



**HEAVY VEHICLE  
INDUSTRY AUSTRALIA**



## **HVIA Submission**

Heavy Vehicle Road  
Reform

**October 2020**

Heavy Vehicle Industry Australia  
Represents and advances the interests of manufacturers  
and suppliers of heavy vehicles and their components,  
equipment and technology.



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## Background

The Department of Infrastructure has published a consultation paper seeking feedback on proposed reforms to the system for charging heavy vehicles for their use of the road network. This document outlines Heavy Vehicle Industry Australia's (HVIA) response to the questions posed in the consultation paper.

HVIA represents and advances the interests of the entire industry involved in the design, manufacture, importation, distribution, modification, sale service and repair of on-road vehicles with a gross vehicle mass or aggregate trailer mass over 3.5 tonnes as well as their components equipment and technology. The industry directly employs over 36,000 people and provides some of the world's most efficient, safe, innovative and technologically advanced vehicles. HVIA seeks to work with government and industry stakeholders to promote an innovative and prosperous industry that supports a safe and productive heavy vehicle fleet operating for the benefit of all Australians.

## HVIA's Response to the Questions

### *Questions*

- 1. What do you see as the pros and cons of establishing service level standards?*
- 2. What are the most important things for the service level standards to capture?*
- 3. What mechanism/s should be established to make sure the service level standards reasonably reflect the views of users, including their willingness to pay? For example, how can a wide range of stakeholders be represented in the process?*
- 4. What mechanisms could be used to review the service level standards periodically? For example, should there be a standing body, or consultation periodically when the service level standards are reviewed.*

HVIA supports the establishment of service level standards for Australian roads and road related infrastructure.

The service level standards and the purpose for the standard need to be clearly articulated in outcome related terminology. So, for example, a standard that specified roadside barriers on curves is clearly aimed at safety and, in particular, at reducing the magnitude of incidents where the driver would otherwise run off the road.

Similarly, a standard related to minimum loading on bridges is related to access and to enabling higher productivity vehicles to traverse bridge infrastructure. Where the standard benefits a particular road user group that should also be articulated in the standard. For example, some standards may be aimed at motorcycle safety and others such as the bridge loading example above may be primarily focussed on providing access for heavy vehicles.

It is important to recognise that road standards and vehicle standards need to work together. To ensure that high productivity vehicles can access the right roads, it is important that the road and the underpinning infrastructure standards are related to the performance based standards (PBS) used for heavy vehicles.

In particular, the standards for the different road levels (e.g. High Volume, National, Arterial, Regional etc) and the PBS level structure should be aligned. It is essential that road and intersection geometry, pavement and bridge standards and standards for roadside infrastructure are aligned with the PBS standards to ensure that the most efficient vehicles that are appropriate to the particular road level can use all roads at that level.

Improving the asset databases held by road managers and improving road asset assessment tools should indicate the compliance levels of different roads and should be used to inform the corresponding standards.

Another important consideration in setting standards should be minimising operating costs. This will also help align expenditure to productivity.

Ensuring that high efficiency vehicles use these road networks optimises the road freight sector's ability to afford to pay for these roads. Aligning expenditure to meeting these gaps means that the productivity benefits from the expenditure will be aligned with the benefits.

HVIA recommends periodic reviews to ensure ongoing accuracy and contends that aligning the reviews of road standards, vehicle standards and road safety strategies is a sensible approach.

#### Questions

5. *Which model for independently determining what expenditure is recoverable from heavy vehicle users would you prefer and why?*
6. *If some or all of the independent determination of what is recoverable from heavy vehicle users will take place at the state level, what checks could be put in place to ensure national consistency of expenditure recovery?*
7. *How important is the independence of the body/ies assessing expenditure?*
8. *What benefits to users do you think particular expenditure review mechanisms might offer compared to the administrative costs associated with that mechanism?*

HVIA is unable to respond directly to these questions because the consultation paper does not provide enough detail on the proposed methodology for allocating costs.

However, HVIA believes there are some basic principles that the methodology needs to consider:

- The expenditure plans that are used as the basis for the calculation of costs need to be transparent, clearly linked to the service standards, and at a sufficient level of detail that they can be critiqued.
- The method for allocating costs also needs to be transparent.
- The cost allocation system needs to recognise that high productivity vehicles such as B doubles and PBS vehicles result in less standard axle loads for the same amount of freight. The cost allocation system needs to recognise this to incentivise the uptake of these more productive (and safer) vehicles.
- Where access restrictions prevent these higher productivity vehicles from accessing particular roads the cost of those roads should be excluded from the cost base for these high productivity vehicles and allocated instead to the vehicles that can access these roads.

#### Questions

9. *How important is the aim of reducing volatility of heavy vehicle charges?*
10. *Does a forward-looking cost base seem to be a better way of assigning charges over time?*
11. *What, if any, additional information would you like to have about the proposed forward-looking cost base?*
12. *How important is the element of independence in assessing expenditure and charge-setting?*

Reducing volatility is helpful but the key issue with respect to charges is predictability. The reason predictability is important is that it allows operators to factor these costs in when bidding for work.

Ministers have been reducing the volatility of the charges by limiting the magnitude of changes on a year by year basis which has been managing the volatility in the previous calculation methodology so changing the cost base is not the only solution to managing volatility.

HVIA is not opposed to the use of a forward-looking cost base but believes the methodology for the allocation of costs to heavy vehicles and the hypothecation and distribution of revenue to road projects are more important considerations.

### Questions

13. *What advantages and disadvantages are there to establishing independent pricing regulation?*
14. *What are the advantages and disadvantages of the independent price regulator functions being held by a separate body to the body/ies with the expenditure review function?*
15. *Are there any other functions or responsibilities the independent price regulator should have under the proposed new system?*
16. *What pricing principles should apply to the independent price regulator/s with the above work?*
17. *Under the proposed new system, should heavy vehicle registration fees be nationally consistent and based on nationally agreed service level standards like the Commonwealth Road User Charge would be?*

In practice, Ministers have the power to override the recommendations of the price regulator. As a result, the theoretical benefits of an independent price regulator are unlikely to be realised in practice.

In HVIA's view the most important issues are transparency and minimising the cost of managing the price regulation process. The transparency of the process should be able to be achieved without needing to establish an independent regulator. Establishing an independent regulator is likely to increase costs which will ultimately be borne by industry or the taxpayer. Therefore, HVIA believes the most effective approach is to use an existing body such as the NTC, to manage the process to minimise costs.

It is important that agreed service standards are consistent nationally. If the pricing system continues to rely on registration fees as a major source of revenue it is desirable that these fees are consistent nationally. If in future the charging method shifts to say Mass/Distance/Location charging this is less important.

### Questions

18. *Do you have any comments about how charges are proposed to be dedicated to road infrastructure?*
19. *What publicly available reporting from either regulatory bodies or states and territory governments would be useful?*

HVIA is generally supportive of the proposed approach to hypothecation. The key to monitoring the expenditures is to have transparent reporting of the extent to which roads comply to the standards that have been established. This enables stakeholders to evaluate whether the expenditure is targeted at the areas of greatest need.

## Conclusion

HVIA is supportive of the review of the heavy vehicle charging system, but is concerned that the existing system effectively penalises the newest, safest, and most productive vehicles. HVIA believes that reforms to the charging methodology need to recognise the lower road damage caused by these vehicles and reflect this in the charges imposed on these vehicles.