



NATIONAL ROAD TRANSPORT ASSOCIATION

**Submission to the Treasury**

**Priorities for the 2019-20 Budget**

**1 February 2019**

## Introduction

1. On 19 December 2018 the Assistant Minister for Treasury and Finance called for submissions from individuals, businesses and community groups seeking their views regarding priorities for the 2019-20 Budget.<sup>1</sup> This submission provides the National Road Transport Association's priority concerns for the 2019-20 Budget.
2. The National Road Transport Association Ltd (NatRoad) is Australia's largest national representative road freight transport operators' association and is also a foundation member of the Australian Trucking Association (ATA). NatRoad represents road freight operators, from owner-drivers to large fleet operators, general freight, road trains, livestock, tippers, car carriers, as well as tankers and refrigerated operators.
3. As indicated in the prior paragraph, NatRoad is a member of the ATA and, in the past, we have relied on its input to Treasury in the pre-Budget process about the principal issues that affect the heavy vehicle industry in the Budget context. We continue to do so; however, this submission highlights a number of priority issues that NatRoad's members would like to see considered in the Budget 2019-20 process.

## Summary of recommendations

4. Our recommendations to address these issues are outlined below:
  - **Provision be made in the Budget for funding the restructured arrangements for road safety responsibilities that will arise from the current review of road safety governance.**
  - **Monies be allocated for the establishment of an independent statutory body that would be charged with collecting, analysing and disseminating freight related data at a national level.**
  - **Funding conditions for the Roads to Recovery program should mandate that at least 50% of all money allocated to a council must be spent on projects devoted to road safety. This could include maintenance for safety purposes and works to improve safe access for heavy vehicles.**
  - **Treasury initiate cost estimates and appropriate modelling for the establishment of an independent price regulator for the heavy vehicle industry. Alternatively, additional funding should be allocated to the Australian Competition and Consumer Commission to undertake the role of the independent price regulator in the context of Heavy Vehicle Road Reform.**
  - **Funding for the upgrade and repair of bridges should require an up-to-date and well formulated asset management plan as a condition of funding.**
  - **The Government should deem any payment term related to a small business standard form contract that requires payment beyond a minimum of 30 days as unfair and proscribed.**
  - **The Government's review into fuel stocks be fast tracked as should returning Australia to holding 90 days' worth of oil stocks. Any infrastructure development and maintenance should be fully funded to achieve this aim.**
  - **The Government acknowledges the heavy vehicle driver shortage and provides financial assistance and incentives for young people to become skilled heavy vehicle drivers.**

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<sup>1</sup> <https://www.financeminister.gov.au/assistant/media-release/2018/12/19/2019-20-pre-budget-submissions>

## Policy Context

5. Seventy five percent of NatRoad's members are small businesses in that they own and operate five trucks or less. Accordingly, many of NatRoad's priorities are focused on improving business conditions for small business operators. NatRoad therefore fully supports the Government's announcement on 30 January 2019 stating that the threshold for the small business instant asset write-off has been increased to \$25,000.
6. More than three quarters of non-bulk freight is transported by road. The road freight transport industry continues to play a major role in Australia's economy, with the ability to provide quick and reliable door-to-door delivery nationwide. Impediments to the efficient operation of the road freight industry and connected freight routes (for example port access) are therefore of major concern to NatRoad.
7. NatRoad has a deep commitment to improving road safety. Reaching a target of zero harm from road trauma should be a goal which the community embraces. Measures which will help the community achieve that goal must be introduced with a realistic target date of 2050. As was recently noted in a comprehensive report on road safety:

*The disaster that confronts the nation is the 12,000 people who will be killed (on current trends) on Australian roads over the next decade – and the more than 360,000 people who will be hospitalised – at an aggregated cost of over \$300 billion.<sup>2</sup>*

8. Accordingly, it is this threefold focus on promoting small business, reducing road freight inefficiencies and introducing measures to reduce the road toll to zero that informs the proposals in this submission.

