the state a considerable amount of money? You are never going to recoup from those few B-doubles the actual cost of maintaining those roads. Do you ever look at that issue?

**Mr Dimopoulos**—We are happy to take that question on notice. We can come back to you on that and give you an informed analysis of it.

**Senator MILNE**—Just out of interest, why did you not have a hearing in Tasmania?

**Mr Dimopoulos**—In Tasmania there was a lack of interest. That was not our intent. We had scheduled a meeting down there and we did not get any takers.

**Mr Egger**—There was a visit specific to the determination, but it was for the forest industry. There was not sufficient interest for the general one.

**Senator MILNE**—What do you mean by the 'forest industry one'?

**Mr Egger**—We received a specific invite from the forest industry to brief them on the likely impacts at that stage of the determination. I attended a half-day seminar there to brief them on what we had put in our determination.

**Senator MILNE**—I suspect in the next few years state government expenditures in particular on road funding will fall by virtue of financial imperatives and the recovery will not be sufficient to be able to maintain the road system.

**Senator HEFFERNAN**—You did not answer the question. Are you going to target some of this money and put it into truck stops?

**Mr Dimopoulos**—That is not for the NTC to decide. That is for government policy.

**CHAIR**—We have run over time. Do you have any further questions, Senator Heffernan?

**Senator HEFFERNAN**—So, it is not in your bailiwick to deal with weight issues?

**Mr Dimopoulos**—We were not requested to look at rest areas.

**Senator HEFFERNAN**—I am not talking about that. I will come back and hit you somewhere else on that.

**Mr Egger**—Are you talking about vehicle mass?

**Senator HEFFERNAN**—What about the weight?

**Mr Dimopoulos**—What do you mean by that?

**Mr Clarke**—Do you mean standardisation of vehicle weights around Australia?

**Senator HEFFERNAN**—I am talking about vehicle mass and tolerance. Do you deal with that?

**Mr Clarke**—With respect to what?

**Senator HEFFERNAN**—If I am a truckie at Walgett this morning and I have run over a rough paddock, and they have filled it out of a field bin, the truck settles and you fill it to where you thought it is, and you get to the weighbridge, you are a tonne over and they ping you because there is no tolerance in New South Wales and there is a 10 per cent tolerance in Queensland, how are we going to deal with that and who do we talk to?

**Mr Egger**—They are not relevant determination issues. They are specific issues for—

**Senator HEFFERNAN**—You are the National Transport Commission. Does that ring an alarm bell or do you just go home and get buried in bureaucratic bullshit?

**CHAIR**—I know we can all be passionate about this industry, but I do not think you have to give a serve to the officials from the NTC.

**Senator HEFFERNAN**—They are as good as anyone.

**CHAIR**—Gentlemen, you can answer that it is a state issue; you will not get into trouble if it is not your issue.

**Mr Dimopoulos**—You have hit the nail on the head. Under our constitution—

**Senator HEFFERNAN**—What about harmonisation across the states? Isn't that your issue?

**Mr Dimopoulos**—That is correct. We make those recommendations for harmonisation across all the states, but under our constitution the states reserve the right to make those variations, which is beyond our power.

**Senator HEFFERNAN**—Do you think it is stupid that there is not harmonisation? Have you got the courage to answer that?

**Mr Dimopoulos**—I do not believe it is in the industry's interests not to have harmonisation across all states.

**Senator HEFFERNAN**—Do you know what I am talking about?

**Mr Dimopoulos**—I do.

**Senator HEFFERNAN**—The lack of tolerance in some states.

**Mr Dimopoulos**—Yes, I understand the issue.

**CHAIR**—We do understand and Mr Dimopoulos has answered the question. I am sure that we will hear more about it.

**Senator HEFFERNAN**—If we cannot talk to you then I might as well go and bury my head in the sand somewhere.

**CHAIR**—If there are no further questions, I will move on. We have extended the program by half an hour until 7.00 pm tonight. I thank the officials from the National Transport Commission, and I will ask you to hang around in case there are some clarifications for the purposes of Hansard.

**Mr Dimopoulos**—Thank you for the opportunity. We have a 5 o'clock flight. We will be very happy to follow up on anything you need.

[4.24 pm]

**BREMNER, Mr Duncan Bruce, Chief Executive Officer, Australian Road Train Association**

**CHAIR**—I welcome Mr Bremner from the Australian Road Train Association. Do you wish to make a brief opening statement?

**Mr Bremner**—I will. I may be able to answer a number of questions that I have heard raised already and possibly generate a few more.

The Australian Road Train Association represents the road train and multi-combination sector of the Australian trucking industry. Our members are largely remote area operators who operate in a diverse environment, catering to an even more diverse client base, extending from primary production in mining, as was touched on before, through to community services, such as outback Aboriginal communities.

The association is a member of the Australian Trucking Association, along with a number of my colleagues here today, national bodies such as NatRoad, the TWU and the state and industry representative groups. As such, we provided input and endorsed the Australian Trucking Association's written submission as a summary to the industry's position on this issue. As has been raised, our key concern is the automatic indexation of the road-user charge. Our belief is that it can really only be seen as a stealth tax. We are concerned that the indexation is being opposed as a means of not having to contend with the rigorous examination that tax rightful deserves. A core principle of the new charges regime was to eliminate cross-subsidisation. It is difficult to support this argument if the transparency is removed. Indeed, the indexation almost promotes a perception of an aversion to transparency.

I will touch on other issues that were raised. We fully support paying our way. We believe it is only fair. However, arbitrary or automatic indexation has the potential to radically overrecover, therefore going against the principles that were raised before in regard to paying our way. More importantly, it also has the potential of escalating the road-user charge to a point where it would virtually render the fuel tax credits scheme null and void.

The NTC discussed how they made extensive consultation, and they should be given due recognition in that regard. One of their initial policy proposals was that the charges be put on to the prime-mover. We put forward a case where we have one prime-mover operator whose truck in a 24-hour period operates as a semi-trailer, a tri-axle trailer, a B-double and a road train. As such, it was moved across. The issue now, however, is how moving the charges on to the trailers will impact upon the trailer combination use, given that a B-double now costs two and a half times more to register than a standard tri-axle trailer for only half the payload benefit.

The implications of how this may influence the market are obvious, particularly beyond dedicated line haul operators, to those who utilise trucking as an integral part of their larger business, such as has been touched on in the agricultural sector. The fundamental issue is that rather than incentives being implemented to encourage productivity the current charging model provides a compelling argument for the fleet to actually increase prime-movers and reduce carrying capacity rather than encouraging the use of higher productivity multi-combination vehicles, which obviously is our primary interest as the Road Train Association. Indeed, a double road train operator may well consider running two separate single-trailer semi-trailers given the saving in registration and the flexibility this would allow. However, given the industry has already had to contend with the implementation of these charges, as was discussed through the states, the greater demand now is very much on creating uniformity across the industry.

Of course our members oppose paying more taxes, such as in the road fuel charges user tax. However, they do recognise and endorse the principle of paying their way. However, in turn they also expect the principle to apply both ways and for their work environment to be maintained and improved to a safe level that allows them to comply with the law.

We have reservations regarding the proposed \$70 million heavy vehicle safety and productivity plan insofar as we do not see how it is going to be able to address the issues that it proposes to address. This applies not just to rest areas for drivers to rest adequately, but merely to comply with the new fatigue laws. The rest area issue is compounded specifically for our industry, given that many of our road trains do not operate off the federally funded networks. Hopefully I may have answered some questions and can answer some more.

**Senator McGAURAN**—Could you give us a breakdown of the structure of your members? Are they single owner operators or what?

**Mr Bremner**—Our primary membership would probably be in the six- to 10-truck range. We have members who have up to 100 trucks. We have many members who are single truck operators, but to get to the position where they can operate and be viable they have managed to obtain enough business to generate running six to 10 trucks and any impact on them taxation wise is quite significant.

**Senator McGAURAN**—Are they pastoralists?

**Mr Bremner**—No, but there are obvious links back to primary production. Road trains are obviously completely unsuitable for urban areas. Essentially in New South Wales they cannot run east of the Newell Highway, which is coincidentally a good geographical division.

**CHAIR**—We have them running in the metropolitan area in Perth.

**Mr Bremner**—You do, indeed.

**Senator McGAURAN**—Livestock?

**Mr Bremner**—Livestock and bulk-in. Perth is a particularly well designed town for road trains.

**Senator McGAURAN**—You mentioned indexation. I have before me the second reading speech of the minister's on the Road Charges Legislation Repeal and Amendment Bill 2008. He stresses on two occasions that:

... this measure does not reintroduce the indexation of the fuel excise tax. Nor does this bill implement indexation of the road user charge.

- What is your response to that, given that you said they have introduced indexation?

**Mr Bremner**—Our understanding is a slightly different interpretation of that. I will defer to my colleague from the ATA to clarify that further. However, we do interpret it as being a blanket indexation.

**Senator McGAURAN**—This is a very key point. Can you expand on your understanding of how you see it as indexation?

**Senator MILNE**—I might assist with this issue.

**CHAIR**—I have read it, too. It might help because our interpretation is quite different from yours and to Senator McGauran's.

**Senator MILNE**—The issue is that none of us is quite sure what this automatic indexation of the fuel excise means, compared with the way the fuel excise was formerly calculated. You heard before the explanation on the transparency issue. Can you explain to us how you think it is going to be calculated differently and how that impacts? Is that more or less what you were asking, Senator McGauran?

**Senator McGAURAN**—Given that the minister went out of his way twice.

**Senator MILNE**—I do not understand now what it does.

**Mr Bremner**—There was a minor misinterpretation on my behalf. I was talking about the road-user charge as opposed to the fuel indexation. My apologies.

**Senator McGAURAN**—The minister also states:

Nor does this bill implement indexation of the road user charge.

- That is in the second reading speech.

**CHAIR**—It allows it to be done through the regs.

**Mr Bremner**—I will defer to my colleagues from the ATA. It is certainly not the fuel excise, but the road-user charge. That is our fundamental concern, because if it is to be applied the proposed increase already could possibly occur within 12 months, and so over a period of five years it could be seen to rise as much as 6c per litre. Whilst that might sound relatively minor, it could have a significant distortion/impact on the market.

**Senator McGAURAN**—The minister also states in his second reading speech, in regard to the Fuel Tax Act and increase, 'This is not a tax.' You called it a tax. Would you like to comment on that?

**Mr Bremner**—It is referred to as a road-user charge. It is up to the individual to decide whether a charge is a tax.

**Senator McGAURAN**—Do you feel as though it is a tax?

**Mr Bremner**—We believe that it is a tax.

**Senator McGAURAN**—So do I.

**Senator MILNE**—Isn't it cost recovery?

**Mr Bremner**—We are not opposed to the idea of the road-user charge. We are opposed to indexation. Therefore, we very much agree in paying as we go. Certainly we would prefer not to pay the road-user charge. Our key concern is in how it is calculated going forward. We do not believe that the proposed indexation allows for the transparency and examination. To be quite honest, the NTC was put through a rather gruelling process by an industry that was profoundly aware of what they were doing. We feel there was some great resistance by the NTC to be completely transparent with a number of the figures for us to do a full analysis of the process. Indexing the process essentially removes any obligation for it to be a fully transparent process.

