

**VEHICLE AND TRAFFIC AMENDMENT (HEAVY VEHICLE CHARGES)
BILL 2008 (No.**

Second Reading

I move –

That the bill be now read the second time.

This bill amends the Vehicle and Traffic Act 1999. The primary purpose of the bill is to implement new uniform national heavy vehicle registration charges in accordance with the National Transport Commission's 2007 Heavy Vehicle Charges Determination. This is consistent with the State's obligations under the Inter-Governmental Agreement for Regulatory and Operational Reform in Road, Rail and Intermodal Transport.

Heavy vehicles are defined as those weighing 4.5 tonnes or more. The current national heavy vehicle charging system comprises –

- a fuel charge levied by the Australian Government through diesel excise; and
- annual registration charges which vary by vehicle category and which are levied by State and Territory governments and in some cases for interstate transport, by the Commonwealth under the Interstate Road Transport Charge Act 1985.

The combination of the fuel charge and annual registration charges are set so that, on average, each class of heavy vehicle pays its share of allocated road expenditure.

The 2007 Determination sets new uniform national heavy vehicle registration charges that are to apply to heavy vehicles from 1 July 2008 and the diesel excise charge that is to apply from 1 January 2009.

This bill contains the annual vehicle registration charges applicable to heavy vehicles, including trucks and prime movers with specified axle configurations, load carrying trailers, buses and special-purpose vehicles. The new registration charges will replace those that are currently in the Vehicle and Traffic Act 1999.

Since the Second Determination in 2000, road expenditure by all levels of government has increased by approximately 36 per cent. As a result, current heavy vehicle charges now underrecover their attributable overall costs by approximately \$168 million nationally per annum.

In October 2006 the National Transport Commission was directed by the Australian Transport Council to develop a new heavy vehicle charges determination. Subsequent to this direction, the Productivity Commission released the final report on Road and Rail Freight Infrastructure Pricing, in which specific recommendations were made as to the appropriate basis on which the new 2007 Determination should be made. These recommendations included the partial recovery of heavy vehicle enforcement costs and the principle of no cross subsidization between heavy vehicle classes.

Following an extensive national public consultation process, the NTC issued a final regulatory impact statement on the recommended option in December 2007. Transport ministers approved the 2007 Determination at the Australian Transport Council meeting on 29 February 2008.

The most significant result of the increase in the cost base, the changes in the heavy vehicle fleet composition and the adoption of Productivity Commission recommendations is a gradual increase in registration charges from \$8 041 in 2007-08 to \$14 340 in 2010-11 for B-double prime movers and trailers. Other heavy vehicle types operating in Tasmania are not significantly affected.

The previous Second Determination capped charges for B-doubles at the level of road train charges to ensure there was no incentive for operators to substitute B-doubles with less safe road trains. However, the most recent data shows that, in most cases, B-doubles and road trains operate on distinct networks. Therefore, the NTC's assessment is that substitution is unlikely to be a significant risk. Road trains do not currently operate in Tasmania, so there is no risk of substitution in this State.

In recommending higher charges for this class of vehicle, both the Productivity Commission inquiry and the NTC have identified that B-doubles are now accounting for around 20 per cent of vehicle tonne-kilometres travelled by all heavy vehicles, despite comprising only 1.7 per cent of the fleet. There are 350 B-doubles currently registered in Tasmania.

The key changes from the previous Second Determination in 2000 are as follows:

Firstly, in relation to trailer charges, registration charges for trailers were previously calculated by multiplying a common charge by the number of trailer axles - and not differentiating between axle configurations. This bill now does differentiate between trailer types in determining the charge to be applied. The purpose of this differentiation is to maintain the flexibility of a prime mover being able to be used in different trailer configurations whilst also ensuring vehicle classes recover their attributable costs. With this modification, charges become modular and are spread more evenly over the trailer and prime mover.

Secondly, the 2007 Determination contains significant variations in the applicable charges for some classes of vehicles. The following proposals have been adopted to ameliorate the impacts of these variations—

- All truck and prime mover registration charge increases and decreases are fully implemented in year one - the year the legislation commences - with the exception of trucks with two or more axles nominated for use in a combination having one trailer and more than six axles or a mass entitlement exceeding 42.5 tonnes, where the vehicle component of the registration charge increase is phased in equally over two years from commencement; and
- All trailers are subject to an equivalent small increase in the axle rate in year one - 2008-09. For tri-axle and quad-axle semi-trailers and B-double tandem axle, tri-axle

and quad-axle lead trailers an additional increase in per axle charge is to be implemented. This additional increase in per axle charge will be implemented evenly in year two - 2009-10 - and year three - 2010-2011.

At the ATC meeting on 29 February 2008 Transport Ministers also approved the NTC's Model Heavy Vehicle Charges Act 2007, which incorporates the outcomes of the 2007 Determination in order to provide a legislative basis from which States can implement the agreed reforms. This bill reflects the intentions of the NTC's model act. However, it has been drafted in such a way that is it consistent with the existing provisions of the Vehicle and Traffic Act 1999, particularly with respect to the classification of vehicle types for the purposes of charging categories.

I also should point out that in the Vehicle and Traffic Act 1999 and this bill, the vehicle registration charge is referred to as a 'motor tax'. Although the Tasmanian legislation has historically used the term 'motor tax' and continues to do so, strictly speaking the charge imposed is a cost recovery charge and not a 'tax'.

This bill also does not explicitly adopt the model act's formula for calculating the annual adjustment factor. Instead, consistent with the previous section 34 of the Vehicle and Traffic Act 1999, the bill provides that the annual adjustment factor for a financial year is calculated based on the formula determined by the National Transport Commission in respect of that financial year and is the figure determined by the minister by notice published in the Gazette. The notice is required to be tabled as if it were a regulation and is a disallowable instrument, but will not be subordinate legislation for the purposes of the Subordinate Legislation Act 1992.

The registration charges under the 2007 Determination will result in an initial decrease in State revenue of approximately \$76 000 in 2008-09, followed by a gradual increase relative to 2007-08 of \$1.6 million in 2010-11.

The NTC, an independent transport advisory body, developed the current Heavy Vehicle Charges Determination following extensive consultation with the transport industry. Freight transport is the lifeblood of the Tasmanian economy and it is important we maintain a sustainable, competitively neutral and nationally consistent road funding system. I commend the bill to the House.