## Investment in Better Data and Planning

9. Good policy development depends on evidence based decision making. A large amount of information is already collected by various government agencies and by industry. But it is fragmented and inconsistent which makes it difficult to provide a complete picture of supply chain performance. There is an urgent need to ensure better quality information is available to underpin government and industry decision-making for the freight sector, as identified in the federal Government's *Inquiry into the National Freight and Supply Chain Priorities*:<sup>3</sup>

*Supply chain activity and performance must be measured to monitor domestic and global competitiveness over time and identify areas where action is required to maintain and improve productivity. A national approach to data consistency across jurisdictions is essential. Performance data should inform the need for capital expenditure and maintenance, regulatory and governance reform, and measuring progress, including implementation of the National Strategy.<sup>4</sup>*

10. NatRoad is not the only organisation to have as a priority the need for better and consistent data as a basis for the industry's planning and to underpin productivity improvement. A recent study

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<sup>2</sup> Woolley et al *Inquiry into the National Road Safety Strategy 2011-2020* (September 2018), p12  
[https://roadsafety.gov.au/nrss/files/NRSS\\_Inquiry\\_Final\\_Report\\_September\\_2018\\_v2.pdf](https://roadsafety.gov.au/nrss/files/NRSS_Inquiry_Final_Report_September_2018_v2.pdf)

<sup>3</sup> All Committee documents including the Report are available at this website  
<https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/index.aspx>

<sup>4</sup> Report above note 7 at p7

by Infrastructure Partnerships Australia<sup>5</sup> has provided cogent arguments for the Commonwealth Government to establish an independent statutory body with the mandate, structure and resources to close the data gap.

11. The need to fill a related data gap was one of the findings from NatRoad's research into means to reduce the Australian road toll to zero.<sup>6</sup> NatRoad notes that the Government has announced a review of the governance arrangements for road safety.<sup>7</sup> This step is designed to improve capability and accountability, as well as informing how best to implement other recommendations of the inquiry into reaching a zero road toll.
12. An important element of any restructured arrangements associated with the provision of road safety strategies must include improving data collection and analysis. Provision should be made in the Budget for funding this aspect of the restructured arrangements for road safety responsibilities.
13. In addition, the Government announced on 20 December 2018 that iMOVE Australia will conduct a study to identify the data needed to improve operations, planning and investment decisions in the freight transport sector.<sup>8</sup> We understand that the study will be completed in the first quarter of 2019. We look forward to the outcomes set out in that study. But no matter the outcome, the solution to the freight industry's data needs cannot be delayed.
14. It is recommended that monies be allocated for the establishment of an independent statutory body that would be charged with collecting, analysing and disseminating freight related data at a national level.

#### **Road Safety: Re-Framing Roads to Recovery**

15. NatRoad supports the Australian Government's focus on improved productivity through investment in infrastructure. The efficient movement of freight is essential in a national economy. Targeted investment and regulatory reform are both vital in adding to the efficiency of the freight task and in reducing the road toll.
16. In this context, NatRoad supports initiatives such as the Roads to Recovery program.<sup>9</sup> The Roads to Recovery Program supports the maintenance of the nation's local road infrastructure asset, which should facilitate greater access and improved safety, economic and social outcomes.
17. NatRoad notes that from the 2013 to 2014 financial year to the 2021 to 2022 financial year the Australian Government will provide \$4.8 billion under the Roads to Recovery Program. The funding is distributed to Australia's local councils, state and territory governments responsible for local roads where there are no councils and the Indian Ocean Territories.
18. NatRoad believes that the program should be better targeted so that funding is more directly allocated to improving road safety. We note that a November 2017 statement by the then Minister for Infrastructure and Transport indicated "that 27 per cent of funding received by

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<sup>5</sup> Infrastructure Partnerships Australia *Fixing Freight: Establishing Freight Performance Australia*  
<http://infrastructure.org.au/wp-content/uploads/2018/04/Fixing-Freight-Establishing-Freight-Performance-Australia-1.pdf>

<sup>6</sup> <https://www.natroad.com.au/news/natroad-outlines-path-zero-road-deaths>

<sup>7</sup> [https://minister.infrastructure.gov.au/mccormack/releases/2018/october/mm181\\_2018.aspx](https://minister.infrastructure.gov.au/mccormack/releases/2018/october/mm181_2018.aspx)

<sup>8</sup> <https://imovecrc.com/wp-content/uploads/2019/01/IMOVE-and-DIRDC-Freight-Data-Study.pdf>

<sup>9</sup> [https://investment.infrastructure.gov.au/infrastructure\\_investment/roads\\_to\\_recovery/](https://investment.infrastructure.gov.au/infrastructure_investment/roads_to_recovery/)

councils has been spent on road safety across the life of the current program. A further 34 per cent of spending has been to maintain the road asset, which also has safety benefits.”<sup>10</sup>

19. From the next financial year NatRoad recommends that the Funding Conditions<sup>11</sup> for the Roads to Recovery program mandate that at least 50% of all money allocated to a council must be spent on projects devoted to road safety. This could include maintenance for safety purposes and works to improve safe access for heavy vehicles.