**Senator McGAURAN**—I know we are getting our regos mixed up with our fuel excise. I cannot recall that the previous witnesses were talking about what was the effect, but the inflationary effect is a concern, the knock-on effect down to the supermarket shelves. They spoke of 13c in the \$100. I assume it was rego and fuel excise together. I should have had that clarified. Have you done any calculations and would you say that the 13c in the \$100 is near enough to the correct figure? You were sitting in the back when they said it.

**Mr Bremner**—Unfortunately, we were not provided with the figures by the NTC that they made those calculations on. We are not really in a position to be able to make those judgements because we were not provided access to the figures that they based those judgements on.

**Senator McGAURAN**—That is fair enough. Do you have any understanding, even within your own sphere, of the knock-on effect?

**Mr Bremner**—The knock-on effect is significant, almost regardless of what it is. It will have major implications on the industry insofar as being able to pass on the expenses in the first place. Our industry traditionally, unfortunately, has a habit of absorbing prices rather than passing them on purely through competition within the industry itself. It is a concern of ours and it is an expense that we will have to pass on. It will necessarily have inflationary impacts.

**Senator McGAURAN**—Have you done any calculations on what pass-on effect there would be?

**Mr Bremner**—Not specifically, purely because we have not had access to the figures. However, my colleague from the ATA will be able to provide that.

**Senator McGAURAN**—I wonder if we cannot clarify that figure.

**CHAIR**—I can help you here. Every trucking business will be different in terms of the commodity they cart, the contracts they have entered into and, most importantly, the kilometres they travel per year. I appreciate that you want to dig down and get some figures, but I have to support Mr Bremner here; no-one will be able to give you that. Every truck would be different, as would every trucking operation and every run.

**Senator McGAURAN**—Absolutely. I will ask the secretary to clarify what the 13c in the \$100 was related to when he writes his report.

**CHAIR**—You might want to write a letter to the NTC. I have a couple of questions. I confess; I am an ex-truckie, an ex-owner driver. Anyone who had done their homework would have already worked that out. You are right; this industry is shocking for trying to absorb. There is some thickness in the heads of most transport operators who think they cannot pass it on because the maggot down the road will pinch their load. I understand that.

Now I have got that off my chest, we were talking about automatic indexation. Just to clarify this, my reading of the bill very clearly says that it can be allowed through the regs—not the bill, but through the regs—of the automatic indexation. You have been around since 1989, when you formed your association, and you obviously have a lot of experience tied up there out in the back of New South Wales and beyond. I am an ex-road train operator, too, so I do know the hassles. I would have thought indexation would have been the best way to go. We get ourselves in a pickle in this industry because we turn everything into a political hot potato. When there is an election we all scream that we are all going to go broke. Wouldn't this give some certainty?

**Mr Bremner**—That is a very good point that you make. Our problem with the indexation is not being made aware of precisely how the charges are going up. More importantly, though, our concerns relate to the overrecovery. Our industry does not want to be charged more than it should be. Our fear is that through indexation, as opposed to individual analysis each time, it may allow the industry to be overtaxed.

**CHAIR**—We talk about \$70 million that the government is going to put back into truck stops, black boxes, road maintenance and so on. To cut a long story short, I do not have to tell you the damage that it has done

through the lack of upgrades to our roads over the years. One tyre is \$600 or \$700, let alone cracked windscreens and the damage you do to the rest of your truck. I could talk to you all day on trucking issues, but there being no further questions, I thank you for making the effort to come along today.

[4.41 pm]

**FRASER, Mr Luke Gerard, National Executive Director, Australian Livestock Transporters Association**

**CHAIR**—I call the Australian Livestock Transporters Association.

**Mr Fraser**—I would like to firstly tender the apologies of my president, Mr Cavanagh from Inverell. He was on the tarmac buckled up ready to go at Armidale this morning but the plane lost its rubber band. He is a non-starter. He sends his apologies. He was keen to be here today.

**CHAIR**—That is because of the good work of this committee when we did our inquiry into CASA not long ago. Everyone is doing their job. Do you wish to make a brief opening statement?

**Mr Fraser**—With your indulgence, I would like to give you some background on, firstly, who we are and then quickly run through what I think are the main issues. I saw people struggling with the detail and I feel we need to come back to principles on this.

Firstly, Australian Livestock Transporters is a federal body. We have associations in every state. We have around 900 member companies. The great majority of those are mum and dad companies, with one stock grate or grain tipper out the back. Mum is normally doing the books and dad is driving the truck, but that goes up to large companies that have up to 200 vehicles. We have always had a self-confessed interest in the high end of policy. We are a founding member of the Australian Trucking Association, so we do take these sorts of issues on charges fairly seriously.

I would like to go to a few things that I hope will peg out a bit of context. There is a need to explain the charges system before I go into what we think are and are not the issues, because there are a fair few of those as well. Charges in Australia going back over 20 years are very complex with respect to how the heavy vehicle industry pays for what it does on the road in terms of use. With your indulgence, it can be boiled down fairly simply. Over a set period of time, looking into the past, you take a set of numbers from all of the states and territories on what has been spent on the roads. You then take excise out of that for what you can attribute to the heavy vehicle impact on the roads. You then take that time period, divide it by the number of trucks, by different classes on the road over that period of time, and you come up with a figure. If that figure is not cutting it against what you have spent on the roads over that period of time you need to top up the industry. You top it up by classes of trucks. A very large truck might be found to be not paying its way on those figures, as the B-double was this time around. In fact, it was a COAG direction from the Productivity Commission to fix that issue.

That is basically the heavy vehicle charging system in Australia. It is a system that the ALTA completely supports. We also supported the Productivity Commission's recommendations to COAG that we could move to something more advanced but we would work off the basis of the PAYGO system, which is that we pay our way. In the last heavy vehicle charges determination there were several issues at play. One of them was that on the basis of going back over seven years, looking at the average of what was spent on roads, what could be attributed to heavy vehicle use and the number of trucks, it was found that the industry had to pay more. It pays more in two ways. About one third of the revenue goes to the states in truck registration and about two-thirds goes in fuel excise. The states have obviously voted for the increased registration. Registration many years ago was indexed to grow by the year. We do not think it was right. Indexation fundamentally is a tax and not a charge. We were quite happy with the idea that every few years the NTC, or the NRTC as it was then, would revisit and come up with a new figure for registration or fuel excise. The idea that you would index each year on top of that, with no real visibility on why you were doing that, other than that it sounded like a good idea because indexation makes sense to people, we did not think was right. We thought it had economic impacts and that is our position.

I will come back to where we do not have a point of difference with the NTC and never have through this process. We like the system that Australia has now of paying your way based on seeing the figures on the table, divided by the number of trucks, and getting a bill. The idea that we may pay about 1.3c more in diesel excise as a result of this legislation going through is not at issue for our membership. It is not liked by our membership, but there is a recognition that we live in a system where we have to pay our way. The trucking industry is not a subsidised industry, and that is quite a proud claim, so it pays its way. Where we have issue—and this is really the entire issue from our point of view, and our members are very strong on this, because they have had a long association with the charges process going back to the late eighties—is the idea that the fuel excise would be subject to annual indexation. The reason we say that is that we like the system we have. In

layman's terms, the reason it is a good system is that if you were bored enough you could go into any supermarket in Australia at the moment and pick up something, look at the price, and if you wanted to go right back—and had the time and energy on your hands to do so—you could look at the NTC's calculations and find out whether the freight portion of that cost of grocery or commodity on the shelf was about right for the trucks that brought it there. That is a good system. It is a guarantee against too much money going back into consolidated revenue for the Treasury because of a charges system that does not allow the actual figures to be worked through in consultation with the people who will have to pay the bill, and then tabled.

The ALTA has no difficulty with the idea of moving towards a regulation as a mechanism for making this happen, provided that it is tabled and open to comment. We want to look at going before that process to say we want to keep a situation where industry has visibility on the numbers, the numbers are tendered from states and territories, and we can see exactly all of the inputs against what comes out as a bill that the industry must pay. I do not think the NTC, in their presentation, were anywhere near clear enough on what their proposed change is towards indexation. The idea that moving towards an annual thing will smooth out the bumps is a furphy. The ALTA would have no problem in a charges process happening every year that was transparent, provided that it happened, we could see the bill, we could see the numbers that built up the figure, and we could go back to our membership and say that the number is about right. Timing is not the issue. The issue is the process. As I put in my submission in 1990, the Interstate Road Transport Commission was very clear on the basis that the industry should be charged and not taxed. I think the move to indexation is fundamentally moving you away from a road-user charge into a tax.

Having said all of that, we do not have an issue with the 1.3c. We do not have an issue and we cannot have an issue with the idea of what the money returned to government is spent on, because that is not a question for this legislation. We would simply ask you to look at our concerns over the indexation. We think a much more achievable situation rests in having a regulation for doing this, having it as frequently or infrequently as you want, but having a process where industry is brought in, can see the figures, and you have a nice transparent process, which is a good guarantee against too much money going into consolidated revenue. That is my opening statement. I am happy to take questions.

**CHAIR**—Before I go to other senators, just remind me how long the fuel excise has been based at 18.51c per litre?

**Mr Fraser**—Since its inception.

**CHAIR**—I cannot remember when that was. Was it in 2000?

**Mr Fraser**—No, earlier than that. It was with the GST. It was about 1998-99.

**Senator McGAURAN**—GST came in in 2000.

**Mr Fraser**—In essence, the fuel excise has never moved. As expenditure goes up on roads at one point or another you will dig into your 18.5c current rebate. It is inevitable.

**CHAIR**—I understand the industry is being responsible in saying, 'We want to pay our own way.' I understand the industry is saying, 'It's not balanced and fair because the little ones have paid a lot more.'

**Mr Fraser**—I have not raised that.

**CHAIR**—You have not, but it has been raised in other submissions. It is only fair that the top end or the bigger end of town pays its way a bit more. Does that lead us to the heart of the problem? Everyone wants to scream about roads and bridges being done up, fatigue management being sorted out, and being fair and productive. Everyone wants their goods yesterday. We have been too good over the years with livestock, furniture, cars and building materials—it does not matter. 'You want it? When do you want it? Today, yesterday or the day before. We will do it for you. We will get it there. We will cut the price for you while we are at it. And we will throw another trailer on the back and we will cut it by 10 per cent or 15 per cent each tonne just to make ourselves look even better.'

**Mr Fraser**—The industry is its own worst enemy.

**CHAIR**—Absolutely. Regardless of the price, isn't half the problem because it has not been indexed? Isn't it half the problem that we have had this same rate since 2000? We are talking about eight years. Am I right to assume that you want it to go perhaps another three, five or six years? I know you do not want to pay anymore. I fully understand that. I know your clients will tell you that they are not going to pay you more. I have heard all the arguments.

**Senator HEFFERNAN**—Before you answer that—

**CHAIR**—Hang on. No. You have had your turn. I have asked Mr Fraser a question, and then I will pass on to other senators.

