PRE-BUDGET SUBMISSION

JANUARY 2009

AUSTRALIAN TRUCKING ASSOCIATION

Minter Ellison Building, 25 National Circuit, Forrest ACT 2603
P 02 6253 6900 **F** 02 6253 6999 **E** ata@atatruck.net.au **W** www.atatruck.net.au

Contents

1 Summary of recommendations

Recommendation 1

The Government should retain the fuel tax credit system in the 2009-10 Budget.

Recommendation 2

The Government should allocate additional funding for road maintenance in 2009-10, to be allocated to the AusLink National Network and local roads in regional Australia.

Recommendation 3

The Government should allocate additional funding in 2009-10 to plan the new projects that will now be able to be funded in the later years of the Building Australia program.

Recommendation 4

The Government should require the states and territories to open suitable highways to high productivity vehicles as a condition of receiving funding under the Building Australia program.

Recommendation 5

All road projects funded in the 2009-10 Budget and beyond should be designed from the outset to include heavy vehicle rest areas in line with the national guidelines.

Recommendation 6

The Government should require the states and territories to follow best practice cost estimation and contract management processes on the brought forward projects, including the use of alliance tendering arrangements where appropriate, to minimise any unexpected increases in the cost of the projects.

Recommendation 7

The 10 per cent investment allowance should be available for new tangible depreciating assets that cost more than $10,000 and are acquired, held under contract, or constructed between 12 December 2008 and 30 June 2010.

2 Introduction

On 24 November 2008, the Treasurer invited Australian families, business and community groups to submit their ideas for the 2009-10 Budget. This submission sets out the views of the Australian Trucking Association, which is the peak body that represents the trucking industry.

3 About the Australian Trucking Association

The ATA was originally established in 1989 as the Road Transport Forum and is the peak national body uniting and representing the interests of the Australian trucking industry.

Membership of the ATA's General Council comprises the peak state and sector based trucking associations, the Transport Workers' Union, some of the nation's largest transport enterprises and elected representatives of small fleet owners and owner drivers.

The ATA is an association member of the Australian Industry Greenhouse Network (AIGN) and contributes to the collaborative development of industry positions on climate change policy.

4 The role of the trucking industry

Road transport is the dominant freight transport mode in Australia. The industry transports about 75 per cent of Australia's domestic freight, and the modal share of road freight is forecast to increase over the years to 2020.[1]

Trucking is essential for delivering freight in urban areas. Competition between road and rail is confined to the intercapital freight corridors and only represents 10-15 per cent of the total freight task.

Notwithstanding the presence of a marginal element of modal competition, trucking freight services will remain integral to production and distribution networks because competitively neutral road infrastructure provision provides the greatest degree of streamlined connectivity to Australian industry and Australia's dispersed communities.

The hire and reward sector of the trucking industry comprises around 50,000 individual operators and has a 16-firm turnover concentration ratio of less than one-quarter

This fiercely competitive market structure ensures that the industries and communities who depend on the trucking industry immediately benefit from any reduction to the industry's costs or any increase in its productivity.

5 Key issues for the 2009-10 Budget

The Australian Government will frame the 2009-10 Budget at a time of world economic recession, slowing growth, and a declining demand for the commodities that sustained the Australian economy through its long period of expansion.

[1] Department of Infrastructure, Transport, Regional Development and Local Government. *A National Framework for Regulation, Registration and Licensing of Heavy Vehicles: Consultation Regulatory Impact Statement*. December 2008. Page 10.

The ATA believes the Government should focus its discretionary fiscal policy on infrastructure and human capital investments such as training rather than repeating the consumption measures in its Economic Security Strategy.

The ATA would like to draw three specific budgetary issues to the Government's attention.

5.1 Fuel tax credits

As with all fuel consumers, including private motorists and other business users, trucking companies pay an embedded excise tax of 38.143 cents on every litre of diesel or petrol purchased.

In order to mitigate the costly imposition to the Australian economy of indirect taxes levied on intermediate inputs to business, the *Fuel Tax Act 2006* provides a scheme – fuel tax credits – designed to allow businesses to recover the excise tax paid on diesel and petrol that has been consumed for the purposes of carrying on the activities of the business.

