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Road Transport Charges (Australian Capital Territory) Amendment Bill 2002

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Contents

Road Transport Charges (Australian Capital Territory) Amendment Bill 2002

Date Introduced: 14 February 2002

House: House of Representatives

Portfolio: Transport and Regional Services

Commencement: On Royal Assent

Purpose

To provide for automatic annual adjustments to heavy vehicle (over 4.5 tonnes) registration charges.

Background

Origins of the heavy vehicle registration charge[1]

In 1991, the Commonwealth, States and Territories signed an agreement to create the National Road Transport Commission (NRTC). As part of this agreement, governments also committed to a national approach to regulating heavy vehicles, including the setting of registration and other charges to be levied on heavy vehicles. The NRTC is responsible for developing recommendations regarding the level of charges for decision by the Ministerial-level Australian Transport Council (ATC).[2] In making its recommendations the NRTC is required by legislation to abide by the following set of principles:

- to fully recover distributed road costs while minimising over-recovery from any vehicle class, thereby achieving full recovery of all road costs
- adopting a common methodology
- to determine and collect charges in a way that achieves a reasonable balance between administrative simplicity, efficiency and equity in the charging structure

- to improve pricing, leading to a better allocation of resources, with investment decisions on equipment and infrastructure being based on more relevant demand signals, and
- to minimise the incentive for operators to 'shop around' for lower charges and undermine the integrity of the national charging system.

There are two components to heavy vehicle charges specifically targeted to recover road use costs. The first is a fuel charge, in which 20 cents out of the total 38 cents per litre excise on diesel fuel currently paid by vehicle operators is notionally considered to count as recovery against road costs. The fuel charge covers about two-thirds of the calculated road costs. The second component, which is the subject of this Bill, is the annual heavy vehicle registration charge.

In terms of Commonwealth legislation, heavy vehicle registration charges are set under the *Road Transport Charges (Australian Capital Territory) Act 1993*. Since 1995, national consistency has been achieved by the various States and Territories then implementing the charges in their jurisdictions by either adopting this Act as a template for new stand-alone legislation or incorporating its substance into existing legislation.

Heavy vehicle registration charges currently range from $300 per year for single-axle trucks and buses under 12 tonnes through to $4 300 for conventional semi-trails to $8 900 for 3-trailer road trains.

Updating the heavy vehicle registration charges

National heavy vehicle registration charges were first set in 1995 and fully revised and updated in 2000.[3] Given the amount of data collection, analysis and consultation required, the next full updating process is not due for completion by the NRTC until 2003/04.[4]

A consequence of updating only once every four or so years is that heavy vehicle operators potentially face reasonably substantial increases when the new charges are introduced. Also, given that the charges are intended to recover some of the cost of government expenditure on roads, the timelag between updates means that the proportion of expenditure recovered may fall with each passing year until new charges come in.

Faced with these issues, the ATC requested the NRTC in 1999 to develop a proposal for an annual indexation for the charges. The NRTC recommended indexation based on Consumer Price Index (CPI) movements. In February 2001, this recommendation was supported by Zone A ATC Ministers but rejected by Zone B Ministers (WA and NT voting against). As a consequence, the NRTC was asked to develop another proposal for an 'annual adjustment procedure'. The NRTC established an advisory group for this task. According to the Regulatory Impact Statement (RIS) accompanying the Bill,[5] in developing the procedure, the group attempted to meet five objectives:

1. To increase revenue from registration charges so that they reflect increased demands on Government resources

2. To ensure the resulting charges are efficient (match estimated costs of road use) and provide continuity between charging determinations

3. To ensure that the resulting charges are equitable (they are fair and can be justified)

4. To provide a simple, readily understandable and transparent approach to the underlying calculations

5. To minimise hardship on remote areas.

The RIS also noted that:

> objectives 2, 3 and 4 [were intended to] ensure that the approach adopted is consistent with the charging principles set out in the Heavy Vehicles Agreement. Objectives 1 and 5 are additional objectives that were identified by the Advisory Group based upon discussions with Ministers.