**Mr Fraser**—You probably misrepresent our members in thinking that they have put me with a riding brief that says, ‘Come out making sure we don’t pay anything.’ We have a fairly attuned membership over 25 years. They understand the charges process. They were there when it was started. They understand the idea that you need to pay your way to retain credibility.

**CHAIR**—I did not suggest otherwise.

**Mr Fraser**—No. Going to the issue of the road-user charge, until this last charges determination the amount that the Commonwealth argued that it needed, saw that it needed through the NTC or NRTC figures, in order to complete what it needs to do in terms of money back into roads did not require hitting into the 18.5c rebate. On the NTC’s recommendation, the numbers on this most recent determination by the ATC need to change. That needs to change from 18.5c to about 21c, so the industry loses about 1.3c a litre.

**Senator McGAURAN**—How did they come to that figure? Is there a formula?

**Mr Fraser**—Yes, there is a formula. You look at how many people have been on the road over that time, what has been spent on that road—

**Senator McGAURAN**—Are you happy with that formula?

**Mr Fraser**—I am very happy with that formula.

**Senator McGAURAN**—That comes to 1.3c.

**Mr Fraser**—Provided we see the input on the data. That has traditionally been what we have seen. That comes to 1.3c.

**Senator McGAURAN**—You have seen it in relation to the 1.3c?

**Mr Fraser**—Yes. The industry has no real difficulty in saying that is necessary. I will just say that in going forward there is every understanding from the industry that, as more gets spent on roads, more will come out of that 18.5c. There is a recognition of that. I would say that probably for productivity purposes it would have been more sensible to tie the rebate to growth and then you would always have a rebate that was pretty much getting back to the consumer. Be that as it may, we know it will go up. On the basis that it goes up, under the current system we see the figures. We see the road use. We see the data. We get to look at it. The minister or the ATC through regulation or through ATC agreement put it out there and they vote on it or they put it in regulations and they do it. That is fine. What we do not like is the idea of indexing, because indexing always becomes a stealth process. It goes in and it gets done on 1 July every year. A number comes out. Industry representation has very little visibility of those aspects. I have looked at what the NTC has put forward and I am not comfortable with it. I am not comfortable that I can go back to my members and say, ‘Guys, I think you are paying what you owe.’ That is the fundamental thing we want to keep. It has economic impacts down the line for consumers.

**CHAIR**—Maybe things have changed since I was pedalling in the outback of WA. There are so many transport operators who are owner drivers, or they might be in medium to small business or with large operators, such as Toll, K&S or whoever. They do not mind paying a bit extra as long as it goes into the roads.

**Mr Fraser**—We were as strong as anyone in terms of the submission to the Productivity Commission when it happened in 2006 to say it is all very well to get as academic and obtuse as you want about how you do your charging system in this country, but what we are interested in is the fact that you are not spending it well enough for us to have any faith in your charging system. The issue of how governments spend money is outside the bailiwick of this legislation. I cannot help that. I will put it in context. No-one is really worried about the 1.3c as much as they are worried about the impact of these new fatigue laws, except for WA because they did not vote for them. For example, I have members who are pulling cattle out the back of western Queensland coming down to northern New South Wales. They used to send their men and women out on a 12-working day cycle. So they get their rest in their cab every evening or they would go to a motel or whatever they would do, and then they would have three or four days off with their kids at the end of that cycle. They can now longer do that under these new fatigue laws. They are losing money. They cannot do their job anymore. I am quite happy to have the argument over ranging issues that are more important than this. The ARTA is here because we see it as fundamental for the trucking industry to retain faith in the charges system that we inherit.

**CHAIR**—One good thing has come out of that. You have admitted that the West Aussies have done it right.

**Mr Fraser**—They have.

**CHAIR**—I have tried to tell the whole of Australia that. The sooner they wake up to that the better, and we might all get on with it. Senator Heffernan.

**Senator HEFFERNAN**—Obviously the charter of the government here is to jamb down your neck the indexation, and that is your objection.

**Mr Fraser**—Totally.

**Senator HEFFERNAN**—Where is the equity for the trucking industry if you are indexed and the bulk of the fuel that is used in Australia is not indexed, that is, if we dropped the indexation years ago? Would that not eventually give you a disproportionate responsibility for road charges? If it is good enough to index you, then shouldn't the government have the courage, Mr Chairman, to go back and index the ordinary motorist as well, as it used to be?

**Mr Fraser**—I do not know the answer without looking at the figures. All I can say to you is that the industry does not mind the fact that it has to pay its way. The NTC is a good body to have, and it does a good job in putting forward numbers every so often. We do not want to see a process where the bureaucrats simply punch out a number through a computer, however elegant the formula may be that goes into it, and says, 'On 1 July that's what's going to be slurped out of your diesel rebate.' We want a system where the industry can sit down, whether it is once every year, every two years or every four years—I am happy to take a trip every year if we need to—

**CHAIR**—I appreciate your honesty. I seem to recall that every time the previous government wanted to sit down with the industry to talk about increasing, decreasing or rearranging the excise there were political threats at every election. I might be a bit cynical on that, but I have sat around the table with your state counterparts.

**Senator HEFFERNAN**—Have you done any modelling on the amount of fuel that your industry uses versus the amount of fuel that gets used?

**Mr Fraser**—On average the stock carrying and the rural and remote areas use less.

**Senator HEFFERNAN**—In terms of the freight side of the transport task versus the public transport and passenger car side of fuel consumption, what is the break-up?

**Mr Fraser**—I could not tell you. I could take it on notice.

**Senator HEFFERNAN**—Maybe we will ask the government this question.

**Mr Fraser**—I will just make a statement in relation to what the chair said before. I think the industry in the past with this charges process has probably been its own worst enemy at times. It has taken the opportunity of processes that occur with large amounts of time between them to be adversarial. Three or four years ago there was every good reason to be adversarial; we thought they had got the bill wrong. But that tension has created an appetite in the bureaucracy that runs this, which is the NTC, to simply make it go away by having an indexation figure every year so they can hit a computer button.

**Senator HEFFERNAN**—I am not sure of that.

**Mr Fraser**—They do not want to deal with the industry, and that is partially a rod the industry has created for its own back. It is partially because there have been many years between each determination, and partially because we kicked up a bit of a stink.

**Senator HEFFERNAN**—They do not want to deal with anyone.

**Mr Fraser**—I think it is a good system for Australian punters out there generally to know that for everything they buy in a supermarket, in terms of the freight cost that is calculated in terms of what gets charged to the industry that brings it there, there is a process that goes on where numbers are put on the table, where everything is transparent, and where the people who have to pay the bill get a view of it before it gets punched through. That is a basic principle that we want to keep. We do not have a problem with paying our way on the odds.

**CHAIR**—Until they start arguing about your mark-up and your members' mark-up. You know that.

**Senator HEFFERNAN**—The difficulty that I have is that if it is good enough for the goose shouldn't it be good enough for the gander?

**Mr Fraser**—What do you mean?

**Senator HEFFERNAN**—If it is good enough for your industry to find some new money to do up the roads and fix the bridges, culverts and everything else, why would you not call on the wider population to do the same? Why indexation—

**Mr Fraser**—Why tax an intermediate industry? I do not know.

**Senator HEFFERNAN**—I do not know the answer. I am not pretending to know the answer, nor what to do about it.

**CHAIR**—I am sure if you whacked a big heap of traffic lights around Sydney and charged the trucking industry you guys would be the first ones to the table. Senator Heffernan, do you have any more questions?

**Senator HEFFERNAN**—I was rather hoping the National Party would.

**CHAIR**—The Nationals are missing. I wouldn't say 'in action', but they are missing.

**Senator McGAURAN**—With regard to the fuel excise of 1.3c, do you have any ballpark figures for how much that is going to cost your industry?

**Mr Fraser**—We did do a calculation with annual indexation.

**Senator McGAURAN**—No, the 1.3c. It is a fixed figure. Do you have an idea of what that would be as a one-off effect?

**Mr Fraser**—I would have to check. It is not insubstantial, but it is not something that the industry has sent me to this table to argue against.

**Senator McGAURAN**—Do you have that?

**Mr Fraser**—I have, but I do not have it with me. I am happy to tender it.

**Senator McGAURAN**—Why would you not bring them with you?

**Mr Fraser**—Because it is not at issue.

**CHAIR**—I am sorry to interrupt, but Senator Milne has to go to the chamber. I will go to Senator Milne and then come back to you.

**Senator MILNE**—The Productivity Commission's inquiry report, together with the 2007 heavy vehicle charges determination on regulatory impact statements have said that road transport is not paying its way. In fact, they say that trucks underpay an estimated \$168 million per annum and that the cost of road damage is paid by taxpayers. That is contrary to what you are suggesting as currently being the case. Do you dispute that?

**Mr Fraser**—I would dispute that interpretation of it. The Productivity Commission looked at the payment levels and the recovery levels that were current previous to the last charges determination. They said that over the average of where we were up to in 2006 the industry needed to be topped up. That was taken to COAG. COAG agreed. They commissioned the NTC to tell the ATC what the bill was. The bill was put forward. They said, 'Increase in registration and increase by 1.3c in the diesel excise.' None of that is an issue from this association. What is at issue is that slipped into the back of it was the idea that they would be indexed every year on top of that.

**Senator MILNE**—That only brings it up to where we are now. How would you propose we get it from where we are now to 10 years hence, if you do not index?

**Mr Fraser**—With both sides of politics I have been quite open in lobbying. We have said that we are quite happy to have it as frequently or infrequently as you want to have it on the basis that you have a charges process that we have now which is transparent. There is a danger if you leave it too long that the number gets so big that it is politically unsaleable. I am quite happy to be frank about that. If you have it every year, we are quite happy to do that. My biggest issue is that industry needs to be able to see the justification behind the figures. If you want to do it every year, do it every year.

**Senator MILNE**—As you would concede, this goes back to 2000 and we now have a situation where people are angry about the inequality in terms of the smaller ones having to cross-subsidise the B-doubles and then not enough going in, so the taxpayer pays the additional road bills. What is your view of the mass, distance, location charging system that is coming in across Europe?

**Mr Fraser**—As I understand it, it is based largely on the satellite tracking system, which is not mature here. I do not have any particular issue in going on the record and saying technology is a good thing. Technology is always a curve and, if you are too far ahead of that curve it is inefficient and if you are too far

back on it it is inefficient. In Australia at the moment, from what I have seen on the technology that would have to underpin mass, distance, locational charging, I do not think you would get it right for quite a while. Having said that, COAG has agreed to keep looking at it as a direction we want to go in. Industry is quite happy to see what the providers put forward and see where we go with it.

With your indulgence, I would like to comment on what you said earlier about B-doubles. I know they are not in Tasmania and there are road issues, but in terms of safety, the greatest basic risk factor of an accident is the truck being in front of you and being on the road at the time. Because the B-double pulls 50 per cent more freight per truck, roughly speaking, you greatly reduce the number of trucks on the road to carry any given freight task. That takes the number of big Kenworth grills coming at you on the other side of the road off the road. On the safety angle, multi-combination more productive vehicles actually have some benefits. In terms of engineering, braking and stability, they are a very good vehicle. In terms of road wear, I am quite happy to provide you with the briefing that shows that the road wear, because of more axles taking the load, is not significantly more than the normal semi-trailer. Finally, because they do carry 50 per cent more freight for only about 10 per cent less fuel efficiency, they are very good for the environment. Every litre of fuel makes about 2.9 kilos of carbon emissions. If you can pull 50 per cent more freight for only 10 per cent reduced fuel efficiency, you are doing well. That is something to bear in mind when you think about multi-combination vehicles.