In order to recover government expenditures on public road construction and maintenance from the trucking industry, the road user charge reduces the amount of excise tax businesses are able to recover on fuels consumed in heavy vehicles for travelling on a public road.

The road user charge is currently set at 21 cents per litre.

The effect of the road user charge is to reduce the eligible fuel tax credits claim of 38.143 cents per litre to 17.143 cents per litre for fuels consumed in on-road activities by heavy vehicles, thereby reducing the effective rate of tax on the trucking industry to a level that internalises the costs of road infrastructure provision and maintenance.

Trucking companies price freight services with regard to the net price of fuel, thereby ensuring pass through of the on-road fuel tax credit to downstream industries and removal of the costly imposition to the Australian economy of an excise tax on intermediate transport services.

The *Fuel Tax Act*, as amended by the *Road Charges Legislation Repeal and Amendment Act 2008,* prescribes a consultation process for the Government to follow if it wishes to increase the road user charge (and therefore decrease the fuel tax credit). The Act also prescribes that the charge can only be increased once in a financial year.

The ATA's expectation is that the Government will propose an increase in the road user charge in 2009-10.

Recommendation 1

The Government should retain the fuel tax credit system in the 2009-10 Budget.

5.2 Road infrastructure funding

In its Nation Building package, the Government announced it will bring forward $711 million in funding to 2008-09 and 2009-10 to accelerate the construction of 14 major road projects under the Building Australia program (the new name for AusLink 2). The Government also announced it will spend an additional $60 million on the Black Spot program in 2008-09.

The ATA has welcomed the Government's plan to bring forward the projects. They have the potential to reduce the industry's costs and deliver results across the whole economy.

For example, the projects include the Woomargama and Tarcutta bypasses on the Hume Highway, which will now be completed by late 2011. Once these bypasses are finished, it will be possible to open the Hume Highway to B-triples, because the only two-lane section of the highway that would remain between Sydney and Melbourne, through Holbrook, is straight and is suitable for B-triple operations. The bypass of Holbrook is in any case due to be finished by 2012.

The ATA has also welcomed the Government's decision to inject an extra $1.2 billion into the Australian Rail Track Corporation without reducing its spending on roads. The ATA urges the Government to make any further investments in rail, including urban rail, by increasing the size of the Building Australia program rather than diverting funding from roads.

5.2.1 Boosting road infrastructure funding through maintenance and planning

The Government's decision to bring forward $711 million in major road projects means there is now limited scope for new road investment in the short term. It takes years to bring a major project to the stage where construction work can start and the construction expenditure on the project delivers its macroeconomic boost to the economy.

Attempting to bring forward more major projects into 2009-10 in an effort to stimulate the economy further could simply result in cost blowouts or the delivery of poorly planned infrastructure. Section 5.2.4 of this submission sets out the ATA's concerns about cost blowouts on the accelerated projects under the Nation Building package in more detail.

In the ATA's view, the Government should focus any additional road spending in the 2009-10 Budget on boosting maintenance and on planning projects to fill in the gaps left by the brought forward projects in the later years of the Building Australia program.

There is no doubt that Australia's major highways need more spending on maintenance and asset preservation. Under AusLink, the previous Government allocated $300 million per year to maintenance spending, but this figure was inadequate from the start and was not indexed to the rapidly rising cost of road construction and maintenance inputs.

The effects of the growing maintenance backlog are now being felt across the highway system. For example, the pavement on 25 per cent of the AusLink Network in Queensland is now more than 30 years old.[2] The pavement was designed to have a 20 year life, and now needs to be replaced and strengthened. The road networks in the other states all have similar problems.

In addition, there is still a substantial maintenance backlog on local roads in regional areas, despite the Roads to Recovery Program. In fact, some regional councils are planning on downgrading bitumen roads to gravel roads, and downgrading less-used gravel roads to naturally formed roads.

The ATA considers that an additional investment in road maintenance in 2009-10 would be a valuable contribution to the Government's efforts to stimulate the economy, as well as delivering long-term benefits to road users.

[2] Queensland Government, *Queensland AusLink Network Forward Strategy, 2009-10 to 2013-14*.

Recommendation 2

The Government should allocate additional funding for road maintenance in 2009-10, to be allocated to the AusLink National Network and local roads in regional Australia.

