

# WOLLONGONG TRANSPORT COALITION

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**Submission - July 2017**

**Department of Infrastructure and Regional Development**

**Re: Independent price regulation of heavy vehicle charges**

The Wollongong Transport Coalition (WTC) appreciates that, after some delay, the reform process has got to the point where an independent price regulator of road user charges for heavy trucks is now being seriously considered. On 5 August 2016, WTC wrote to the Hon Sharon Bird MP requesting that representations be made to the Minister for Infrastructure and Transport, the Hon Paul Fletcher MP, for the following:

The Wollongong Transport Coalition (WTC) was formed by local people in 1993 to respond to the then proposed expansion of the Port Kembla Coal Terminal (PKCT). WTC was reactivated in 2008 in the light of a PKCT proposal to put ever more coal trucks on the Mt Ousley road on top of car carriers, grain, quarry products and general freight.

WTC appreciates that trucks do have an important role in our economy. However, their operation imposes considerable road safety risk, and external costs including air pollution and noise that are usually more severe than moving certain freight by rail, conveyor, pipelines or sea.

The sheer number of **"heavy loads on roads"** in Australia in our view reflects massive 'highway subsidisation' with low road user charges for heavy trucks and billions being spent on sections of highways and long standing rail limitations. This includes rail congestion in Sydney, the lack of the 35 kilometre Maldon Dombarton rail link, and a substandard east coast interstate track with its severe speed-weight limitations and no double stacking of containers in the three most populous states except for West of Parkes. In addition, the City of Wollongong, with over five million tonnes each year of road hauled coal plus other trucks (car imports, grain, quarry products etc.) on the Mt Ousley Highway has too many trucks.

Incredibly, aggregate revenue from truck registration fees and road user charges set in 2016-17 at a modest 25.9 cents per litre has been frozen until 2018 by Transport Ministers. This low road user charge for trucks is appreciably less than the mid 2016 (now indexed) 39.5 cents per litre excise on petrol and diesel for cars.

Although WTC supports twice annual indexation of petrol excise, why is the charge for petrol going up whilst truck user charges are frozen?

In addition, the National Transport Commission (NTC) issued, a few months ago, a paper on road user charges complete with nine options looking at pay as you go (PAYGO) methodology. This paper does not even raise the option of mass distance charges. despite Infrastructure Australia calling for a user-pays approach that includes the introduction of direct heavy vehicle charging to provide greater fairness in the way Australia pays for its roads

New Zealand has had mass distance charges for heavy trucks since 1978. Currently, a heavy semitrailer with six axles pays 56 cents NZ (52 Aust) per kilometre. In Australia, the same truck hauling 100,000 km a year or more pays registration and fuel road user charges that works out to less than 17 cents per kilometre.

The difference between the two levels of charges for the road haulage of coal to Port Kembla could be calculated,; it amounts to millions of dollars each year.

It is noted that the NTC paper on road user charges is separate from the work being undertaken in parallel by the Heavy Vehicle Road Reform group. However, it is now over ten years ago that the Australian Government Productivity Commission issued a report in 2006 on road and rail access pricing that found the NTC charges to be "conservative" and in which they made recommendations that CoAG take up road pricing.

In 2010, the Henry Tax Review made several pertinent recommendations for road pricing reform. These included one that CoAG ***"should accelerate the development of mass-distance-location pricing for heavy vehicles..."***

WTC also asked for advice as to the following questions.

- A. Why are truck road user charges being frozen when fuel excise for motorists is going up?
- B. Why could the National Transport Commission issue a detailed paper on options for road user charges without mention of mass distance charges?
- C. Can an assurance be given that any further relaxation of mass and distance limits for trucks will require such trucks to have mass distance charges?

The advice by way of a letter and a report received from Minister Fletcher is appreciated. However, it did not address question C as above. WTC now requests that **a direction be given to the NTC that there is to be a freeze on the present mass and**

**dimension limits of trucks until the road freight industry is prepared to accept mass distance pricing for heavier and larger trucks.**

In addition, WTC submits that the NTC and the current process over the years since the 1990s has demonstrated that present arrangements are not up to the reform task urgently needed. As well, the model in use by the NTC allocating about \$3 billion in road costs which is about 12.5 % of all outlays by government on roads clearly does not allocate enough road costs to the heavy trucks.