**Senator MILNE**—Have you ever driven up the east coast of Tasmania?

**Mr Fraser**—I do not disagree at all.

**Senator MILNE**—We have a slightly different scenario because we are talking about the forest industry here. We are not talking about normal freight. Before you tell me about B-doubles in Tasmania, I invite you to drive from Hobart to St Helens and see how you like to meet some of these trucks on a road where they cannot physically get around corners without going on to the wrong side of the road.

**Mr Fraser**—I have been on that road and I agree with you totally. In principle, upgrades to roads to take more efficient vehicles have dividends for safety, efficiency and emissions.

**Senator MILNE**—Or you should take the vehicles off those roads—one or the other. We can go through that debate, but this is not about freight. It is about one industry and a community's use of narrow and underfunded roads.

**CHAIR**—Mr Fraser, you eloquently put the argument about fuel usage. It always worries me, because the rail industry will whack you around the head in a minute. I am sure Mr Nye is taking all of that in. Senator McGauran.

**Senator McGAURAN**—You have said you have accepted a 1.3c per litre effect on your industry. You would have to know the average fuel use, or near enough, and the effect on your industry per truck. We have here from the Australian Trucking Association the registration charges effects on road trains. By 2010 it is just under 2,000 per year, they say. That is 2,000, but what is the 1.3c? I judge it as around 2,000. That is a very rough figure.

**Mr Fraser**—I am not being obtuse. The reason why I did not bring the figure with me is that we were not opposing the idea of moving to a 1.3c increase, we were opposing the indexation. Having said that, I could bring the figures to you. You could take a fuel burn of around 200,000 litres a year or maybe a bit less for an average member.

**Senator McGAURAN**—I am going to say that it is around the \$2,000, plus the rego is around the \$2,000, so that is a \$4,000 per year increase for your people at a time when I would say you could least afford it.

**Mr Fraser**—Indeed. If you wanted me to get on my high horse about an issue we did have about over charges, it was the NTC's failure to take the ALTO's proposal that the biggest hurt in this for rural operators was always the heavy increases on the B-double. The B-double, the A-trailer, as Senator Heffernan pointed out, went up by an extraordinary amount of money. We were the only group coming forward to the NTC to say, 'Rural operators should have this phased in over a seven-year period.' Three years is too tight. There is no way you can go to a farmer and say, 'I do want to keep bringing 600 sheep off your property every so often but here's a new bill.' They do not have the money either.

The states have voted for it. The states have taken it and they have no intention of introducing it over any longer period than three years. It is not a matter for the federal sphere. Unfortunately, the states have just taken

their money and run away. I can guarantee you that will be the biggest hurt out of this whole charges process. It is the B-double going up from around \$8,000 to around \$14,000 in the end over three years.

**Senator McGAURAN**—\$10,300?

**Mr Fraser**—If you have got 10 trucks it is \$140,000 that you are paying in two and a half years time, before they roll a wheel, and before they do any jobs.

**Senator McGAURAN**—You are quite right. I was quoting the double road trains, so it is even more for the B-doubles. Aren't you just laying back and taking this a little too easy? The 1.3c is coming at the wrong time.

**Mr Fraser**—Our members recognise that things are difficult. They are only becoming more difficult with fuel prices—at least until recently—being historically very high. We are trying to be true to policies, which we have seen and worked with over 25 years, to make sure they do not go down the gurgler. There has always been an understanding, particularly when the last charges process got derailed and voted down, that at some point road expenditure would increase to the point where the industry would have to cop a bill.

**Senator McGAURAN**—It is all so arbitrary. I think it is. You say there is a formula, but I happen to think the registration and the fuel excise is just an arbitrary figure that they have plucked out to see what they can get away with.

**Mr Fraser**—I do not want to be defending the NTC.

**CHAIR**—In all fairness, we are running short of time. As Mr Fraser and other witnesses have said earlier, they are all happy; the industry accepts the 1.3c. In fact, the industry has probably sat back and thought, 'We have gone all right for this long and not copped anything but the groceries.' I am not putting words in your mouth, Senator McGauran, but I am just taking what you have said and others have said, and the industry is happy to pay its way. On that, do you have any other questions? We are a quarter of an hour behind.

**Senator McGAURAN**—No.

**CHAIR**—Mr Fraser, thank you very much for your time.

[5.13 pm]

**McKINLEY, Mr Bill, National Manager, Government Relations and Communications, Australian Trucking Association**

**CHAIR**—I call the Australian Trucking Association. Welcome Mr McKinley. Do you wish to make a brief opening statement before we go to questions?

**Mr McKinley**—Very briefly. The Australian Trucking Association is the peak body that represents the trucking industry and its employees. Our members are the state and sector trucking associations, the Transport Workers Union, some of Australia's largest transport companies and elected representatives of small fleet owners and owner drivers.

You have already heard my colleagues speak about the industry's concerns about indexation. The industry is strongly opposed to the automatic indexation of the road-user charge, which over a five-year period could reasonably be expected to increase the road-user charge by more than 6c per litre. There would be no consultation with the industry on these increases. We might be able to view the calculations on the NTC's website, but would not be able to do anything about it. Our voices would not be heard. What is more, after the initial regulations were made there would be no parliamentary scrutiny of those increases, either. The way that index charges usually work is that the regulations go into place and that is it. The charges go up every year according to the formula in the regulations.

We think that you, as parliamentarians, should be very concerned about this, as well as the industry, because what it is essentially doing is taking away your ability to scrutinise this important charge on a year-by-year basis. The NTC's argument for automatic indexation essentially comes down to one of administrative convenience. Basically it is too hard to recalculate the charge every year and consult. We do not accept this argument and we do not think the committee should accept this argument. Parliamentary scrutiny is not convenient for the public service and for government agencies. This committee and every other parliamentary committee has seen endless examples of officials not being happy about parliamentary scrutiny, but the parliament, this committee and the Senate do not exist for government agencies' convenience. They exist to oversight, scrutinise and control increases in—including other things—taxation.

Our second concern is that future increases in the charge need to be more transparent and open. The NTC has told you, at length, about their consultation efforts. They were not good enough. The ATA employs a staff economist who really has done nothing over the last couple of years other than attempt to replicate the NTC's modelling. We were not provided with the information we needed to do this. Again, this should be a concern for government and the parliament, because it is through open scrutiny that mistakes are discovered and errors are rectified.

Our third concern is an issue for all of our members, including the TWU, who ran a campaign against the previous government on this issue. It is the lack of heavy vehicle rest areas on major highways. In February 2006 the Australian state and territory governments agreed that they would build rest areas across Australia to national standards by the end of 2008. There are only a few weeks left and, unless there is an enormous flurry of rest area construction in the next six weeks, we estimate they will be 900 rest areas short.

**CHAIR**—Who promised that and when?

**Mr McKinley**—The promise was made in February 2006. It is a COAG decision. This is a critical issue for the trucking industry. When we held our safety summit earlier this year it was the principal issue raised by ordinary trucking operators at the summit. Before the House of Representative's debate on this bill we circulated a set of model amendments to address our concerns. During the debate the government raised some issues about those amendments and we considered the issues that the government raised very carefully. As a result, in our submission we are proposing two alternative recommendations for the committee to consider as far as schedule 3 of the Road Charges Legislation Repeal and Amendment Bill is concerned. They are numbered in our submissions as recommendations 3A and 3B.

**Senator McGAURAN**—What page is that?

**Mr McKinley**—It is in the summary of recommendations, which would be page 1. Recommendation 3A relates to our original model amendments. Recommendation 3B is an alternative package of amendments and policy decisions that would still meet the industry's concerns, but we hope would also address the concerns that the government raised in the House of Representatives debate. Under recommendation 3B we are

proposing that the Senate should amend schedule 3 of the Road Charges Legislation Repeal and Amendment Bill to deal with our concerns about indexation and transparency.

As a completely separate proposition and one that does not involve amending the bill, we believe the committee could usefully urge the government to increase the funding of its heavy vehicle safety and productivity program to \$100 million over four years, rather than \$70 million over four years, review the program in 2011 with a view to considering its extension in the 2012-13 budget context, and finally require the states and territories to provide matching funding. If these steps are taken it would deliver 350 extra rest areas over four years, which would be on track to deliver the 900 extra rest areas that we believe are needed by 2019, which is the time frame the industry is comfortable with.

Thank you for your attention and I am happy to take questions.

**CHAIR**—Thank you. Just on your brief opening statement, with your proposal of 350 truck stops, where do you propose that the money would come from?

**Mr McKinley**—The money would come from the heavy vehicle safety and productivity program. The funding for the heavy vehicle safety and productivity program forms part of the cost base for future charges calculations for the industry. Although it would involve an upfront cost for the Australian government, it would ultimately be repaid by the industry through the charging process.

**CHAIR**—With those 900 truck bays that were promised at the beginning of 2006 through COAG, have you had any conversations with any of the relevant agencies or governments as to why they were not built?

**Mr McKinley**—I should say, in the first instance, that the 900 figure is an ATA estimate based on extrapolating the results of an audit of heavy vehicle rest areas that was conducted by a government research agency called AusRoads. I believe that the original COAG directive was based on a lack of understanding of the seriousness of the problem. I believe that once the audit of rest areas was conducted it was realised that the problem of the lack of rest areas was far greater than officials had expected. I want to stress that the Australian government's heavy vehicle safety and productivity program is an excellent start. Other state governments are also taking action, for example, South Australia and Queensland. In our view they do not go far enough, which is why over four years we believe the Australian government should commit \$100 million to the program, rather than \$70 million, and then seek matching funding from the states and territories.

**CHAIR**—I will ask you as I have asked others, does your membership—as varied and wide as it is—accept that it has to pay its way?

**Mr McKinley**—Yes. I would not say they were all rapturously happy about it. However, the industry is not arguing against the increase to 21c per litre, provided our other concerns can be met. Those concerns are on indexation, transparency and doing something about rest areas.

**CHAIR**—I take on board that they were not all happy. I found with my experience that unless the industry is whacked with a legislative bat they do not like to spend any extra money than what they have to.

**Mr McKinley**—As I said, from the point of view of the industry and the operators on the road—Mr Chairman as a former trucking operator yourself, and Senator Williams also as a former trucking operator—quite frankly what they want at the moment are more rest areas and they are prepared to pay for them.

**CHAIR**—Who are they?

**Mr McKinley**—The trucking industry as a whole, including the TWU whose representative participated in the development of this submission.

**CHAIR**—Do you think that if there was a chance of putting in a lot more truck bays, depending on the funding, the industry would not mind paying extra?

