Australian Trucking Association Submission

The House of Representatives Standing Committee on Transport and Regional Services

Inquiry into integration of regional rail and road networks and their interface with ports

August 2005

Terms of Reference

The House of Representatives Standing Committee on Transport and Regional Services is to inquire into:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:

  - land transport access to ports;
  - capacity and operation of major ports;
  - movement of bulk export commodities, such as grain and coal;
  - the role of intermodal freight hubs in regional areas;
  - opportunities to achieve greater efficiency in the use of existing infrastructure; and
  - possible advantages from the use of intelligent tracking technology;

- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

Australian Trucking Association

The Australian Trucking Association (ATA) is the national body representing the Australian trucking industry. First established in 1989 as the Road Transport Forum (RTF), the ATA provides public policy advocacy for trucking operations within Australia through research, lobbying, education and communication. The ATA's policy coverage embraces safety, taxes and charges, infrastructure, career development, environmental and technical issues.

The most important part of the ATA is the network created by its membership. The ATA brings together the broader industry to focus on issues of national significance.

Members of the ATA comprise a variety of organisations, including state and sector based trucking associations, as well as many of the largest transport enterprises in Australia and the Transport Workers Union (TWU). ATA members cover all sectors of the trucking industry - from the owner driver to the national transport operator.

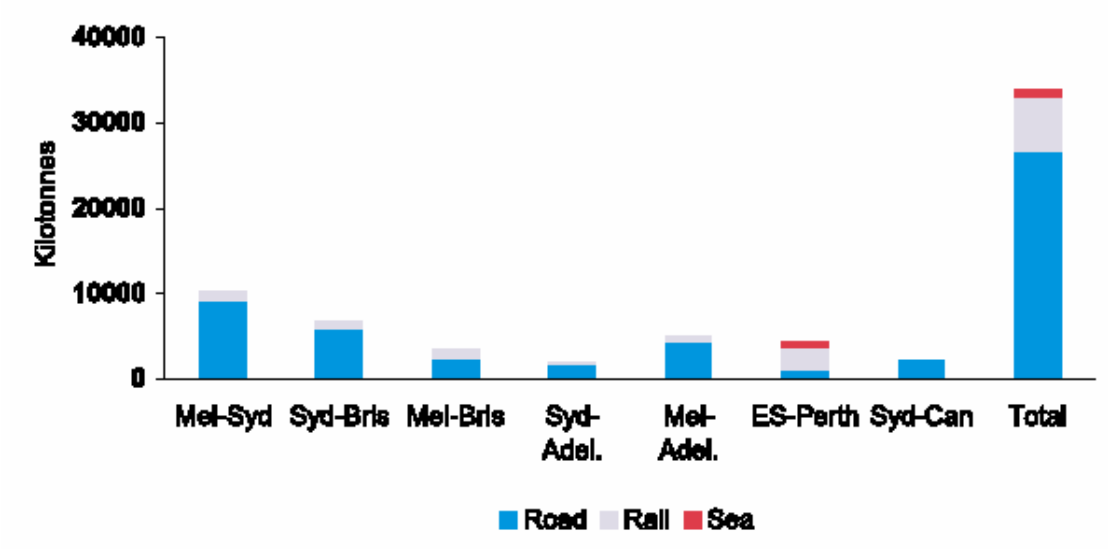
The Association's membership also includes a number of allied trades - those companies providing goods and services to the trucking industry.

The Australian Trucking industry: General Comments

- An efficient transport system is essential to the success of the Australian economy. It is an employment intensive industry and a major cost component of many other industries
- Transport costs are a substantial element of business costs in Australia, making efficient transport an influential factor in the level of job creation, investment, international competitiveness and economic growth
- Trucking is a vital part of the economy, contributing 3.4% of Australia's GDP. There are over 400,000 trucks and 218,000 trucking operators in Australia

The trucking industry plays the major role in the transport of Australia's non-bulk freight. It transports nearly 80% of all the non-bulk freight carried in Australia's seven major transport corridors and is the primary transport mode for freight distribution in metropolitan, regional, rural and remote areas.

