

**Pacific National Submission to the  
Department of Infrastructure and  
Regional Development Discussion Paper:  
Independent Price Regulation of Heavy  
Vehicle Charges**

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# 1. Introduction

Pacific National welcomes the opportunity to respond to the Discussion Paper: Independent Price Regulation of Heavy Vehicle Charges (the Discussion Paper) released by the Department of Infrastructure and Regional Development (the Department) in May 2017.

Pacific National is a major freight train operator throughout Australia's mainland states transporting intermodal freight, steel, agricultural products, building products, coal and other mineral products. We support Australia's global competitiveness by offering freight solutions to our customers, delivering supply chain efficiency for some of the country's biggest companies.

Pacific National has been actively involved in the current heavy vehicle road charging debate, in particular as a member of the Freight on Rail Group (FORG) which has been promoting the views of the freight rail industry in this policy debate. Pacific National supports the FORG submission which has been made to the Discussion Paper.

This submission is public.

## 2. Pacific National and the Freight Rail Industry Position

Pacific National is a member of the Freight on Rail Group (FORG), a freight rail advocacy group. FORG has also made a submission to this consultancy process. Pacific National supports this FORG submission.

Pacific National and freight rail industry position on heavy vehicle road user charges is that the different infrastructure pricing frameworks that apply to heavy road vehicles when compared to rail freight has a significant impact on the efficiency of the land freight transport network, and more generally of the broader transport network.

Rail freight operators are directly charged for access to rail infrastructure, with prices typically determined using a building block regulatory model. In contrast, heavy road vehicles are charged for road access by fuel excise and registration charges.

Pacific National believes that to ensure consistency across land transport modes heavy vehicle road user charges should be determined in a manner consistent with the freight rail user charges. That is, heavy vehicle road user charges should be determined using the building block regulatory model, as used for access pricing for other forms of infrastructure in Australia.

Given the importance of a consistent approach to infrastructure access pricing between road and rail, Pacific National believes that it would be appropriate for the same body to regulate this infrastructure pricing. The ACCC currently regulates infrastructure access pricing for freight rail on the interstate standard gauge rail network and Pacific National would support the ACCC regulating heavy vehicle road access prices on roads. A single regulator, such as the ACCC, will promote consistency in economic regulation which will in turn help to promote both improved productivity and competitive neutrality across road and rail freight transport.

### 3. Pacific National Comments on Heavy Vehicle Road Pricing

The Discussion Paper (page 4) makes numerous observations about the heavy vehicle road charging process, including that an independent price regulator would be a fairer and more transparent way to set prices which recover the costs of roads and is “an important element of a better system to set and collect the heavy vehicle user charge”. Pacific National strongly agrees with the need for an independent regulator.

The Discussion Paper (page 5) notes that in the short term, heavy vehicle charges would continue to be collected through the existing mechanisms (the road user charge based on the fuel tax and registration charges) and the new regulator would have responsibility for setting the level of these charges. Pacific National is concerned that this does not address the root cause of the road user charge issue (that these charges are not based on cost). Reform of price setting is needed as well as reform of regulatory administration and Pacific National strongly supports efforts by the Department to progress the broader reform of heavy vehicle road access pricing.

The Discussion Paper raises numerous “Issues for Consideration”. The questions posed in the “Issues for Consideration” section are addressed in the FORG submission. Pacific National supports the positions put forward in the FORG submission.

### 4. Pacific National Comments on the Options for an Independent Price Regulator Raised in the Discussion Paper

The Discussion paper (pages 14-16) proposes several options for the independent price regulator, including the ACCC, the NTC and state based regulators.

Of these three options Pacific National supports the ACCC as the heavy vehicle pricing regulator. This will allow for an independent and nationally consistent approach to land transport infrastructure regulation and draws on the existing ACCC experience in economic regulation. Pacific National believes that the ACCC could quickly acquire specialised expertise in the heavy vehicle and roads sector.

In addition it should be recognised that the ACCC is the statutory authority which enforces the Competition and Consumer Act 2010. This Act provides for third party access to infrastructure and may act as a basis for road pricing regulation reform.

Pacific National has concerns with the NTC as an independent pricing and economic regulator given its limited experience in economic regulation and current involvement in heavy vehicle road pricing.

Pacific National also has concerns with using state based regulators as pricing and economic regulators in relation to heavy vehicle road pricing due to the potential for inconsistency across jurisdictions.

## 5. Conclusion

Pacific National supports the ACCC as the heavy vehicle pricing regulator. This will allow for an independent and nationally consistent approach to land transport infrastructure regulation and draws on the existing ACCC experience in economic regulation.

In order to ensure consistency across land transport modes heavy vehicle road user charges should be determined in a manner consistent with the freight rail user charges. The ACCC currently regulates infrastructure access pricing for freight rail on the interstate rail network and Pacific National would support the ACCC regulating heavy vehicle road access prices on roads.

Pacific National is a member of FORG, a freight rail advocacy group. Pacific National supports the FORG submission to this consultation process, which provides greater context about our position.