**Mr McKinley**—With the proposed increase to 21c per litre we believe that an achievable outcome for the government would be to increase the funding for the heavy vehicle safety and productivity program to \$100 million over four years. That is an extra \$30 million.

**CHAIR**—We are going around in circles. In other words, the majority of your members accept the movement from the cost of 19c per litre to 21c per litre?

**Mr McKinley**—With our other concerns being met, yes.

**CHAIR**—You said that. If I am not mistaken, you are telling me that if it could be proven that more truck bays could be built and it was going to cost more, then your membership would not support that?

**Mr McKinley**—They recognise that in relation to extra road expenditure—for example, on trucks bays—they will eventually have to pay for that through the costing model. Our objective is to see 900 extra rest areas over 10 years. Ultimately, every one of those rest areas will be paid for by the trucking industry through the PAYGO model. The accept that and are happy to pay it.

**Senator HEFFERNAN**—Regardless of how you describe the global financial conditions—but they are pretty tough—it would be fair to speculate that for New South Wales, which is both dysfunctional and insolvent and has had to cut all its major capital works programs, the danger for your members is that you will cop the increase and instead of going to new work for truck stops, it will go towards propping up old existing programs.

**Mr McKinley**—There is a lot of advantages in spending money on heavy vehicle rest areas and other road works at this time. Unlike many other infrastructure programs, the big dollar infrastructure programs will take many years to come to fruition so you are going to get your spending on it at a point where one hopes the business cycle is actually turning up. Spending money on things like rest areas delivers almost immediate results in regional areas, in terms of employment and expenditure. It is a very good form of infrastructure investment if you want to get the money out there quickly.

**CHAIR**—No one would argue with you there. I have a couple more questions and then I will move on. I heard the Livestock Transporters Association say that they would be happy to sit down every year and reassess the excise. What is the view of the ATA?

**Mr McKinley**—Our concern is about the automatic indexation of the charge.

**CHAIR**—No, I did not ask you that. I clearly asked you: would you be happy—happy, happy; you can't stop laughing—to sit down every year to renegotiate the excise?

**Mr McKinley**—Yes, we would. We believe that the government should have to obtain parliamentary scrutiny for those increases rather than having them done automatically through indexation. In other words, it should be a disallowance instrument issued under the regulations that the government is proposing rather than the regulations automatically giving effect to indexation.

**CHAIR**—Would it be unfair of me to suggest that is a lovely turn-out, because for the last eight years the ATA has always opposed any changes in the excise?

**Mr McKinley**—It would be fair to say that the industry's views on this issue have matured over time.

**Senator McGAURAN**—Has it been the last 12 months, since Labor came in? That is about the time you have matured. On every other occasion you have opposed it.

**Mr McKinley**—As you know, I was in other employment prior to the last election. The industry's views have matured over time. The industry recognises the need to increase the charge to 21c per litre. We would just like our other concerns dealt with.

**CHAIR**—Senator Williams.

**Senator WILLIAMS**—As the industry representative, have you been informed of whether any under the AusLink programs any money has been put aside to construct some of these truck stops?

**Mr McKinley**—Yes. The government is already committing some funding under AusLink to rest areas. The government announced as an election promise that it would fund additional rest areas on the Stuart Highway in the Northern Territory and the Dukes Highway in South Australia. The funding for the Dukes Highway has been brought forward by the government to 2008-09. As far as funding under the heavy vehicle safety and productivity program is concerned, that funding is contingent on the passage of the Road Charges Legislation Repeal and Amendment Bill.

**Senator WILLIAMS**—How many members do you have in your organisation?

**Mr McKinley**—The ATA is a peak body, so our members are largely associations who then have individual trucking operator or trucking company members. As I said, our members are the state and sector associations, including the Road Train Association; Livestock Association; the Transport Workers Union, which of course has many thousands of members; a small number of very large company members including Toll, Linfox, TNT and Scott's of Mount Gambier, and finally an elective representative of small fleet owners and owner drivers.

**CHAIR**—I believe Mr Scott passed away.

**Mr McKinley**—Yes, he did. Apparently the funeral closed down Mount Gambier. It was an extremely sad day for the trucking industry. He started with one truck in the 1950s and ended running a vast trucking business across Australia and a very good one.

**CHAIR**—I am sorry. I have been out of the country. Senator Williams.

**Senator WILLIAMS**—It was a sad day for the Port Adelaide Football Club, too. He was a major sponsor of that club.

**CHAIR**—Indeed.

**Senator WILLIAMS**—You know the National Party's stand on fuel tax. When this came in John Anderson demanded it when the GST package was brought in, and you know where we stand on it. Do you think that there are a lot of your members that do oppose accepting this 21c road-user charge, or is it just a simple majority? What I am saying is that the feedback from many of the truckers that I have been talking to is that they do oppose it. Are you sure you are on the right track?

**Mr McKinley**—The submission that we have made is based on instructions from our transport and economics committee of operators and industry representatives. Their view is that the trucking industry can deal with an increase to 21c per litre provided, as I have said, that the industry's concerns about indexation, transparency and rest areas are addressed.

**Senator WILLIAMS**—I will move on to another issue. Has the government put up a model of what sort of indexation they would like in relation to this road-user charge?

**Mr McKinley**—The National Transport Commission's heavy vehicle determination sets out the sort of indexation they have in mind. On the basis of the figures that we know now, it would increase the road-user charge by about seven or eight per cent per year. It is a considerably higher level of indexation than you would get out of say CPI indexation which is applied to liquor, for example. It is a very high level of indexation and, as I have said, the industry's view is that we could certainly have a charge assessment every year with consultation. The government could put up increased charges every year. What we object to is the idea of the charge going up by seven or eight per cent every year without any consultation and without any parliamentary scrutiny whatsoever, because parliament would be precluded from doing anything about it, other than asking questions without notice.

**Senator WILLIAMS**—If it was to go up seven or eight per cent then in 10 years with compounding seven or eight per cent there would be no diesel fuel rebate for the transport industry.

**Mr McKinley**—With the road-user charge being indexed and the fuel duty fixed at 38.143c per litre, over time the gap would inevitably diminish.

**CHAIR**—Where did the figure of seven to eight per cent come from?

**Mr McKinley**—Our staff economist took the formula that the NTC proposes to use for indexation and applied it to the data that the NTC has used to support their proposed 1.367c per litre increase. We have taken the charging formula and applied it back to the data we have and, as I have said, the results would suggest an increase of seven to eight per cent.

**CHAIR**—Isn't this increase over eight years?

**Mr McKinley**—No.

**CHAIR**—I am sorry, I am interrupting you, Senator Williams, but this 2c or 1.3c increase has not moved since 2000, effectively. To make it clear to the committee sitting across the table from you, this was not an increase in one year. You are translating it to yearly, but it has been eight years since the last increase.

**Mr McKinley**—Based on our figures it would be an increase of seven to eight per cent per year because government expenditure on road construction is quite substantial and growing. That is partly because the cost of the inputs into road construction grows at a much faster rate than the basket of consumer goods used to calculate the CPI.

**Senator WILLIAMS**—I will pass to Senator McGauran.

**CHAIR**—Senator McGauran.

**Senator McGAURAN**—Was the 2006 COAG commitment for 900 truck stops?

**Mr McKinley**—The 2006 COAG commitment was to build rest areas to national standards by the end of 2008. On the basis of those national standards we have calculated that figure to be an extra 900 rest areas.

**Senator McGAURAN**—How did they commit that funding in 2006?

**Mr McKinley**—There was no funding committed to my knowledge.

**Senator McGAURAN**—What was your understanding for them to finish it by 2008?

**Mr McKinley**—I do not believe any substantial provision was made to achieve that objective.

**Senator McGAURAN**—Was it just said and left hanging there? Was there any state budgets allocation for it?

**Mr McKinley**—Some of the state governments have been doing good work. South Australia has committed funding to build more rest areas that go beyond the national standards. Queensland recently announced a fairly important rest area program. None of those programs go nearly far enough to achieve what needs to be done in a reasonable amount of time.

**Senator McGAURAN**—It should be their responsibility to lift them to national standards. My point is that we have had three organisations here, Road Train Association, Livestock Transporters and yourself, and all of you have accepted the 1.3c increase and the rego increase. You are representing all the truck drivers here. Your organisation now comes before us and is willing to pay for the truck stops as well, but you then make a grand stand on indexation. I would have thought that it weakens your argument. We should look at the record on this, but as I understand it for the past eight years you have opposed any such increases in road-user charge. I am at a loss to understand your line of thinking in your and the previous witnesses' representation of the truck drivers. What is your line of thinking?

**Mr McKinley**—As I said, my instructions are that the trucking industry is willing to pay 21c per litre in the road-user charge, but it has other concerns that it wants addressed.

**Senator McGAURAN**—You are willing to pay for the truck stops.

**Mr McKinley**—Ultimately we will anyway, because that is the way the funding model works.

**Senator McGAURAN**—The 2006 COAG commitment was not making you pay.

**Mr McKinley**—The expenditure that is attributed to heavy vehicles is ultimately recouped by the government through the PAYGO model, which is the model that underpins this legislation. I would imagine that 10 to 20 per cent of the cost of the rest areas would be attributed to light vehicles, because of course motorists use heavy vehicle rest areas as well, so the industry would not be asked to pay for that. The additional cost of the rest areas that we are asking for would ultimately be met through the industry over a period of years. It would form part of the cost base that we pay for.

**Senator McGAURAN**—Out of the 21c?

**Mr McKinley**—And out of future increases in the road-user charge.

**Senator McGAURAN**—The truck stops will come out of the 21c and the future?

**Mr McKinley**—And future, yes.

**Senator McGAURAN**—Thank you for clearing that up. If you are not careful, knowing the form of the government, they will slap an extra charge over and above, just to get the truck stops done.

**Mr McKinley**—One argument that could be put is that truck stops in some areas would be a fertile ground for consideration as public-private partnerships, for example, with the government making a contribution to the parking side of it and a private sector operator making a contribution to build a service station and/or restaurant facilities. There are a number of ways, depending on the location of the truck stop, that it could be funded. There is scope for other organisations in the private sector to contribute to their cost.

**CHAIR**—I take on board that you talked about the application of CPI. I have played around with figures and argued with the best of your membership over the years. The odd one might have got the better of me, but I am sure I got my fair share in. CPI is fine, but if we do not get the base right, you and I both know that it is a hollow, shallow argument. It is easy to apply CPI, but if we have not got the base formula correct it means nothing in true recovery costs.

**Mr McKinley**—In response, could I contend that that is really another argument against indexation. Once you have a formula, that is it. The government is not going to be very interested in revisiting a formula based regulation every year. If you have yearly consultations, if the formula looks wrong, if the figures start to look wrong, you have consultations, fix them, put them into parliament and senators like yourself look at the results and will either let it pass without comment or do something about it.

**CHAIR**—Everyone can be an expert after the event. It happened from 2001 onwards. I am sure Senator McGauran would not have started with his attack on you. I was not having a go at you, Senator McGauran; I was confirming what you said. Thank you for your time.

