



FREIGHT AND LOGISTICS COUNCIL OF WESTERN AUSTRALIA

Mr Matthew Clarke  
CRRP Pricing Stream Leader  
COAG Road Reform Plan  
121 Exhibition Street  
Melbourne, VIC 3000

Dear Mr Clarke

**Re: Comments on discussion paper on Heavy Vehicle Pricing Options (4 August 2010)**

Thank you for giving us the opportunity to comment on this important discussion paper. We apologise for the late submission of this letter, caused by a number of absences among the membership of our organisation.

The Freight and Logistics Council of Western Australia was established by the State's Minister for Transport to provide advice to him on matters across the freight and logistics sector. These may be matters raised by him, or by the Council. The Council comprises members drawn from the private sector (logistics providers and users) and agency heads from public sector transport infrastructure providers and policy departments. The matters raised by your discussion paper give rise to comments from the Council which should bear upon WA's input to on-going COAG and ATAC deliberations on heavy vehicle pricing, as well as providing our membership's views on areas on which you have requested comment.

We have not attempted to comment on questions posed in the discussion paper relating to costing theory or practice, in particular your questions 3.1, 5.1, 5.2 and 5.3, as we do not believe we are qualified to do so.

We agree with the discussion paper in a number of areas, in particular:

- That there is a need to progress the development of a more efficient and effective system for charging for the use of roads by heavy vehicles.
- The any future charges must provide funding for both new construction and adequate maintenance of existing roads – at all levels in the road hierarchy.
- Changes in charging systems must have the effect of changing behaviour (and avoiding/minimising unintended consequences for behaviour).
- That charges should as far as possible reflect marginal costs, provided that they yield sufficient income to support on-going future road construction and maintenance at all levels in the hierarchy. We do *not* support any approach that would rely on general

taxation to 'top up' short falls caused by excessive reliance on marginal-cost pricing. However, this should not exclude the use of general taxation to meet 'community service obligations' where a new charging system would provide insufficient funding for remote and/or low usage roads.

- We have no difficulty with your complete range of Options. We understand that effective application of your Option 5 (including 'location') is likely to be most difficult. However, if it is not used, it is likely there will be a significant failure to recognise the impacts of applying new pricing principles on the use of roads in remote areas and/or with low volumes.

We are sympathetic to the view generally expressed in COAG and reflected in the paper that current average-based pricing is becoming inappropriate, in part because increasingly it is unable to provide adequate funding for future maintenance and new works, and because it is distorting competition between modes and within the road transport mode among vehicle types, configurations and routes.

We understand that the NTC is investigating the likely impacts of changed road user charging arrangements on road user behaviour and on the economy. Included in the investigation should be:

- The impact on export industries, especially those which make substantial use of road transport, including grain, other perishable and non-perishable foodstuffs, and minerals (other than iron ore and coal). For some tasks, your investigation should go beyond the broad-brush general equilibrium modelling proposed and look at effects on specific logistics chains. The export grain industry, in particular, comes to mind in its use of roads at all levels in the hierarchy.
- The ability of changed charging systems to recoup sufficient funds to provide adequate maintenance for roads, including those in remote areas where costs are driven as much by the passage of time, climate and geology as by use. These factors are especially important in remote areas, where vehicle counts are low.
- The impact on living costs in regional and (often small) remote communities and for remote industries. The transport task for many of these does not benefit from the economies of large scale enjoyed by larger centres.
- We are uncertain about how to answer your question 2.3, but understand that addressing it is certainly important for your impact analysis. We would point out that the ability of changed systems to provide adequate funding for future expenditure, including lumpy major project-based costs, is especially relevant in a fast-growing economy like that in WA, where trends in traffic volumes are growing in response to population growth, new projects and growing export volumes of some commodities.


In response to your question 4.1 (as well as 2.1 and 2.2), we ask that the options considered include provision for on-going use of 'incremental pricing', where it might be useful in addressing situations such as that faced by local governments in providing fit-for-purpose roads for grain haulage. This is an economic sector with very large variations in transport demand and fiscal capacity at the local level. Any new system for charging and distribution of resulting income for road authorities should include provision for application of incremental prices where needed, to ensure that maintenance, in particular, can be adequate. These

may take the form of special contracts between road authorities (including local governments) and individual road users. The implications of this point for local governments, and its impact on them, should be assessed. Any new system should also ensure that income from incremental charges is returned directly to responsible road authorities.

In response to your question 4.2 (unintended consequences), the CRRP should be mindful, for example, of possibly very high implementation costs, and that some environmentally friendly and 'road-friendly' vehicles may be less fuel efficient, and therefore perform less well in your Option 1.

We are of 'two minds' about externalities. We understand that their inclusion would significantly increase data required and complicate the economic analysis. However, their exclusion may also prevent assessment of the impacts of traffic congestion on the operating costs of heavy vehicles in some situations. On balance, our feeling is that there should be an examination of possible outcomes for congestion pricing, even if it is less rigorous than the remainder of the analysis you will be doing.

Yours sincerely

  
Fred Affleck  
Chairman

21 October 2010

cc. Hon Simon. O'Brien, Minister of Transport, Western Australia