### **Independent Price Regulation**

20. The Transport and Infrastructure Council (TIC) has commenced the process of heavy vehicle road reform (HVRR). The TIC web site explains the aim of the HVRR process:

*The ultimate goal of heavy vehicle road reform is to turn the provision of heavy vehicle road infrastructure into an economic service where feasible. This would see a market established that links heavy vehicle user needs with the level of service they receive, the charges they pay and the investment of those charges back into heavy vehicle road services.*<sup>12</sup>

21. NatRoad believes that independent price regulation for heavy vehicles is long overdue and is essential for maintaining the long term viability and productivity of the road freight transport industry. Independent price regulation should aim to do exactly as the TIC proposes and aim to replace the current charging system which is based on a fuel based road user charge, administered as a reduction in fuel tax credits, and registration charges.
22. An independent price regulator should be established in order to lead the HVRR process. It is essential that the national independent price regulator does not face:
  - the political and or fiscal pressures that exist under current arrangements; and
  - conflicting responsibilities such as maximising revenue versus setting a fair and efficient price for road access.
23. The independent price regulator would be a useful agency to guide TIC in establishing a relevant forward looking cost base once other reforms are in place or, at the least, committed to by TIC. The future road funding model should be determined by an independent price regulator that could also assess, with appropriate TIC guidance, the extent to which, for example, the road funding model will reflect community service obligations (COS), a matter that is currently unclear.
24. An independent pricing system must have the following characteristics:
  - Governments would agree on the pricing rules to be used and the overall approach for the regulator to follow.
  - Once the rules are established, the regulator would make and apply its pricing decisions. Its decisions would not be subject to ministerial approval or parliamentary disallowance.
  - There could be a merits review process, particularly if the legislation included an early transition to full economic regulation.

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<sup>10</sup> [https://investment.infrastructure.gov.au/infrastructure\\_investment/roads\\_to\\_recovery/roads-to-recovery-statement-expectations.aspx](https://investment.infrastructure.gov.au/infrastructure_investment/roads_to_recovery/roads-to-recovery-statement-expectations.aspx)

<sup>11</sup> [https://investment.infrastructure.gov.au/files/roads\\_to\\_recovery\\_funding\\_conditions/R2R\\_Funding\\_Conditions\\_2014\\_2019.pdf](https://investment.infrastructure.gov.au/files/roads_to_recovery_funding_conditions/R2R_Funding_Conditions_2014_2019.pdf)

<sup>12</sup> [http://transportinfrastructurecouncil.gov.au/publications/heavy\\_vehicle\\_road\\_reform.aspx](http://transportinfrastructurecouncil.gov.au/publications/heavy_vehicle_road_reform.aspx)

25. NatRoad submits that an independent pricing regulator should possess a broad regulatory role including regulating and monitoring toll fees and landside port charges, given the current lack of transparency and fairness in setting tolls and landside port charges for heavy vehicles.
26. The proposed economic regulator should take into account the evaluations of infrastructure projects by Infrastructure Australia or similar infrastructure advisory bodies in jurisdictions to ensure that only expenditure prioritised by those agencies flows through to user charges.
27. A function of an economic regulator includes developing and setting service levels for the road network. Service levels should be designed to facilitate high productivity vehicle access, future vehicle automation and facilities for heavy vehicles such as rest stops. It should seek to eliminate any local council access charges.
28. NatRoad recommends that Treasury initiate cost estimates and appropriate modelling for the establishment of an independent price regulator for the heavy vehicle industry. Alternatively, additional funding should be allocated to the Australian Competition and Consumer Commission (ACCC) to undertake the role of the independent price regulator in the context of HVRR.