[5.42 pm]

**MORRIS, Mr Hal, Chief Executive Officer, Australian Logistics Council**

*Evidence was taken via teleconference—*

**CHAIR**—I welcome Mr Morris from the Australian Logistics Council via teleconference from the Gold Coast. Would you like to make a brief opening statement before we go to questions?

**Mr Morris**—Yes. I know you have had a number of speakers today. The first point I would like to make is the importance of the considerations that you are currently pursuing. We would be concerned if there were any slowdown in the focus of reform and, in fact, we would argue that it has never been more important to get the reform right in terms of Australia's supply chains and it has become even more critical in view of the current economic climate that we are in.

Just to recap very briefly, the research that we published last year demonstrated that Australia's transport logistics industry accounted for 14.5 per cent of GDP. That is on the 2007 figures. This year we are about to publish data that indicates it represents in excess of 1.2 million jobs, or around about 160,000 businesses Australia-wide. Not only is it an important support mechanism for just about every other element of social and economic activity, but it is a major industry in its own right.

The second point is that it is essential that the determinations that you make focus on a whole-of-supply-chain perspective. There was a time, which is long past, where Australia's transport logistic systems were based on the original colonies and then on states which were run by modes and where regulation, income and investment were worked on an individual modal basis. We believe it is essential that we look past that. We need to look past the days of road versus rail versus shipping versus air versus Victoria versus New South Wales. We need to put that behind us and say that it is around multimodal end-to-end supply chains as the basis of evaluation and decision making and that, therefore, the whole-of-the-supply-chain view is essential.

When we recently published our 23 national supply chain blockages, which was our submission into the Infrastructure Australia process, looming large among those supply chain blockages was a need for reform of road pricing. It was No. 20 of No. 23 and it reads:

Reform road pricing to facilitate the efficient use of road vehicles and appropriate allocation of freight between road and rail.

- It was very much the appropriate allocation. In saying that, I acknowledge that this is a divisive issue. I am sure that you will have found that the road view is that there is already full cost recovery and that any further cost recovery should be linked to infrastructure spent on roads. The rail view would say that the roadies are wrong and that they need to have their charges increased so that there is a level playing field. We disagree with both of them, in that they are both right and both wrong. We believe the basis of collection of income should be a separate set of considerations from the basis of investment; that is that you should separate money in from money out. The money in should be about the cost of the system and that there should be minimum, if any, distortions in terms of income so that we can get the most effective and efficient use of the system. On the other side of it, the investment in the system should not be linked to any particular jurisdiction or mode, but rather should be made on the basis of the whole of the supply chain addressing the most critical highest priority blockages, ideally through Infrastructure Australia.

We have submitted a written submission to you by email today, so I will leave it there and wait for questions.

**CHAIR**—Thank you. I had the pleasure of meeting someone from your council in Brisbane a couple of years ago. I will say it was a pleasure because we sat together for about an hour and a half and did not have an argument. That was good because we were all heading in the same direction. On that, when we talk about Australia's supply chain, have you convinced the users of transport, that is Woolworths, Coles and the mining industry, to be part of your council?

**Mr Morris**—Absolutely. Woolworths, Coles, Metcash, Xstrata Coal, Toyota, Australian Wheat Board and so on are all members of our council.

**CHAIR**—That is fantastic. When we are talking about this they are playing a responsible role knowing that they have a moral obligation to do whatever they can to improve the safety of not only truck drivers but of other road users.

**Mr Morris**—Absolutely. The safety group is chaired by Ingilby Dickson, who is the Vice-President Logistics for BlueScope Steel.

**CHAIR**—We have come a long way. I do apologise. I only got the submissions this morning. That is my fault because I was not available. Am I right in assuming that your organisation has no problem with the increase from 19c to 21c per litre for the excise?

**Mr Morris**—Yes. We agree with that. We believe that it should move forward as quickly as possible.

**CHAIR**—We have heard from other industry stakeholders today who have said to us that they would be more than happy to sit down every year and go through this process. What is the council's view?

**Mr Morris**—I think that is essential. We welcome a closer relationship between government and industry.

**CHAIR**—It would have been nice if we could have done it for the last eight years, but we have not. Senator Williams.

**Senator WILLIAMS**—Do you oppose a blanket indexation system put forward on the road-user charge?

**Mr Morris**—I believe that the indexation should be linked to CPI, but on anything beyond CPI we should have an annual dialogue. The priorities exist in terms of the blockages in supply chains. That is something that needs to be kept fresh and updated. We see that, at least on an annual basis, there would be the chance to reassess where the major blockages are.

**Senator WILLIAMS**—I am new to this job so please forgive my ignorance. Is all of the 19.7c road-user charge spent on road repairs and so on?

**Mr Morris**—No, it is not. My understanding is that the circumstance is that income comes in from heavy vehicle road-user charges into consolidated revenue as an intermediate step, and then it goes back into investment.

**Senator WILLIAMS**—Would you have any idea of what proportion of the 19.7c of the current road-user charge goes back into the repair, maintenance and construction of roads?

**Mr Morris**—No, I am not sure.

**Senator WILLIAMS**—It would be interesting to find out, wouldn't it?

**Mr Morris**—It certainly would. I understand that the basis of cost recovery is different between road and rail, which is an interesting point. My understanding is that, while not 100 per cent of road charges moves back into the road system, in terms of reinvestment, 100 per cent of rail charges do move back into the rail system. Our argument would be that it should not be quarantined into either. As I said before, everybody should pay their way. There is no question about that. I would suggest that after collection of the money that there is the opportunity to say that we will not just put it back into road or back into rail, we will put it back into the most important investment that we can make right across the whole supply chain, both domestically and internationally.

**Senator WILLIAMS**—Where I live in northern New South Wales, if I saw a train I would probably die of fright. With the roughly 38c of federal government excise per litre of diesel, how much rebate does the rail get?

**Mr Morris**—I understand that it does not get any.

**CHAIR**—We have the Australasian Railway Association attending later, so you might want to ask them some questions.

**Senator WILLIAMS**—Yes. Are you saying that you would be happy with a CPI increase on the road-user charge every year?

**Mr Morris**—Yes. In acknowledgement of the catch-up, we need to make sure that we fully pay our way. The whole point here is to make sure that we have appropriate allocation of freight between road and rail, so that we have the right priorities. We would also support mass-distance charging as part of that process.

**Senator WILLIAMS**—I do not have any other questions.

**CHAIR**—You just mentioned catch-up. Can you explain that to the committee?

**Mr Morris**—Our concern is that for some decades now there has been a systemic under allocation of funding on the rail system. If you have a look at the proportion of investment, in nearly all states and territories and at the Commonwealth level you will see that is the case. Therefore, as Senator Williams was saying, it is not surprising that there are not a lot of trains in his area, because over the last 40 or 50 years we have under invested. It is a real national challenge to do two things. One is to make sure that we invest sufficiently to

catch up. It has been our argument since first publishing the national infrastructure priorities in 2006 that there is a catch-up element, particularly in investment in rail infrastructure, to make sure that rail can play its part.

The second part is that it is about national reconfiguration of our transport logistics system. Historically it grew inward from the coastal areas of the original colonies, like the threads of a spider web, and there is the opportunity now to look again at the national system. That is why we believe that the north-south inland rail link is a high priority because we do not believe that it is going to be possible to continue to keep pace just using road with the increased requirement for freight logistics in this country.

**CHAIR**—I could not agree with you more. I will come back to why we are sitting here this evening, which is the road-user charge where we are talking about catch-up. I would love to see a truck stop every 100 metres but—with the greatest of respect and as a non-political statement—every time the previous government wanted to talk to the industry about the road-user charges, crikey, Armageddon was coming. Would that be a fair assumption?

**Mr Morris**—That is certainly how I remember it.

**CHAIR**—I will not pursue that line because that has been made very clear. Mr Morris, we do appreciate your time. We are sorry to have kept you waiting.

- [5.56 pm]

**JONES, Mr Stewart, General Manager, Transport Integration and Reform, Department of Infrastructure, Transport, Regional Development and Local Government**

**WILSON, Mr Andrew Murdoch, Executive Director, Department of Infrastructure, Transport, Regional Development and Local Government**

**CHAIR**—I now welcome officers of the Department of Infrastructure, Transport, Regional Development and Local Government. I remind senators that the Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Officers of the department are also reminded that any claim that it would be contrary to the public interest to answer a question must be made by a minister and should be accompanied by a statement setting out the basis for the claim. Do you wish to make a brief opening statement before we go to questions?

**Mr Wilson**—No. We are more than happy to answer questions.

**CHAIR**—Senator Williams.

**Senator WILLIAMS**—You have thrown me straight in the deep end.

**CHAIR**—It was your reference to the Senate. I am happy with the bill.

**Senator WILLIAMS**—Do you know the government's plans for the construction of more parking bays for the transport industry?

**Mr Wilson**—As a number of speakers have indicated, the government has a \$70 million program announced in the 2008-09 budget, which is contingent on the passage of these two pieces of legislation, to invest over the next three-and-a-half years.

**Senator WILLIAMS**—Is that \$70 million per year?

**Mr Wilson**—No. It is \$70 million complete. It will be \$10 million in 2008-09 and \$20 million in the following three years.

**Senator WILLIAMS**—Approximately how much would it cost to construct a truck stop? I know that is a difficult question because some may have to cut out the side of a hill and others might have to build land up, but assuming that it is on flat country, would it be \$1 million or \$2 million? Do you have any idea what it would cost to construct an average truck stop?

**Mr Wilson**—I have asked the same question of my colleagues in the state and territory jurisdictions. The rough answer is anywhere from \$500,000 to \$2 million. Depending on the site, it can be more expensive than that. It depends on the site, whether or not the work is being done as a component of other works that are already underway and the distance from facilities. The price will vary, but as a rough ballpark figure it would be anywhere between \$500,000 and \$2 million.

**Senator WILLIAMS**—Let us say that we worked on \$1 million. This is a rough guess and I do not expect you to be precise and pedantic about the cost of each one. If it cost \$1 million to set up the average truck stop, in 2008 we have a budget of \$10 million. That is only 10 truck stops.

**Mr Wilson**—That would be correct.

**Senator WILLIAMS**—There are 20 for 2009, 20 for 2010 and 20 for 2011. The ATA is calling for an extra 900 truck stops by the year 2019. That is 70 over four years, which is a long way short of 900.

**Mr Wilson**—The provision of rest areas on the road network within Australia is the constitutional responsibility of the state and territory governments.

**Senator WILLIAMS**—Many things are.

**Mr Wilson**—They own the roads. As one of the previous witnesses indicated, a number of the states are currently introducing funding arrangements specifically designed to improve the number of rest stops available to the trucking industry throughout Australia. South Australia and Queensland, in particular, were mentioned. In addition to the Commonwealth's funding over the next few years, the states will also be providing funding towards it.

**Senator WILLIAMS**—Is there any agreement in COAG for the states to work in conjunction with the federal government to construct a specific amount of truck stops?

**Mr Wilson**—I missed part of your question.

**Senator WILLIAMS**—Do you know if there has been any agreement through COAG, between the state and federal governments working together, to construct more truck stops?