Non-bulk freight transported in major freight corridors by mode (2004)



The trucking industry operates in a very competitive market with freight rates based on the market. The assumption that users pay in the end makes it tempting to impose excessive taxes and charges on the trucking industry. Taxing an intermediate product, such as trucking, leads to economic inefficiency, and can harm exporters and import-competing Australian businesses who are "price takers" in international markets.

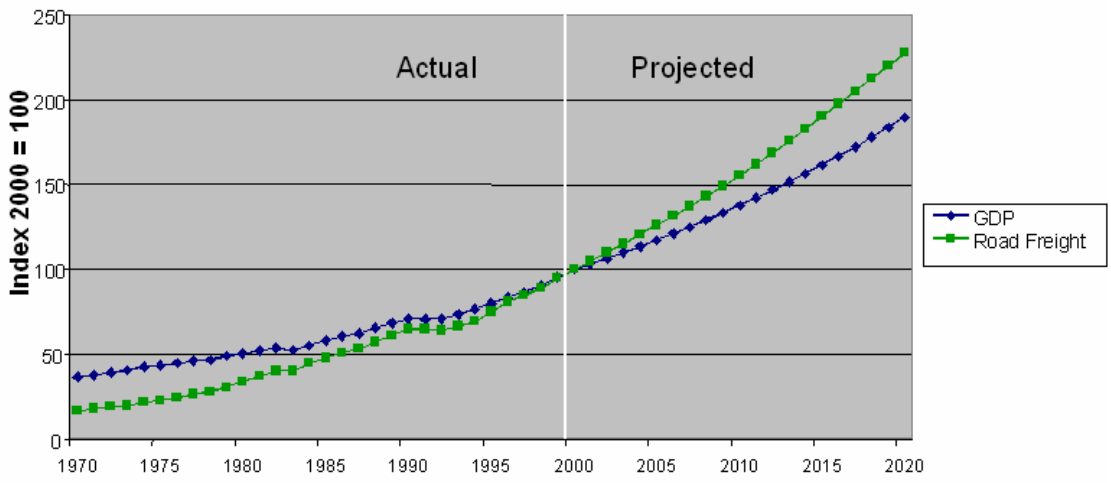
Australia's truck fleet travels around 12,505 million km and transports some 1,549 million tonnes of freight per year. Trucks provide nearly all urban freight transport and are the only mode available in many country areas.

Only about 15% of road freight is contestable by rail. Even where other modes (rail, sea or air) are used for part of the journey, trucks provide the connection at one or both ends of the supply chain.

To supply these services trucking operators are supported by their suppliers who provide trucks, equipment, fuel, tyres, vehicle repairs, communication services and the like. Trucking activity therefore generates demand for a range of goods and services, which in turn indirectly contributes strongly to adding value (the building block of Gross Domestic Product) and employment.

Road freight used to grow twice as fast as the economy, and is still growing 1.5 times as fast. If this relationship continues, road freight flows in 2020 will be twice their 2000 levels.

The graph below demonstrates the large rise predicted for road freight when compared with GDP growth:

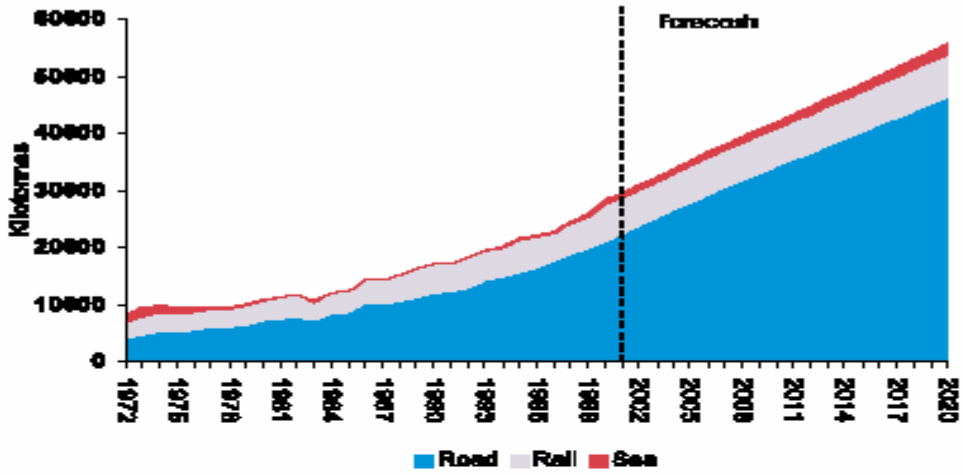


Source: Department of Transport and Regional Services

Road Infrastructure Imperative :

The development of Australia's road transport infrastructure is vital for the continued growth, prosperity and well-being of the Australian nation. Because of its immense size and dispersed population and production centres, Australia is the most road transport dependent country in the OECD with some 810,000 km of roads. Also, the forecast growth of freight will lead to its doubling by 2020, with road's share of non-bulk freight forecast to treble by that date.

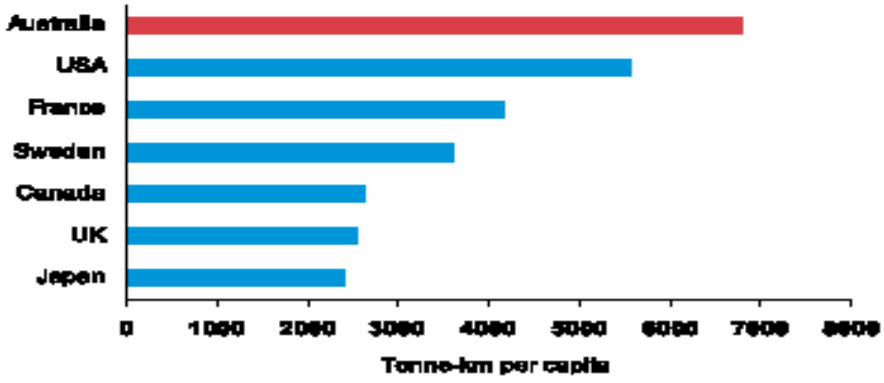
Figure 2 **Non-bulk freight transported by mode 1972-2001 and projections to 2020**



Data source: BTRE (2003b)

Australians rely on trucks more than most other economies because they suit our geography and population density.

Figure 3 **Road freight tonne-km per capita (2000)**



Data source: Austroads (2003).

The CEDA report *Infrastructure: Getting on With the Job* maintains there is "strong evidence that investment in infrastructure has a positive and permanent effect on economic output, with a 1 per cent increase in infrastructure spending increasing output between 0.17 and 0.39 per cent". Thus there are general economic benefits of increased transport infrastructure investment apart from the task of addressing the massive forecast growth in freight.

Against this background, it is vital that governments work together to identify priorities for expenditure and deliver completed road construction and maintenance outcomes in a timely manner, which will enhance the productivity of the road freight transport industry for the benefit of primary and secondary industries, including export industries, and regional and urban communities.

AusLink offers this potential to improve the road network to meet the freight growth challenge, whilst recognising the need for consideration of rail infrastructure, access to ports and development of intermodal facilities for freight transfer between road and rail. The development of agreed investment appraisal guidelines, which include the need to assess both public and private investment opportunities, should provide a rational basis for government

investment, whether from re-current expenditure or debt funding, or in partnership with private investment.

The ATA supports the establishment of a strategic land transport policy body, representing both public and private sectors, to establish priorities for land transport infrastructure investment from all possible sources, such decisions to be informed by a set of agreed investment assessment guidelines. This would separate the functions of strategic land transport planning from road ownership, management and charging which are currently affected by over- lapping responsibilities and functions.