WTC also submits that a forward-looking (lifecycle) cost base (FLCB) for heavy vehicle charges is long overdue. The current PAYGO system is not serving Australia well.

**More on road freight in and around Wollongong**

Wollongong's main roads to Port Kembla have no shortage of coal trucks, ten million tonnes per annum (mtpa) is transported to the Coal Terminal ; prior to 2015, when the consented limit was doubled, it was five mtpa. Additional coal is transported to the steel works. Since 2008 car carrying trucks have emerged on the roads, and approval in 2011 to expand Port Kembla Outer Harbour has resulted in more big trucks. The NSW Planning and Assessment Commission in December approved an application in 2011 to lift road haulage of grain to Port Kembla from 200,000 to 500,000 tonnes per annum.

On top of the coal and the grain along with general freight and car imports, there are now extra quarry products on Mt Ousley and other roads (Hanson's Bass Point Quarry and Boral's Dunmore Quarry).

No other city in Australia is subject to this imposition of bulk haulage by road with its increased road crash risk, noise and air pollution, plus road congestion. To add insult to injury, the operations of the heavier trucks are arguably subsidized.

A 1992 Report of a Wollongong City Council Coal Transportation Task Force noted, inter alia, that the NSW Roads and Traffic Authority had then suggested that an average external cost of pavement wear and tear due to bulk haulage was 3 cents per net tonne kilometre. This estimate is in part supported by the NSW Independent Pricing and Regulatory Tribunal of New South Wales in its 2012 Review of Access Pricing for the NSW Grain Line Network which noted (page 31 and 32) external costs from articulated trucks in urban areas of 3.88 cents per net tonne kilometre.

Road freight is not only more dangerous than rail freight, but uses more energy as well, with more emissions. When accidents occur, road congestion results. By way of example, on Friday 30 March 2012, a grain truck, with dog trailer, overturned on Mt Ousley

south of the Mt Pleasant overpass. This blocked Mt Ousley road for more than ten hours, with traffic congestion on Bulli Pass extending as far back as Waterfall (see Illawarra Mercury for 31 March 2012).

Three recent incidents include:

A. 14 November 2016 M1 Princes Motorway closed after an accident involving two trucks . Both lanes of Mt Ousley road were closed for hours, requiring diversions via Bulli Pass Road.

B. 23 Jan 2017 M1 Princes Motorway closed Southbound after truck rollover New Mount Pleasant Road overpass at about 8.30am. Motorists travelling South were advised to avoid the area and to divert via Bulli Pass whilst heavy vehicles were being diverted via Picton Road, then the Hume Motorway.

C. 3 April 2017 Truck, car crash on M1 at Mount Ousley. This resulted in lane closures.

More information of each of the three road crashes, which occurred within six months, and the subsequent disruption for some hours, with photographs, is given at each of the following three links.

<http://www.illawarramercury.com.au/story/4418959/mount-ousley-road-closed-after-truck-rollover/>

<http://www.illawarramercury.com.au/story/4290441/truck-accident-causes-traffic-havoc-on-mt-ousley-road/>

<http://www.illawarramercury.com.au/story/4572337/truck-car-crash-on-m1-at-mount-ousley/>

With the increased numbers of heavy trucks including grain and quarry products since 2009, grade separation with an overbridge of the busy intersection at the foot of Mt Ousley is now overdue. The intersection was the scene of a fatal accident a few years ago. This project could tie in with a new road, cycle and pedestrian access to the fast growing main campus of the University of Wollongong.

Yet, despite the increase in heavy and light traffic on Mt Ousley in recent years, construction of this project is still to start. The NSW Government has allocated this financial year just \$300,000 or so for planning; and it appears to be way behind the Albion Park Bypass. WTC contends that if full user pays charges were levied for heavy trucks using the Mt Ousley road, the grade separation would have been completed years ago.