**Mr Wilson**—As Mr McKinley indicated, COAG considered in February 2006 the concept of improving the number of rest areas and came to some agreement in regards to that. The Australian Transport Council considered the issue through 2006 and I believe at the end of 2006 indicated that there was, at that stage, insufficient funding in any of the jurisdictions to meet the guidelines which COAG had considered in February 2006.

**Senator WILLIAMS**—If you look at the Newell Highway, I have heard projections that the amount of trucks on that road will double by the year 2020. Does the department have any estimations or predictions of the amount of road transport on that particular road?

**Mr Wilson**—I do not have statistics in regards to road usage or prediction of road usage on the Newell with me. I would say that it is not actually an area that I am responsible for. It is another area within the department in regards to the provision of road funding and the negotiation of future funding for roads on the AusLink network. I do not have that data in front of me.

**Senator WILLIAMS**—Does your department cover rail transport as well?

**Mr Wilson**—Yes.

**Senator WILLIAMS**—Is there much progress being made towards the establishment of the Melbourne-Brisbane and Melbourne-Gladstone rail line? I am fully aware that there will be a report out next September.

**CHAIR**—I am just curious where you are going on this one.

**Senator WILLIAMS**—I would like to know what is going to take trucks off the road by shifting heavy freight and whether it is going to relieve the need for the construction of truck stops.

**CHAIR**—The officials can speak for themselves, but the question that you are putting to them is not really part of this bill. I will leave it up to Mr Wilson if he wants to digress.

**Mr Wilson**—Again, I apologise. The rail area is not part of my division. I do not have material in front of me.

**Senator WILLIAMS**—We will get it from the next witnesses.

**Mr Wilson**—Mr Nye from the Australasian Railway Association should be able to provide you with some information.

**Senator WILLIAMS**—Does your federal department work closely with local government on issues such as the truck stops?

**Mr Wilson**—As you would be aware, the federal government provides funding through to the state governments in regard to the provision of road infrastructure. The construction of road infrastructure is undertaken by those state governments. The department works closely with both the state and territory governments, and also in consultation with the local councils, in developing advice for government to consider in regard to which projects to fund.

**Senator WILLIAMS**—Chair, you might be able to help me here. I am coming back to the point about the number of truck stops. I am very confused with these new road rules. I wish Senator Heffernan were here. Do you have to stop for a minimum of seven hours a day—is that correct?

**CHAIR**—I do not know what is going on in New South Wales. I am happy to have a conversation with you after the hearing. I cannot add to that. I can tell you about Western Australia.

**Senator WILLIAMS**—I am leaning towards the number of truck stops that are going to be constructed over the next years. You can see where I am coming. The \$70 million has been far too short. There is no point asking questions on the budget. That is all I could ask at this stage.

**CHAIR**—I am sure I can help you out there. If there were any suggestion to alter the agreed rate to build more truck bays that that has been negotiated between industry and the NTC now, all of this building would collapse.

**Senator McGAURAN**—I wonder if you know the history of previous submissions put to the government in regard to the road-user charge and the fuel excise over the last eight years. What has been the submission by the commission?

**Mr Wilson**—Do you mean the National Transport Commission?

**Senator McGAURAN**—Yes. I am trying to work out whether I am right or wrong. There has been an almighty sea change in regard to the trucking representatives that we have had here today from the previous eight years when similar tax hikes have been put to the government.

**Mr Wilson**—It would be fair to say that the Australian Trucking Association quite vigorously opposed the previous determination which was considered by governments in 2006.

**Senator McGAURAN**—Was that the last one?

**Mr Wilson**—That was the last determination that was considered. At that time they indicated that they supported the concept of the industry paying for the utilisation of the road network. For as long as I have been involved in this area, they have indicated that they are willing to pay their way, but they did not support what is known as the 2006 or the third determination.

**Senator McGAURAN**—What was the one previous to that?

**Mr Wilson**—The determination previous to that was the 2001 determination.

**Senator McGAURAN**—What was the history of that? We will not just pick on the main body, being the Australian Trucking Association. What about the Australian Livestock Transport and the Road Train Association that came before us?

**Mr Wilson**—I believe all trucking associations opposed the 2006 determination. I would have to take the question on notice in regard to the 2001 determination and the relationship between industry and the NTC position was at that stage. That is before my time.

**CHAIR**—Trust me, they all spewed on it.

**Senator McGAURAN**—Take 2001 and 2006 on notice. You can even take the previous one. Do we go in five-year lots?

**Mr Wilson**—I would seek to clarify this if I get this wrong. The first determination is most likely to have been supported by industry, because it was aimed at removing the significant disjoint in charges between the jurisdictions. I can take you back to the original intent of heavy vehicle charges. Heavy vehicle charges were introduced to remove the differentials between trailer charges in South Australia being extremely low and the prime mover rates in Victoria being very low. You ended up with a number of trailers registered in South Australia, but actually residing all over the country side.

**CHAIR**—When was that?

**Mr Wilson**—That was in 1991, I believe, although it is stretching my memory.

**Senator McGAURAN**—What was the one previous to 2001?

**Mr Wilson**—There have been three determinations in total. The 1991 and 2000 determinations were implemented. The 2006 determination was voted down by the Australian Transport Council and not implemented. The most recent determination, known as the 2007 determination, was supported by all ministers in February of this year.

**Senator McGAURAN**—When we are talking about road users, is that the fuel excise element and not the registration?

**Mr Wilson**—Not the registration charge.

**Senator McGAURAN**—Does the registration have the same history?

**Mr Wilson**—It is the same history. It includes a determination of the charges to recover the costs previously spent by governments. The charges are split into registration charges and the road-user charge. The registration charges are predominantly charged by the state and territory jurisdictions, apart from about three per cent of the registration charges, which are levied through the federal interstate registration scheme. The other component of it is the heavy vehicle road-user charge, which is levied and collected by the Australian government.

**Senator McGAURAN**—Both sides of the parliament and the industry accept the principle of road user, but the increase and the amount of the increase is debatable. I would have thought that 2006, when the economy

was booming, would have been a more acceptable time for those representative bodies to accept than now, when doom and gloom is over us. I am trying to get through you a line on the representative bodies' submissions today. I find them out of whack. From 2006 to 2008 there are two different sets of circumstances for their drivers.

**Mr Wilson**—In many ways Mr McKinley was quite right in saying that the industry is a little more mature and has accepted the concept.

**Senator McGAURAN**—Do you mature if you accept an increase in tax?

**Mr Wilson**—I would go back to the point that the road-user charge is not a tax. It is accepted by both industry and the government as a charge to recover costs associated with the provision of roads to the heavy vehicle industry. Both within the NTC and government we have had long conversations with the industry in regard to that, and the heavy vehicle industry accepts the concept of a cost recovery of expenditure made by governments previously. Whilst it is levied by government and therefore could be considered to be a tax in the general sense, it is actually recognised as a charge for the utilisation of the road network. It is a recovery of costs previously incurred by government in provision of that network.

The argument—certainly within the three years that I have been here—has always been around the quantum. In 2006 it was an argument about the quantum of costs to be recovered. There were arguments between government and the industry that the NTC model generated too high costs to be recovered. That was the industry's major concern. If you look at the situation with this determination, there has been an acceptance by industry that the model has been refined and improved, and now gets the number to be recovered reasonably close. You will always have an argument at the edges about—

**Senator McGAURAN**—But the model does not have to be accepted. Previous governments have not accepted the recommendation. That is all it is. It is just a recommendation.

**Mr Wilson**—That is correct. In voting down the previous 2006 determination, the previous government did not accept to vote for the charges that came out of that model. In this instance, all governments have voted for the charges that have been determined through the utilisation of the model, and the model is a model. It models the expenditure by governments. It models the utilisation of the road network by the industry. It generates out one end a group of charges whereby you try to recover the costs previously considered.

**Senator McGAURAN**—Given that the model is accepted by the industry, do you think that they are just arguing on the fringes in regard to the so-called indexation? Is it just a fringe argument by them? Do you think that they have left themselves to debate a fringe point?

**Mr Wilson**—I do not know that I would consider it a fringe argument. I would indicate that the indexation or an adjustment of the charges on an ongoing basis, which is the methodology included in the NTC determination, is in accordance with what COAG agreed in April of 2007, which was to ensure that cost recovery was maintained. One of the major issues that government and bureaucrats faced in 2006 with the determination at that stage was that there had been a long period of time between the previous determination and the new determination. That period of time meant that there was a translation shock for industry with a significant jump in the charges to be recovered. In 2006 COAG agreed to remove that level of shock over time and that you would adjust the charges on an ongoing basis to maintain a level of cost recovery.

**Senator McGAURAN**—I am concerned about the capacity to pay in this climate. Does that model in any way factor in capacity to pay?

**Mr Wilson**—Do you mean in terms of individuals?

**Senator McGAURAN**—The individual drivers' capacity to pay freight charges and the ability to pass on an increase or decrease in freight charges.

**Mr Wilson**—The model is an averaging model which takes into account the costs of the provision of the road network over the previous seven years by state and territory governments, including Commonwealth expenditure. It then goes through a process of averaging those costs across a vehicle fleet to generate a registration charge and a road-user charge. I do not believe that the model has a sensitivity analysis built into it that you could use to determine an individual's capacity to pass on those costs.

**Senator McGAURAN**—I agree with you, you cannot. Therein lies where a government that is given the recommendation and industry representatives must make those judgements. I can always understand the government putting up the charges, but I am at a loss to understand the analysis of the industry representatives that in 2008 it is better take a user charge and registration hike than in 2006.

**CHAIR**—In all fairness, that is a question for the industry associations rather than the departmental officials.

**Mr Wilson**—There are a couple of mitigating factors. As I indicated previously, there was significant disagreement about the level of funding to be covered with the model in 2006. I will take Senator Sterle's point. There will have been some truck drivers out there who violently disagreed with the concept of it, but there was no disagreement between government, bureaucracy and the industry on the concept of heavy vehicle charges and the concept of paying their way. There still is no disagreement between paying their way. What has happened in the intervening period is that the refinement to the model, in terms of generating the cost to be recovered, has met with industry support. The extension of the averaging period over which the costs are to be recovered from three years to seven years has had industry support. The concept of phasing-in the major increases in registration charges over a three-year period as opposed to a one-hit from 1 July 2009 has had industry support. And the concept of delaying the introduction of the road-user charge increase from 1 July through to 1 January 2009 had industry support. If I reflect back, when governments voted for the determination the heavy vehicle safety and productivity package of \$70 million that the government had committed also received industry support.

There are a number of things that have changed since the 2006 determination to the 2007 determination that materially change the disagreements between government and industry.

**CHAIR**—I would like to get back to the basics of this bill. We heard from witnesses earlier, Mr McKinley in particular, that there were all sorts of promises of 900 truck bays that did not come to fruition. The question of why it did not come to fruition is being answered as we speak. You have reiterated the statement, which is right. The industry tells us they are maturing. Everyone wants safe trucks, safe drivers, and roads to be safe for other road users. This is a step, albeit a very small step, in the right direction. On that, if there are no further questions, I thank you for your time.