The agreed adjustment procedure

The NRTC developed a proposal that was agreed to by the ATC in May 2001. At its heart was the following formula:

% increase in charges =

0.60 x % change in Rural Arterial Road Expenditure +

0.21 x % change in Urban Arterial Road Expenditure +

0.17 x % change in Rural Local Road Expenditure +

0.02 x % change in Urban Local Road Expenditure –

1.5% (Road Use Factor)

As can be seen, the formula gives a very strong weighting (60%) to rural arterial road expenditure as these roads are much more intensively used by heavy vehicles than say urban local roads (2% weighting). Similar weightings were used in calculating the new registration charges in the 2000 update.

The road use factor (RUF) reduces the potential charge increase by 1.5% – if the increase owing to rises in road expenditure would have been 4%, the charge will only increase by 2.5%. The RUF reflects the projected changes over time in the composition of the overall

Australian heavy vehicle fleet and the number of kilometres travelled by those vehicles. Essentially, the trend is the proportion of larger heavy vehicles to smaller heavy vehicles is increasing and that total kilometres travelled by all heavy vehicles is also growing.

Importantly, ATC Ministers also agreed that the annual increase in heavy vehicle charges derived from the above formula would be subject to modification by imposing a 'ceiling' of the underlying CPI.[6] If the indicated increase was greater than the underlying CPI, the increase would be limited to the CPI increase.

According to the RIS, charges were increased in all jurisdictions from October to December 2001 using the above adjustment procedure. It seems that because the Commonwealth was not in a position to amend the *Road Transport Charges (Australian Capital Territory) Act 1993* before the 2001 Federal election, these charges were increased through Commonwealth regulations in October 2001[7] and subsequently implemented in the other jurisdictions by the end of 2001.

Impacts of the adjustment procedure

The application of the adjustment formula for the charges updating in October 2001 produced an increase to registration charges of 5.56%. However, as the underlying CPI for 2000[8] was 3.3%, the increase applying from October 2001 was limited to 3.3%.

The RIS provides some data on the impact of the 3.3% increase introduced in 2001 by providing examples of a truck with a tri-axle trailer carrying a 25 tonne payload and a B-double truck carrying a 42 tonne payload.[9] For the tri-axle trailer, the registration charge increase of $142 represented around 0.04% of the vehicle's total annual operating costs of $321,000. For the B-double, the increased charge of $225 represented around 0.05% of the $479,000 total costs.

Parliamentary oversight

The RIS comments that[10]

> it is intended that the annual adjustment procedure for heavy vehicle charges be an automatic process. However, as road expenditure information used in the application of the formula is not available in advance, it can not be included in legislation ahead of time. This means that the information used to apply the formula will not be considered directly by the Commonwealth Parliament as each adjustment occurs. Nevertheless, there are checks and balances in this process and every effort is being made to make it as transparent as possible.
>
> The NRTC will publish all expenditure data used in the application of the annual adjustment procedure each year. In the first year this will be done by means of a special bulletin, and thereafter in the Commission's Annual Report which is tabled in each Parliament.

The commitment to publish all expenditure data used in the application of the annual adjustment procedure each year is reflected in paragraphs 4 and 5 of the new Part 4 in the Bill.

Main Provisions

Schedule 1

Item 1 inserts **new section 3A**. This provides that the increases in heavy vehicle charges that are to be calculated under new Part 2 of the Schedule to the *Road Transport Charges (Australian Capital Territory) Act 1993* are to apply from 1 July each year, starting from 1 July 2002. It also provides that, as 'soon as practical' the NRTC must 'make available to the public a statement setting out in detail its calculations of the new charge'.

Item 2 amends section 4 of the Act so that heavy vehicle registration charges will no longer be able to be changed by regulation.