Recommendation 3

The Government should allocate additional funding in 2009-10 to plan the new projects that will now be able to be funded in the later years of the Building Australia program.

5.2.2 Achieving productivity gains through regulatory reform

The road projects under the Building Australia program will deliver the greatest results for the economy if they are accompanied by regulatory reforms to enable the trucking industry to use high productivity vehicles.

The use of high productivity vehicles has the potential to lead to significant productivity and environmental gains. For example:

- B-triples deliver a 35 per cent productivity improvement compared to B-doubles for cubic freight and a 25 per cent improvement for heavy freight;

- Two B-triples can do the work of three B-doubles or five semi-trailers;

- Operators need fewer trucks to do the same job, which means that less fuel is burned. In fact, using B-triples could save a national linehaul truck operator with 60 B-doubles and semitrailers more than two million litres of diesel a year, and reduce its direct greenhouse gas emissions by more than 5,900 tonnes of CO_2 equivalent per year.

The ATA urges the Government to require the states and territories to open suitable highways to high productivity vehicles as a condition of receiving funding under the Building Australia program.

In particular, the ATA considers the Government should seek to:

- Expand the B-triple network to link Australia's capital cities, with the following initial priorities:

  - Melbourne to Adelaide via the Great Western and Dukes highways;
  - Melbourne to Brisbane via the Newell Highway;
  - Melbourne to Sydney via the Hume Highway, including the Barton and Federal Highway links to Canberra; and
  - Sydney to Adelaide via the Sturt and Hume highways;
  - Filling in the missing links on the existing network, particularly the connection from Adelaide to Broken Hill.

  B-triples should not need to be assessed individually under Performance Based Standards (PBS) even if they are different to the NTC's blueprint specifications, because the concept of B-triples as a modular combination has already been independently assessed against the PBS.

- Expand the Higher Mass Limits (HML) network and allow high productivity vehicles and HML trucks to operate without enrolling in the Intelligent Access Program;

- Increase road network access, moving to general access, for quad-axle groups at 27 tonnes in 19 metre semi-trailer combinations; and

- Establish an effective and administratively streamlined PBS system that institutes a single national decision-making body.

Recommendation 4

The Government should require the states and territories to open suitable highways to high productivity vehicles as a condition of receiving funding under the Building Australia program.

5.2.3 Delivering safety outcomes by building more rest areas

Driver fatigue is recognised as a major cause of heavy vehicle accidents. In 2006, the NTC estimated that heavy vehicle driver fatigue could have been the cause of 33 fatal crashes, 156 serious crashes and a further 3,214 minor crashes in the base year for its analysis, 1996.[3] The provision of additional heavy vehicle rest areas is one of the keys to addressing heaving vehicle driver fatigue.

The NTC has released National Guidelines for the Provision of Rest Areas to set out the best means of providing additional rest areas. The guidelines are summarised in the table below.

Summary of the national heavy vehicle rest area guidelines

Type of rest area	Maximum interval	Capacity	Amenities
Major	100km	20 vehicles	· all weather pavement with sealed access and egress; · shade; · rubbish bins; · separate parking for heavy and light vehicles where possible; · sheltered areas; · tables and/or benches; and · toilets and drinking water, where justified.
Minor	50km	10 vehicles	
Truck parking bay	30km	4 to 5 vehicles	- all weather pavement; - rubbish bins; and - shade.

Source: National Transport Commission, *National Guidelines for the Provision of Rest Area Facilities: Final Report*.

The guidelines recommend that rest areas and parking bays should be provided on both carriageways of divided highways, and on both sides of major undivided highways to eliminate the need for heavy vehicles to turn across oncoming traffic.

A recent audit of Australia's heavy vehicle rest areas found that none of the audited routes fully met the spacing recommendations of the national guidelines, with 60 per cent of the audited routes demonstrating substantial deficiencies in the frequency or provision of rest opportunities. Major rest

[3] National Transport Commission. *Heavy Vehicle Driver Fatigue: Final Regulatory Impact Statement*, p6.

areas were under-provided in all jurisdictions, with the exception of Victoria. There were notable deficiencies in Queensland and the Northern Territory.