- [6.23 pm]

**NYE, Mr Bryan Geoffrey John, Chief Executive Officer, Australasian Railway Association**

**CHAIR**—I welcome Mr Nye from the Australasian Railway Association. I invite you to make a brief opening statement. Before you do I will tell you that I love all forms of transport because every one of them has its own niche in the market.

**Mr Nye**—This is not a road and rail debate, as such. We need optimised transport networks in Australia. Currently rail is not an optimum. I can give you an example with the freight between Sydney and Melbourne. There is currently only seven per cent of freight—that is the intermodal; that is the box—between those two capitals is carried by rail. It is five per cent from Melbourne to Adelaide. That number is diminishing. One of the reasons for that is the cross-subsidy that the heavy vehicles are getting, which is basically B-doubles. The cross-subsidy that occurs from the other heavy vehicle charging means that people tend to favour road freight over rail freight. We are losing, despite it being 19 times safer than any other form of land transport, environmentally friendly and that one train, Sydney to Melbourne, takes 150 trucks off the road. A lot of that is to do with this decreasing move towards the cross-subsidy, so we are very keen to see this cross-subsidy end.

The pricing between road and rail are done on two totally different bases. I can give you an example. The rail industry actually pays for its own safety through accreditation fees. The trucking industry does not pay for any safety.

**CHAIR**—I want to explore that, but I will let you finish.

**Mr Nye**—We pay in the vicinity of \$120 million towards our own safety regime through accreditation charges. The road industry does not pay those. We are not asking for recovery of those. Our real issue here is that if we do not stop this cross-subsidisation of the heavier trucks by the smaller trucks, rail will continue to go backwards.

**CHAIR**—I would like to clarify a few things with you. You said seven per cent of freight between Melbourne and Sydney is carted by rail. Then you said Adelaide. Is that Sydney to Adelaide?

**Mr Nye**—Melbourne to Adelaide is five per cent.

**CHAIR**—As I said, I fully understand and I know all the arguments. You were not here earlier today when the trucking industry was talking to Senator Milne about road versus rail, fuel and productivity. I said at that point, 'Lucky Mr Nye is not here because it would just be arming him for the argument.' You have brought it up anyway, which is fine, because it is a fact. You were commenting on the pricing between road and rail. Do you mean the cost per tonne is competitively the same?

**Mr Nye**—Yes.

**CHAIR**—I have a road background with rubber wheels, but I also know that the rubber wheels get the freight to the railway yard, distribute it and they are intermodal, so the link is important, but would service times come into that?

**Mr Nye**—One of the biggest issues holding it back is the reliability on the east coast. It really is the problem through the Sydney freight network in getting to the terminals in Sydney. To allow rail to compete with road it has to get from a terminal to a terminal in time for it to get a pick-up and get delivered. B-doubles and B-triples also go to terminals as well. But you do not get B-doubles delivering groceries to the local supermarket. There are terminals involved. Part of our problem is the lack of infrastructure investment which has been addressed and is continuing to be addressed, but one of the real impediments to encourage people to put their freight on to rail has been the cost.

**CHAIR**—Service times do play a major role.

**Mr Nye**—Service times do play a major role.

**CHAIR**—Senator Williams used to be out there pedalling as well. We all know that you can load up a truck in x-amount of time and it will take you the same amount of time to load the equivalent in containers, but the truck can take off from the client's premises and it is gone. How long would it take to load a Melbourne-Sydney train?

**Mr Nye**—You look at the time. We have got to get the train travel time down from Melbourne to Sydney to 10.5 hours to compete.

**CHAIR**—The travel time is one facet.

**Mr Nye**—That is from the time you finish loading. With Sydney to Melbourne, you have to get the train out of Melbourne by 2.30 in the afternoon to get through the Sydney curfew at Campbelltown by 5.30 in the morning, otherwise you get into the network and freight trains have no priority. With regard to going from Melbourne to Perth, the freight forwarders have pushed the whole issue. We race the trains across the Nullarbor over the weekends to get them there. The arrival time into Perth is about two in the morning ready to allow unloading at six, but only 16 per cent of the freight gets taken off in the first 24 hours. The rest sits on the train. We have not got our optimum use of the transport networks.

**CHAIR**—I understand the point A to point B travel time but, all things being even, whether the forklift operator is loading containers or transits, or whether he is loading a B-double or a road train that is split up into two 40-foot or 48-foot trailers, the loading time is the same.

**Mr Nye**—Yes.

**CHAIR**—Let us say you have loaded up two or three trailers and there is a road train heading off, but how long does it actually take to load a Melbourne-Sydney train in the rail yard, all things being even with the containers sitting there?

**Mr Nye**—It has to do with the length of the train. The best example is the operators, the independent rail, that take it out of Port Botany to the MIST terminal, which is out near Campbelltown, that turn around a 600-metre train, which has about 75 containers on it, in 90 minutes.

**CHAIR**—I understand that. What about the Melbourne-Sydney or the Adelaide-Melbourne? We know how long it takes to get from point A to point B. When the train pulls in, it is unloaded with container forks running around safely but madly, but how long does it take to load that train?

**Mr Nye**—It is very difficult to give that figure, but about three hours to get a whole train totally put together.

**CHAIR**—That has answered some of my questions. I would like to come back. I might have picked it up wrongly. You said that the rail industry pays for its own safety in terms of auditing.

**Mr Nye**—No. It is through accreditation. There is an accreditation fee for safety through each state government. There are seven different regulators.

**CHAIR**—One in each state?

**Mr Nye**—Yes, one in each state.

**CHAIR**—Why do you think that is not a cost to the road transport industry as well?

**Mr Nye**—They do not pay for that. They do not pay for the enforcement of safety issues.

**CHAIR**—I am sorry, you mean for the enforcement of it.

**Mr Nye**—Yes.

**CHAIR**—It is a true cost. For some it is a large investment; for others it is shut your eyes and hope we do not get caught. Thank you very much.

**Senator McGAURAN**—I have some general interest factor questions. In a round about way they relate to this bill. Are you in any sort of communication with the government in relation to the inland rail's progress?

**Mr Nye**—There is a \$15 million study that is doing the full engineering of the far western route. It is actually laying down the route. The other aspect that they are looking at there, within 20 per cent, is what it would cost to build. If they do go ahead with the next stage, whether it would be a public-private partnership type of arrangement, what would the funding arrangements be and what the ball park figure would be. Another element of that is stacking up the timing of the demand. Melbourne to Brisbane inland will go ahead, but you do not want to race ahead and do that until you have sorted out the Sydney problem or you are going to have a white elephant on the east coast. It will go ahead, but it is just a matter of timing.

**Senator McGAURAN**—That \$15 million has been allocated and it is up and running?

**Mr Nye**—The project is underway. There is a project manager in place. There are a number of consultants, ACIL Tasman, PricewaterhouseCoopers and a number of engineering firms, that are all doing the different routes. That study is fully underway.

**Senator McGAURAN**—That is a relief. What is its time of submission?

**Mr Nye**—It has to be completed within the next 12 months.

**Senator McGAURAN**—That is good timing, too. You would have read, of course, the collapse of the company overseeing the Adelaide to Darwin rail. Doesn't that put the Melbourne to Brisbane in doubt?

**Mr Nye**—You have got to look at it totally differently. They are doing the economics of the Melbourne to Brisbane beforehand to stack it up. The reason that Adelaide to Darwin stacked up is that it went forward without enough injection of capital and too much debt. If you look at it, it operated at a profit in the last year. It has in the last two years and will continue to do so as an operating profit, but it was not achieving enough to pay off some of the debt ratios. Ninety per cent of the freight going from Adelaide to Darwin now goes by that railway line.

Some of the things that do not get credit are the lower numbers of accidents on the roads because there are fewer vehicles on the road. There is that safety aspect. There are also more mining operations. There have been three in the Frances Creek mineral explorations. There are two other manganese mines that are now moving in. Rail is a longer-term investment, so it is actually operating at a profit now, but how does it get rid of its debt? That is really the problem. It has always been upfront that Melbourne to Brisbane would require a government injection of infrastructure, particularly to get through the Toowoomba ranges, because without that it just would not stack up.

**Senator McGAURAN**—Ninety per cent of Adelaide to Darwin freight goes that way, but what about Melbourne to Darwin and Sydney to Darwin? Does that go into Adelaide and up?

**Mr Nye**—No. One of the problems is that the track from Melbourne to Adelaide and Sydney to Adelaide is just not up to speed yet. It is not good track.

**Senator McGAURAN**—Do the trucks go across to Adelaide?

**Mr Nye**—Yes.

**Senator McGAURAN**—So from Melbourne to Adelaide it is trucks and then up by train?

**Mr Nye**—Yes. There has always been talk about having a port in Darwin with stuff being dropped off into Darwin and being distributed down to the east coast, but the reason that does not occur is that we do not have the adequate infrastructure to take it from Darwin quickly through Adelaide to Sydney. Until we get that infrastructure across from Adelaide to Sydney, and particularly the Sydney network with a dedicated freight corridor for Sydney, that will not achieve that objective.

**Senator McGAURAN**—I had better be careful; I am wandering into estimates type questions.

**CHAIR**—You will have nothing to do in May. Have you finished, Senator McGauran?

**Senator McGAURAN**—Yes.

**CHAIR**—Now that the subsidisation of the federal interstate registered scheme is going to cease on 1 January, can you translate how that will either boost rail or make rail more competitive?

**Mr Nye**—If you are a freight forwarder you have the choice of how much it is going to cost you to send an item of freight between the two capitals, if you are going to put it on to a B-double, for instance, which is the major alternative and it will cost you more, and rail is cheaper, then you will evaluate the decision. That has been an issue for quite some time.

**CHAIR**—It is all about competition. That is fair. With the difference now with the road-user charge do you think that will put rail in the ball park?

**Mr Nye**—It will be closer. In the longer term the NTC, Productivity Commission and the Garnaut report all recommend a move towards mass-distance charging. That is what they are doing in Europe and around the rest of the world. We totally support that because it means that the people are moving the distance, heavier mass, the damage on road pays a different charge, and it is actually attributable. Under those circumstances rail comes out a long way ahead and we get to use and optimise the transport network we have got in place, which is not being optimised now.

**CHAIR**—All we need is another railway line to Perth.

**Mr Nye**—You are very lucky because you have got a very good railway line to Perth.

**CHAIR**—We have.

**Mr Nye**—A lot of money was spent on that by the Commonwealth government quite some time ago.

**CHAIR**—In all fairness, just so the rest of the committee knows, I would say the majority of your clients would probably be some of the major trucking firms, anyway.

**Mr Nye**—I do not think there is an argument that all the major trucking firms would love to see a far more efficient rail network, for very good reasons, because they would much prefer to have their freight put on a train in Melbourne and pick it up in Sydney.

**CHAIR**—With the transport task set to double by 2020, we need rail to be efficient and competitive. There is absolutely no argument. There is plenty of freight to go around. Senator Williams, do you have any questions for Mr Nye?

**Senator WILLIAMS**—No, I do not.

**CHAIR**—Mr Nye, thank you very much for your time and your patience. I would like to thank the broadcasting and Hansard staff and the committee staff. That concludes today's hearing and the committee now stands adjourned.

**Committee adjourned at 6.39 pm**