In addition, more funds are needed to ensure compliance with noise regulations for heavy trucks. The 2013 NSW Freight and Ports Strategy included the Action 3B "Manage congestion, noise and emission impacts of freight transport "

This statement overlooks the fact that truck noise close to the Mt Ousley road and F6, like the numbers of trucks on these roads, is increasing. Our requests to a local State MP for the authorities to install more noise monitors; one on the northbound lanes of Mt Ousley (for vehicles climbing Mt Ousley), and, on the F6 at Gwynneville, to record traffic and truck noise, for trucks moving in each direction, have been to date denied.

In addition, resources are needed to implement the current 2006-2031 Illawarra Regional Strategy of the NSW Department of Planning goal that states: *"It is important that the Region's transport networks support economic growth and maximise the efficiency of freight transport. In particular, what is required are strategic transport corridors to support development of the port of Port Kembla, **increase the proportion of freight transported by rail**, efficiently link regional centres and towns, and support public transport."*

### **Size of trucks on Mt Ousley Road**

For many years, coal was moved to the Port Kembla steel works from mines West of the Wollongong Escarpment by truck to a conveyor called O'Briens Drift at the top of the Escarpment to a rail loading facility near the village of Mt Kembla followed by rail transport to the steel works. However, as trucks got larger, with hidden subsidies to the operation, this conveyor/rail facility was closed. Today, car drivers on Mt Ousley have to share the road with Giant A-Double trucks that are now moving some of this coal with 11 or so axles, and a maximum weight of 72 tonnes. See <https://www.fullyloaded.com.au/industry-news/1401/scott-corp-in-talks-with-rms-over-illawarra-trailers>

Coal truck operators are seeking even heavier trucks, claiming that sub-optimal loading is costing them about \$3 million per year. A good question to consider is: how much would the road wear and tear increase each year if the heavier mass was approved by the Roads and Maritime Services (RMS)?

Another question to ask is: what are the present hidden subsidies to coal trucking? A Wollongong City Council Coal Task Force calculated, based on data from the Roads and Traffic Authority (now Roads and Maritime Services) that there was three cents per tonne kilometre in unrecovered road system costs.

With 85 % CPI applied, this is now 5.55 cents per net tonne km. So for each million tonnes hauled, the 40 or so km from near Appin to Port Kembla, has a hidden subsidy of \$2.2 million for each million tonnes of road hauled coal. So, for 5 million tonnes per annum, this is \$11m per annum.

## **Rural road freight**

With the closure of some branch railway lines (which may not have happened with more rational road pricing), Local Government has to assume a heavy burden to maintain roads. A case in point was the approval in 2011 follows concerning the transport of more grain by road to Port Kembla. This affected not only Wollongong road users and residents, but road users in other parts of the State also. Low road pricing for heavy trucks is a factor in putting 'more loads on roads'. The following Article from The Land of 11 Aug, 2011 adds to the discussion:

### **Call this a rail system? - 'Third world' branch lines driving freight onto roads**

LACK of certainty about the future of grain rail branch lines in NSW and on access regimes is stopping investment in rolling stock and infrastructure, according to GrainCorp's chief development officer, Neil Johns.

Mr Johns said NSW had a "third world" branch line system "below and above rail".

He was speaking in Sydney last Friday at a round table conference held by the Independent Pricing and Regulatory Tribunal (IPART) as part of its review of access pricing on the NSW grain rail network.

Mr Johns said the poor state of lines meant slow train speeds and low axle loads, with the result GrainCorp was still using "40-year-old wagons and 50-year-old locomotives".

"We would invest more if we got more certainty. Road always knows there's going to be a road – we don't know if there's going to be rail".

IPART gathered industry players who had made submissions to its review to tease out more details of their arguments, and also invited comment from the small audience.

Participants included GrainCorp, Asciano, the NSW Farmers Association, GrainGrowers, the Manildra Group, the Australian Trucking Association (ATA), the NSW Department of Transport and the Country Rail Infrastructure Authority.

Key issues were whether the industry was prepared to help cover the costs of rail line maintenance and upgrades, and at what point increased rail charges would cause a major shift to road transport.