#### **Funding for Bridge Assessments**

29. On 7 January 2019, the Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development, the Hon Michael McCormack MP, announced that Round Four of the Bridges Renewal Program (BRP) was open for proposals from 7 January 2019 to 5 February 2019.
30. The aim of the Bridges Renewal Program is to upgrade and repair bridges to facilitate higher productivity vehicle access on freight corridors and enhance access for local communities. This aim is supported by NatRoad because bridges are the linchpins of the road system; they are crucial infrastructure. The Australian Government will provide \$275 million from 2015-16 to 2018-19, \$85million in 2019-20 and \$60 million per year from 2020-21 onwards.<sup>13</sup> The allocation of monies into the future should be based on a comprehensive assessment of the state of bridge repair throughout the country.
31. NatRoad proposes that there be a precursor process to the allocation of funds from this programme and other programmes which fund local government for infrastructure. This process will also enable a proper consideration of the state of infrastructure and its ongoing maintenance. As noted by the Australian Local Government Association in its *National State of the Assets 2018* report:<sup>14</sup>

*Asset and risk management plans are an essential and mandatory planning document for each council to report infrastructure funding needed for the next 10 years to achieve productivity and risk targets. Unlike New Zealand, Australia currently has no consistent requirement for asset management plans. In addition, there is no link between asset management plans and funding, which makes a coordinated and effective approach to national infrastructure planning and funding reactive where people live locally.*<sup>15</sup>

32. NatRoad recommends that funding for the upgrade and repair of bridges require an up-to-date and well formulated asset management plan to be in place as a condition of funding. These asset management plans should be mandated more generally and become a vital tool in the

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<sup>13</sup> Inquiry into National Freight and Supply Chain Priorities *Supporting Paper No 5*

<sup>14</sup> <https://alga.asn.au/site/misc/alga/downloads/publications/2018-National-State-of-the-Assests.pdf>

<sup>15</sup> Id at p 1

compilation of a sufficiently robust infrastructure maintenance programme so that future planning will be better enabled. This could include a complete assessment of bridges and their expected life, a vital tool where increased heavy vehicle access is planned.

### Minimum Payment Terms of 30 Days

33. NatRoad notes the findings of Australian Small Business and Family Enterprise Ombudsman (ASBFEO) in its final report entitled *Inquiry into the effect of the Road Safety Remuneration Tribunal's Payments Order on Australian small businesses*.<sup>16</sup> In that final report ASBFEO records that:

*Payment terms and payment timeframes was a prominent issue in the small transport business industry. Owner drivers reported that they are, on the whole, reliable account payers and they were unanimous regarding an imbalance in payment structure in the industry.*<sup>17</sup>

And:

*Cash flow was a considerable issue for nearly all operators consulted. It was agreed the 30 day payment requirement was a positive aspect of the Tribunal's First Order (issued on 17 December 2013) and should have relieved considerable pressure and made small business more competitive*<sup>18</sup>

34. In the context of the evidence then received by ASBFEO, the 30 day payment requirement was the only redeeming feature of the Road Safety Remuneration Tribunal's (RSRT) regulatory framework. It was otherwise a disaster, as is evident from the ASBFEO final report and the then Government's action in abolishing the RSRT in April 2016.
35. We have elsewhere asked the Government<sup>19</sup> to deem any payment term related to a small business standard form contract (as currently defined in the law) that requires payment beyond a minimum of 30 days as unfair and proscribed.
36. This would unlikely have any significant budgetary effects beyond the requirement that the ACCC should be provided with powers and related funding to monitor contract provisions of this kind and to commence litigation against those whose contracts breached this prohibition. Where the contract requires the relevant payment time of 30 days and this is exceeded in practice, commercial arrangements should apply to enforcement.

### Fuel Stocks

37. On 7 May 2018 the then Minister for the Environment and Energy, the Hon Josh Frydenberg, announced a review of Australia's fuel security.<sup>20</sup> NatRoad supports an examination of how fuel is supplied and used in Australia, including the country's resilience to withstand disruptions from both overseas and in Australia. That review was to be completed by end 2018 but no results of

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<sup>16</sup>

<http://www.asbfeo.gov.au/sites/default/files/documents/RSRT%20Payments%20Order%20Inquiry%20Report%20-%20FINAL.pdf>

<sup>17</sup> Id at 48

<sup>18</sup> Ibid

<sup>19</sup> NatRoad submission to the Treasury re review of unfair contract terms legislation, 21 December 2018 – see Treasury discussion paper etc <https://consult.treasury.gov.au/market-and-competition-policy-division-internal/c2018-t342379/>

<sup>20</sup> <http://www.environment.gov.au/minister/frydenberg/media-releases/mr20180507.html>

the inquiry have, to our knowledge, been made publicly available. This step should be fast tracked.