Item 3 substitutes a **new Part 2** of the Act's Schedule for the existing Schedule. Part 2 lists heavy vehicle charges for various classes of vehicles. The existing schedule is out of date as it does not reflect the updated charges introduced by the Road Transport Charges (Australian Capital Territory) Amendment Regulations 2001.

Item 4 inserts **new Part 4** into the Schedule. This Part 4 sets out the calculations that will determine each year's new charges under the new automatic annual adjustment procedure.

New paragraph 1 of Part 4 sets out the formula detailed in the background section of this Digest.

New paragraph 2 provides that if the amount of the increases in charges calculated under paragraph 1 is greater than the CPI, the increase will be that of the CPI[11].

New paragraph 3 provides if the amount of the calculation in clause 1 is nil, no increase in charges will occur.

New paragraph 4 provides that the amount of the charge is to be rounded to the nearest dollar. For example, a calculated charge of $500.49 would be amended to $500.

New paragraph 5 deals with how each of the 'adjustment factors' (eg the rural arterial road expenditure adjustment factor) that form part of the clause 1 formula are themselves calculated. The adjustment factors are calculated by measuring expenditure on the relevant type of road over the most recent three financial years (eg FY2001, 2000 and 1999) and comparing it with the expenditure of the three financial years immediately before the most recent year (ie FY 2000, 1999 and 1998). The use of averages over three years rather just one is presumably intended to better represent trends in expenditure and avoid sharp increases or decreases. Expenditure is defined as the amount 'estimated' for the relevant financial year in the annual report of the NRTC that was published most recently before the 1 July in question. Subparagraph 4(a) requires that for the purposes of calculating the adjustment for the first time (ie those charges due to apply from July 2002), the NRTC must publish previous year's expenditure estimates in a specific document which is to be used rather than the 2000-01 annual report.

New paragraph 6 defines how the CPI indexation factor is to be calculated. The key is that it is to be based on the All Groups Consumer Price Index number that is the weighted average of the 8 capital cities and published by the Australian Bureau of Statistics (ABS) each quarter. This is the usual index used for measuring CPI changes. For the purposes of calculating the July 2002 adjustment, **new subparagraph 5** changes the CPI index numbers for the March 2000 and June 2000 quarters down from the headline numbers published by the ABS. The note in the Bill to **new subparagraph 5** states that this is to 'adjust for the special effects of the start of the GST on index numbers'.

Endnotes

1 Background on the National Road Transport Commission's work in relation to heavy vehicle charges and minimising the adverse environmental impacts of road transport is at http://fueltaxinquiry.treasury.gov.au/content/Submissions/Government/downloads/NRTC_238.pdf

2 ATC decisions relating to heavy vehicle charges are currently made on a zonal basis, with Zone A comprising New South Wales, Victoria, Tasmania, the Australian Capital Territory and the Commonwealth and Zone B comprising Queensland, Western Australia, South Australia and the Northern Territory. A majority of Ministers for each zone must vote in favour of a recommendation for it to be approved for that zone, ie at least 3 out of 5 in Zone A, or at least 3 out of 4 in Zone B.

3 See the *Road Transport Charges (Australian Capital Territory) Amendment Act 2000*.

4 Automatic Annual Adjustment Procedure for Heavy Vehicle Charges, *Regulatory Impact Statement*, September 2001, p. 2.

5 Ibid, p. 3.

6 That is, CPI with the GST spike removed.

7 The regulation was made under section 4 of the *Road Transport Charges (Australian Capital Territory) Act 199*3, which provides for a regulation-making power for annual variations of up to 5% in the level of charges.

8 The CPI for the four quarters to December 2000 compared to the four quarters to December 1999, after deducting the effects of the GST spike.

9 RIS, pages 14 and A.1-2.

10 RIS, p. 21.

11 Note that the effect of **new subparagraph 4** of **paragraph 6** is that the CPI cannot be a negative number. Thus charges cannot go down.