IPART has noted most of the submissions had strongly supported use of rail over road.

But the debate is taking place against the background of a huge 2010-11 grain harvest in NSW and a rail system geared for only an average harvest, and GrainCorp representatives told the conference the trend to road was already happening.

Mr Johns said GrainCorp had this year applied to lift its longstanding limit on 200,000 tonnes of grain deliveries by road to its Port Kembla shipping terminal. "We have never used it in the past but this year we will beat it," he said.

GrainCorp's corporate affairs manager, David Ginns, said historically only one or two per cent of grain deliveries to Port Kembla had been made by road. "So far this year it is about 12pc."

IPART's discussion paper for the round table suggested if there were real benefits from upgrading certain lines, as recommended in the Federal Government's 2009 NSW Grain Freight Review, there should be some willingness on the part of the beneficiaries to co-fund the upgrade.

But IPART chairman, Jim Cox, made it clear at the round table that the tribunal was not seeking full cost recovery for rail access fees.

GrainCorp, in its submission, argued more revenue would be generated by improving the lines and encouraging greater volumes of grain than by lifting access charges.

The NSW Farmers Association estimated farmers along "dilapidated" branch lines faced a price penalty of \$8/t because of lack of competition from buyers.

Cropping policy analyst for the association, Ben Mason, told the round table the figure was partly based on anecdotal evidence and partly on a study by Coonamble Shire in relation to the Coonamble-Mogriguy line.

ATA's submission attacked GrainCorp claims that road trucks attracted "significant hidden subsidies" and said the impact of trucks on roads was recovered through registration and fuel charges.

At the round table, ATA's national policy manager, David Coonan, said, "I am getting tired of the idea we should put road prices up to benefit rail".

He said, however, rail and road were "complementary" and he supported the view that local government's concerns about road damage from heavy trucks "could be better catered for".

ATA manager for NSW, Jill Lewis, later commented; "if local government doesn't want our trucks, then we have a bigger problem – how are we going to move our freight"?

#### **At Junee \$150,000 doesn't go very far**

IN JUST the past two months Junee Shire has spent \$150,000 of a NSW Government block grant of \$350,000 repairing truck damage on 15 kilometres of a 50km length of roadway, according to its manager of engineering services, Col Macauley.

He said the road had been damaged by a surge in the number of heavy trucks carting grain since the last harvest.

Mr Macauley spoke up from the audience in Sydney last Friday at a round table held by the Independent Pricing and Regulatory Tribunal as part of its review of access pricing for the NSW grain rail lines network.

He said the 15km section of road ran parallel to the Junee-Griffith branch line but GrainCorp had told him trucks were being used to cart export grain because of a lack of rolling stock and locomotives.

“When the \$350,000 runs out and we’ve spent that much on 15km, what the hell do we maintain the other 35km with?”

Mr Macauley said the branch lines had to be maintained “at all costs”.

The shire could not afford to wear the cost of any more damage to the road. “It should be trains but instead we have 100 truck movements a day at all hours of the day and night”.

Mr Macauley said he was part of the third generation of a grain growing family in Junee which delivered as much as possible to its local silos and also stored 2000 to 3000 tonnes on farm.

Last harvest it had sent grain by road either to the Junee or Temora sub-terminals at a cost of about \$14/t, or 40 cents a tonne per kilometre.

He said the “huge” demand for trucks at that time meant trucking companies were able to charge high rates. He warned as long as the branch line was not as efficient as it could be, a decision to bypass rail and send it by road.

### **Triples on the Hume Highway?**

Proposals to allow B-Triples access to the Hume Highway are long standing.

When introduced in NSW in the late 1980’s, B-Doubles were supposed to be much safer than semitrailers, and be professionally driven. However, a [fatal road crash involving a B-Double and a car](#) in early 2012 on the Hume Highway on or near the Menangle River Bridge led to examination of the B-Double and its speed limiting equipment and found reported tampering of this equipment.