The ATA strongly supports the focus of the AusLink program, where it seeks to achieve the extension of the Higher Mass Limits network in New South Wales and Queensland, as agreed by the Australian Transport Council in 1999. This delayed reform has not achieved its potential to deliver a national higher mass limits network, subject to consistent requirements. The completion of such a network would, according to the National Transport Commission, deliver a further benefit of $250 million per annum to the Australian economy, in addition to the $220 million per annum currently being realised.

Heavy Vehicle Charges

In 1998, the estimated road expenditure attributable to heavy vehicle use was $1,280 million. In that year, it was estimated that the trucking industry had paid $1,393 million in road user charges via a road user charge which is part of the diesel excise formula and vehicle registration charges. Thus, trucks in aggregate are currently paying 9% more than their attributed costs.

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Thus it is not correct to say that trucks benefit from “free” roads just because they are provided by governments. The industry more than pays for its attributed share of road costs. The same does not apply to rail freight, which pays for part of its infrastructure costs but benefits from government grants towards some of its infrastructure upgrading. The registration fee component of the Heavy Vehicle Charge is automatically annually adjusted on the basis of road expenditures, and reflects the changes in road use by heavy vehicles. The fuel charge component is also periodically revised by the National Transport Commission.

The current heavy vehicle road user charge is 20 cents per litre of the diesel fuel excise which generates around $1 billion in revenue for the Australian Government. The annual registration fees, which range from $334 to $9,903 depending on the vehicle type , generate around $500m in revenue to State and Territory Governments.

The third heavy vehicle charge determination by the NTC is due to be completed in 2005-06. The trucking industry will continue to work with the NTC, with the aim of achieving fair and neutral charges.

Specific Responses in brief:

1. <u>The role of Australia’s regional arterial road and rail network in the national freight transport task:</u>

There is no question that the role of Australia’s regional arterial road network is critical to the Australian economy and particularly the prosperity and growth opportunities in regional, rural and remote Australia.

As already indicated, Australia is one of the most transport sensitive economies in the world and the road network provides the linkages between urban and regional Australia via the network of over 800,000 km of road and over 44,000 km of rail track.

Australia's world-class road transport industry operates at an efficient level which delivers the critical lifeline to regional, rural and remote communities where road transport is commonly the only transport option available.

The efficiency of road transport is particularly critical with regards the movement of Australia's primary production output to concentrated population centres for distribution and consumption and/or export.

The dominance of road portrays a critical need of appropriate infrastructure standards which will allow efficient movement of freight in and out of regional Australia with the attendant social and economic benefits. Under-investment in road infrastructure is ultimately a constraining factor on all facets of regional Australia's economic, social and environmental performance.

The ATA agrees with the approach taken in the AusLink White Paper that*:*

The new AusLink National Network is of fundamental importance to Australia's regions. The National Network will provide the major links that are the backbone of connectivity between regions.

Local transport infrastructure, especially roads, is also a critical component of Australia's economic and social fabric…

The success of the Roads to Recovery Program to the maintenance and development of this local infrastructure has been acknowledged in the AusLink White Paper and elsewhere, and the ATA supports the continuance of the program. In addition the ATA supports the National Black Spot Program for the same reason.

However, the ATA maintains that additional funds must be devoted to AusLink roads funding in recognition of the dominant role road transport will continue to play in servicing regional, rural, and remote communities.

2. <u>The relationship and co-ordination between Australia's road and rail networks and their connectivity to ports:</u>

With many transport companies now taking a logistics focus, the relationship and coordination between Australia's road and rail networks and their connectivity must improve.

Freight growth forecasts reflecting Australia's strong economic growth will demand increased intermodal activity providing the linkages between modes are economically viable.

Fundamental to cooperation and connectivity between modes is the issue of regulation and the development of systems and infrastructure that will allow the efficient transfer of freight between modes where it is economically viable to do so.