The Australian Government has committed $70 million over four years to its Heavy Vehicle Safety and Productivity Program, which will enable it to make a start on building more rest areas, and it is now time for all the state governments to match the Australian Government's commitment.

However, the best and cheapest way to build rest areas is to plan and construct them as an integral part of new road infrastructure.

Recommendation 5

All road projects funded in the 2009-10 Budget and beyond should be designed from the outset to include heavy vehicle rest areas in line with the national guidelines.

5.2.4 Controlling costs on brought-forward projects

The Government's decision to bring forward funding to accelerate major road projects is not without its risks. The bring forward will require state road construction agencies to shift their priorities, halt work on other projects, and urgently press ahead with design and construction work.

As a result, there is a strong likelihood that the cost of these projects will blow out. The trucking industry has a direct interest in ensuring that these cost blowouts are prevented or minimised. The industry's road user charge is based on governments' expenditure on road construction and maintenance, so every trucking operator pays for deficiencies in project management.

Recommendation 6

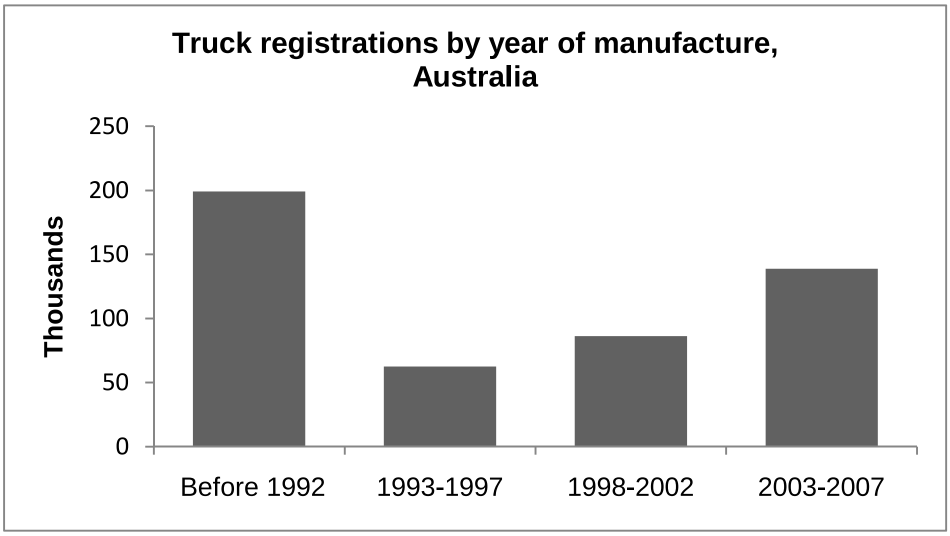
The Government should require the states and territories to follow best practice cost estimation and contract management processes on the brought forward projects, including the use of alliance tendering arrangements where appropriate, to minimise any unexpected increases in the cost of the projects.

5.3 Extending the 10 per cent investment allowance

In its Nation Building package, the Government announced a 10 per cent investment allowance to encourage businesses to undertake capital investment. The investment allowance is available to businesses that acquire new tangible depreciating assets that cost more than $10,000. The assets must be acquired, held under a contract, or constructed between 12 December 2008 and 30 June 2009, and need to be installed and ready for use by June 2010.

There are just under 487,000 trucks registered in Australia. As the chart shows, almost 200,000 were registered before 1992.[4] Although these vehicles must be well-maintained to be eligible for fuel tax credits, there is no doubt that more recent equipment is generally more fuel efficient.

[4] Australian Bureau of Statistics. *Motor Vehicle Census, 31 March 2008*. ABS Cat 9309.0, released 14 January 2009.



Trucking companies are already considering the investments they will need to make to deal with the introduction of the Carbon Pollution Reduction Scheme and the permanently higher fuel prices it will create.

However, it will be a major task for the industry to upgrade its equipment and incentives will be required in the current economic environment to help operators make the investments. For that reason, and to continue supporting productive investment across the economy, the ATA believes the 10 per cent investment allowance should be extended for a year, so it is available on all tangible depreciating assets purchased before June 2010.

Recommendation 7

The 10 per cent investment allowance should be available for new tangible depreciating assets that cost more than $10,000 and are acquired, held under contract, or constructed between 12 December 2008 and 30 June 2010.