Before any further consideration is given to B-Triples on the Hume Highway, there should be an acknowledgement by the Australian and NSW Governments that more measures need to be put in place to improve the safety of B-Doubles operating on the Hume Highway. These could include:

- i. An absolute speed limit of 100 km/h for B-Doubles (the current limit is too often exceeded).
- ii. Keeping to the left lane, except in the case that there are three lanes in one direction. (in other words, keep out of the centre lane). In some cases, where hills



are to be climbed, there is a case for extra lanes to allow slow moving trucks, faster moving trucks and cars.

- iii. More effective use of Saf-T-Cam.
- iv. Reforms such as advocated by Mr Lindsay Fox AC and others to have better control of driving hours. Mr Fox called for Locked Black Box truck monitoring, with a suggestion that State and Federal Governments are asleep at the wheel. See Channel 9, A Current Affair It's the crusade to stop the carnage on Aussie roads 26 November 2012: <http://video.au.msn.com/watch/video/truck-kings-crusade/xihx7cp?cpkey=ba2d5955-f041-4b2f-8497-c1807f205be4%7c%7c%7c%7c>

### **More quarry trucks on the Hume Highway**

For some years, Gunlake Quarries Pty Ltd, at Brayton Road, Marulan have operated a quarry and consigned by road up to 750,000 tonnes each year of quarry products to Sydney. This company then applied for consent to consign two million tonnes a year by road.

The matter was referred to the NSW Planning and Assessment Commission and then to the Land and Environment Court firstly via a Section 34 Conciliation Meeting on the 14 June 2017 in Gunlake Quarry. An agreement was filed on 30 June 2017 giving a conditional consent; which in part noted "The Applicant must pay to Council an annual financial contribution toward the maintenance of Council-owned roads along its primary and secondary transport routes. The contribution must be determined in accordance with the *Goulburn Mulwaree s94 Development Contributions Plan 2009*, or any subsequent relevant contributions plan adopted by Council."

Marulan is some 190 km from Sydney. Assume that the above cited 5.55 cents per net tonne kilometre of unrecovered road costs was applied to haulage on the Hume Highway, for each tonne of quarry product, this is about \$10.50 per tonne. Which, if collected, could well result in these quarry products going by rail.

This is the case with nearby quarries such as Boral's Peppertree Quarry at Marulan where up to 3.5 million tonnes of aggregate per year is produced and transported by rail to terminals at Maldon, St Peters and Enmore, from which they are distributed to customers via road.

### **Response to questions in the current discussion paper**

Q.1 Do you have any comments, concerns or observations in relation to the transition from the current process to independent price regulation?

WTC submits that it should be moved away from the NTC as soon as possible.

Q.3 In the short term, while the price regulator would only be regulating prices for heavy vehicle charges, could user concerns be adequately addressed through regulatory rules or is an appeal process needed?

An appeal process would be a recipe for further delays. Past history shows the road freight industry repeatedly over the years resorting to litigation, including to the High Court, to lower its road user charges.

Q.5 What do you consider more important for establishing an independent price regulator for heavy vehicle charges, organisational capacity in economic regulation or industry specific expertise?

It needs to be at arms length from the road freight industry (the NTC is clearly not) but it does need engineering and economic expertise.

Q.9 Is a model law the best approach for bringing governments under the same regulatory model.

How about simply the Federal government refusing road funding to any State or Territory that is too slow to reform.

Of the three options, the WTC preferred option by far is that of:

Option 1: The Australian Competition and Consumer Commission (ACCC) would undertake independent price regulation of heavy vehicle charges.

## **Conclusion**

The Wollongong Transport Coalition would like to see the road pricing reform process accelerated, with mass distance location pricing for the larger trucks. We would like to see more of the nation's freight task being taken up by rail and sea, or pipelines and conveyors where appropriate as opposed to more 'loads on roads'. We also call for better regulation of road freight, construction of grade separation of the intersection at the foot of the Mt Ousley road and completion of the Maldon Dombarton rail link. In the meantime, a freeze should be placed on the present mass and dimension limits of trucks until the road freight industry is prepared to accept mass distance pricing for heavier and larger trucks.

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