Currently lack of national uniformity in road transport regulation is a significant constraint on industry productivity.

In most cases the trucking industry not only provides a primary freight option but also provides the linkage when other modes are employed, for example goods are often transferred from trucks to trains and trains to trucks at the beginning and the end of a linehaul journey.

In considering modal interaction, the structure of the transport industry sectors is influential in that the larger firms with a multi-modal focus will lead the development of systems using different modes of transport. However, governments have a key role in supporting a regulatory environment and infrastructure where a cost benefit analysis can identify appropriate levels of productivity gain.

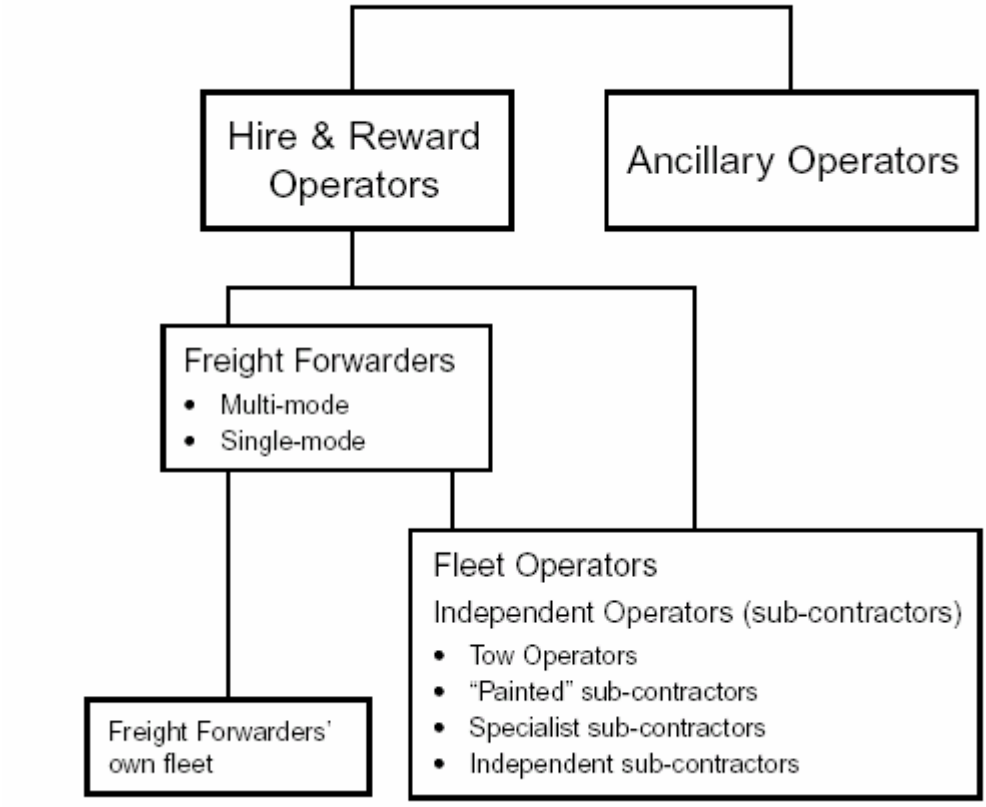
In a changing road transport industry structure, major operators are increasingly multi-modal freight logistics businesses. However the trucking industry structure remains dominated by smaller operators.

Industry structure

The industry comprises trucking activities undertaken by:
• hire and reward operators - transport and logistics companies, businesses which provide trucking services; and
• ancillary operators - businesses whose main activity is not road freight transport eg. manufacturing firms that have truck fleets to carry their own products.

A recent development is factory gate pricing which puts the freight component under the control of the retailer - who in turn may undertake their own (ancillary) transport or have it done by a hire and reward operator.

Trucking Industry Structure



Data source: BTRE 2003

Ancillary operators account for 86% of the fleets; a breakdown by sector is shown below. However it is estimated that the ancillary operators travel less than half the kilometres travelled by the road freight (hire and reward) industry..