38. Liquid fuel, especially diesel, accounts for 98 per cent of transport needs. Reports of the limited period attached to reserve holdings of liquid fuel<sup>21</sup> have alarmed members.
39. The industry concern around this issue is related to the link between the timely supply of fuel and business survival. By way of example, if fuel was unavailable to a road transport business for 7 days or was rationed to less than 50% of requirement for two weeks, it is unlikely that business would survive given the low margins and high operating costs of most road transport businesses. Those that did weather this storm would be forced to sell assets, reduce employee numbers and refinance their business. In this context, we emphasise that:

*Competition remains the dominant feature of the industry (the largest four firms have a combined market share of only 15 per cent) and profit margins are becoming much tighter over time. Owner drivers/small freight operators account for less than 12 per cent of the industry's operating income, but they represent nearly two thirds of the total number of operating businesses.*<sup>22</sup>

40. If there is a significant widespread disruption to fuel supply, there will be long term consequences for thousands of family businesses and many larger fleets. It would also have a devastating effect on Australian society generally. Hence, the Government's review should be fast tracked as should returning Australia to holding 90 days' worth of oil stocks. Any infrastructure development and maintenance should be fully funded to achieve this aim.

#### **Heavy vehicle driver shortage**

41. One of the most significant challenges facing the road freight transport sector in Australia is a critical shortage of truck drivers. The average age of heavy vehicle drivers is around 53 years with only 15 per cent of drivers under the age of 30. With the road freight task expected to double by 2030 and a simultaneous loss of retiring drivers from the workforce, this problem will be compounded unless urgent action is taken by industry and government. Without truck drivers, Australia stops.
42. Furthermore, women make up just 3 per cent of the truck-driving workforce, representing one of the greatest gender imbalances of any occupation. Initiatives to make the job more attractive to sections of the broader community including indigenous Australians will add to its diversity and help address the driver shortage.
43. The Transport and Logistics Industry Reference Committee acknowledged these workforce supply challenges in its Transport and Logistics Skills Forecast 2018.<sup>23</sup> A survey commissioned by Volvo Group Australia identified that employers find it difficult to recruit not just the quantity but particularly the quality of drivers needed. 52 per cent reported having issues attracting the

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<sup>21</sup> See for example the item in ATN, 7 May 2018 [https://www.fullyloaded.com.au/industry-news/1805/frydenberg-orders-fuel-security-review?utm\\_source=atn\\_newsletter&utm\\_medium=email&utm\\_content=article1\\_readmore&utm\\_campaign=07-05-2018&utm\\_term=list\\_fullyloaded\\_newsletter](https://www.fullyloaded.com.au/industry-news/1805/frydenberg-orders-fuel-security-review?utm_source=atn_newsletter&utm_medium=email&utm_content=article1_readmore&utm_campaign=07-05-2018&utm_term=list_fullyloaded_newsletter)

<sup>22</sup> Inquiry into National Freight and Supply Chain Priorities *Supporting Paper No 3 Road and Rail Freight* at p8 [https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/supporting-papers/files/Supporting\\_Paper\\_No3\\_Road\\_and\\_Rail.pdf](https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/supporting-papers/files/Supporting_Paper_No3_Road_and_Rail.pdf)

<sup>23</sup> Australian Industry Standards [Transport-and-Logistics-Skills-Forecast-2018-Final](#)



quantity of drivers needed and 82 per cent had problems attracting the quality of drivers they expect.<sup>24</sup>

44. While there are already trade level Certificates III and IV in Driving Operations, truck driving is not formally recognised as a trade. The lack of skill recognition creates a barrier for attracting young drivers as the occupation is not seen as a professional position.
45. The National Skills Needs List identifies traditional trades that are identified as experiencing a national skills shortage, but does not include truck driving. This means that employers and apprentices are ineligible for financial support under the Australian Apprenticeships Incentives Program, including:
  - Support for Adult Australian Apprentices payments
  - Trade Support Loans
  - Rural and Regional Skills Shortage incentive
46. NatRoad has commenced a project designed to address current and future driver shortages. The strategy includes promoting heavy vehicle operation as a viable career choice and assisting businesses to engage and retain staff. By developing a recognised industry trade, it is intended to create a clearer career path for drivers, attract school leavers to the road transport industry and improve the image of truck driving in the community.
47. NatRoad recommends that the Government acknowledges the heavy vehicle driver shortage and provides financial incentives for young people to become skilled heavy vehicle drivers. This will support one of the recommendations of the Government's *Inquiry into National Freight and Supply Chain Priorities* to promote training and re-skilling of employees in the freight industry appropriate to current and future needs.

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<sup>24</sup> *Professional Truck Driver Shortage: How driver availability impacts the transport industry & Australian society*, Volvo Group Australia, May 2016