Trucking operators by Industry (a)

	Number in fleet							
	1	2 - 4	5-9	10-19	20-49	50-99	100+	Total
Road freight transport industry [b]	**21,762**	**7,803**	**1,454**	**508**	**211**	**42**	**30**	**31,810**
Ancillary operators:								
Agriculture, Fishing, Forestry and Hunting	93,389	26,509	1,223	729	72	1	0	121,923
Building and Construction	13,069	4,171	483	154	51	31	0	17,959
Electricity, Gas, Water and Communications	82	46	15	5	5	0	5	158
Manufacturing	6,514	3,668	801	329	154	82	20	11,568
Mining and Quarrying	380	257	51	11	11	5	0	715
Wholesale and Retail	16,419	9,217	1,675	421	31	72	21	27,856
Finance and Property	1,675	555	82	31	10	5	5	2,363
Public administration and Community services	1,346	431	72	31	15	5	5	1,905
Recreational, Personal and Other services	1,850	616	92	31	11	5	5	2,610
Total	**156,486**	**53,273**	**5,948**	**2,250**	**571**	**248**	**91**	**218,867**

a Vehicle 4.5 tonnes and over, **b** Vehicles operating for remuneration, that is for hire and reward

Subcontracting is an important component of the hire and reward segment. Many subcontractors are owner-operators with no employees. These small businesses account for 60% of all businesses in the road freight transport industry but only 11% of income earned.

The major industry companies control a significant volume of freight contracts, however in servicing these contracts the sub-contract network is the primary delivery agent. In other words, the plethora of medium/small/owner-driver operators are involved in moving the majority of freight.

3. Policies and measures required to assist in achieving greater efficiency in the Australian transport network:

- Higher Mass Limits for trucks applied with national regulation uniformity.
- Regulatory balance with a productivity focus to support freight demand growth.
- In relation to land access to ports and the capacity and operation of major ports, the ATA endorses all efforts to improve access for both road and rail.
- However suggestions to increase the costs of moving freight by road in order to promote a modal shift to rail are not supported. For instance, a levy on containers would only add costs for transport customers without any modal shift.
- With movement of bulk export commodities, such as grain and coal, the ATA believes that the most efficient means of transport should be used for the task required.

- As mentioned above, the ATA has recognised the potential role of intermodal freight hubs in regional areas, however notes the lack of systems development to support efficient intermodal transport

- Challenges for intermodal freight include:
  - Use of non standard containers
  - Differing mass & dimension limits across modes eg overweight containers
  - Use of Australian "CHEP" or ISO pallet sizes
  - Co-ordination of work arrangements eg with warehouse distribution centres
  - Terminal access arrangements
  - Strategic planning for terminal locations
  - Documentation problems – encourage electronic communicating

4. <u>The role of the three levels of Government and the private sector in providing and maintaining the regional transport network.</u>

The ATA supported the retention by the Commonwealth of responsibility for the funding of the National Highway system, for not only would this provide a single responsibility for funding but also would provide clarity about responsibility for this part of the road network, and also identifies these roads with the national Government's responsibilities for trade and interstate transport.

Thus the ATA is disappointed that the AusLink White Paper has not recognised this principle, and has adopted joint funding from the Commonwealth and States and Territories for the AusLink National Network.

However, the ATA maintains that there is a clear role and responsibility in state and territory jurisdictions contributing towards regional road funding for development and maintenance.

In relation to private sector funding, the ATA's response to the AusLink Green Paper was:

"Australian Trucking Association supports the use of appropriate public private partnerships subject to adequate controls over the level of fee, the facility itself and the availability of alternatives"

Further information is available from the Australian Trucking Association at:

Minter Ellison Building
25 National Circuit
Forrest ACT 2603
Tel: 02 6253 6900
Email: ata@atatruck.net.au
Fax: 02 6253 6999