CEMENT CONCRETE & AGGREGATES AUSTRALIA

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Forward-Looking Cost Base
National Transport Commission
Level 3/600 Bourke Street
Melbourne VIC 3000

Sent via: www.ntc.gov.au

Implementing a forward-looking cost base for heavy vehicle charges Consultation Regulatory Impact Statement (C-RIS)

Cement Concrete & Aggregates Australia (CCAA) welcomes the opportunity to provide a submission on the National Transport Commission's consultation regarding the proposed forward-looking cost base (FLCB) for heavy vehicle charges.

Cement Concrete & Aggregates Australia is the voice of the heavy construction materials industry in Australia. CCAA members produce the majority of Australia's cement, concrete, and aggregates, which are crucial to Australia's building and construction sectors. These materials support the development of our nation's transport, energy, water, housing, defence, and social infrastructure. Nationally, the industry contributes $20.7 billion to GDP and supports 112,970 jobs across Australia. It generates $6.8 billion in direct value added and underpins activity across the broader economy through extensive supply chain and induced effects.

Our members rely on heavy vehicles to transport high-volume, low-value materials over short distances, making efficient road access and network performance critical to productivity outcomes.

In summary, CCAA supports the objective of improving the transparency, stability and predictability of heavy vehicle charges. However, we consider that the proposed FLCB model is primarily a technical cost recovery reform and does not address the core issues affecting freight productivity, particularly first and last mile access, network performance, and the alignment between charges and outcomes and further significant reform is required.

Our full submission is attached overleaf.

Should the NTC wish to discuss this matter, please contact CCAA's Industry Policy Director, Mr David Rynne via david.rynne@ccaa.com.au and

Yours sincerely

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CCAA Full Submission

1. What is the proposed reform

The NTC is proposing to replace the current “pay-as-you-go” (PAYGO) approach to setting heavy vehicle charges with a forward-looking cost base (FLCB) model.

Under the current framework, heavy vehicle charges are used to recover a share of government expenditure on roads attributable to heavy vehicle use. These charges are primarily applied through:

- the **Road User Charge (RUC)**, which is a fuel-based charge applied per litre of diesel consumed; and
- **heavy vehicle registration charges**, which include a roads component intended to recover infrastructure costs.

Together, these charges are intended to recover the heavy vehicle share of public road expenditure across all levels of government.

Under the PAYGO approach, the level of charges is determined based on **historical road expenditure**, meaning that:

- costs are calculated using past spending data; and
- capital expenditure is effectively recovered in the year it is incurred, rather than over the life of the asset.

The NTC and governments have identified several perceived shortcomings with this approach, including:

- that it can produce **volatility in charges** from year to year, depending on changes in government expenditure;
- that it does not align well with how infrastructure assets are used over time, as large capital investments are recovered upfront;
- that it can lead to **under- or over-recovery** of costs due to timing differences between expenditure and revenue; and
- that it provides limited predictability for industry and governments in setting future charges.

In response to these issues, the NTC is proposing the FLCB model, which would:

- base charges on **forecast (forward-looking) expenditure**, rather than historical spending;
- spread capital costs over the expected life of assets through depreciation; and
- apply a **building block methodology**, incorporating operating expenditure, depreciation and a return on capital.

The stated benefits of this approach are that it would:

- improve the **stability and predictability** of heavy vehicle charges over time;
- provide a more **economically consistent approach** to recovering infrastructure costs;
- better align cost recovery with the way assets are consumed over their life; and
- enhance **transparency** in how charges are calculated.

While these changes represent a refinement in how costs are measured and recovered, they do not alter the broader policy framework governing infrastructure investment decisions or access to the road network

2. What is important to CCAA members

For CCAA members, the heavy vehicle charging framework should support:

- reliable and efficient access to the road network, particularly on first and last mile routes;
- improved freight productivity, including the use of higher-productivity vehicle configurations;
- investment in infrastructure that removes bottlenecks and supports industry operations; and
- a clear and credible link between the charges paid by industry and the outcomes delivered.

The need for these outcomes is particularly acute for construction materials freight. Previous CCAA evidence based on CSIRO TRANSIT data shows that the CCA freight task is materially different from general road freight.

CCA fleets carry 26 per cent more tonnes per trailer than the national freight average, while CCA trip distances are 19 per cent shorter and trip durations are 16 per cent shorter. The sector is highly efficient, with 68 per cent lower cost per payload tonne and 41 per cent lower cost per tonne-kilometre than the national average. At the same time, CCA freight accounts for 39 per cent of all annual tonnes moved on Australian roads and 21 per cent of the national road tonne-kilometre freight task.[1]

These figures demonstrate that construction materials freight is high-mass, short-haul, high-frequency and highly exposed to local road access constraints. Small changes in access, mass settings, road condition or charging arrangements can have disproportionate impacts on truck movements, project costs, congestion, emissions and the cost of housing and infrastructure delivery.

These outcomes are critical to maintaining the efficiency and cost-effectiveness of the construction materials supply chain.

[1] CCAA Submission to Productivity Commission Request for Advice Heavy Vehicle Reform – Dec 25

3. Does the proposed reform deliver these outcomes?

CCAA supports the objective of improving the transparency, stability and predictability of heavy vehicle charges.

However, in its current form, the proposed FLCB model does **not materially advance the outcomes that are most important to our members**.

The model represents a refinement of how costs are calculated and recovered, but it does not address:

- the key constraints on freight productivity;
- the availability and quality of network access; or
- the alignment between charges and infrastructure outcomes.

As a result, and in the absence of significant further reforms, the FLCB risks reinforcing the existing disconnect between what industry pays and what it receives in terms of network performance.

3A. CCAA position on FLCB implementation options

CCAA supports, in principle, a transition from PAYGO to a forward-looking cost base as a technical improvement to the heavy vehicle charging methodology. In particular, FLCB may improve stability, predictability and transparency in how the heavy vehicle cost base is calculated.

However, CCAA does not support the FLCB being used as a vehicle for material charge increases unless it is accompanied by clear, measurable improvements in network access, first- and last-mile performance, local road capability and higher-productivity vehicle access.

If ITMM proceeds with implementation of the FLCB from 2027–28, CCAA's preferred approach is **Option 1A**, being the lowest transition path and using the Australian Government 10-year bond rate. CCAA also supports the use of a uniform annual increase across the first regulatory period to provide greater stability and predictability for operators.

CCAA does not support Options 2 or 3 at this stage. The C-RIS acknowledges that the line-in-the-sand opening RAB is a policy choice and that there is no purely objective way to select the optimal transition point. In those circumstances, higher charge paths should not be adopted unless governments commit to transparent, measurable improvements in the road network outcomes that matter to industry.

CCAA recommends that NTC also examine an alternative implementation option: **Option 1A plus a network-performance compact**. Under this approach, any charge path above Option 1A would be contingent on published delivery commitments and annual reporting against agreed access, productivity and local-network performance indicators.

4. Key limitations

a) No direct link to freight productivity

The FLCB model does not link charges to:

- network performance;
- freight efficiency; or
- access outcomes.

It therefore does not directly support improved productivity for freight-intensive sectors such as construction materials.

b) No mechanism to address first- and last-mile constraints or local government capability

First- and last-mile access remains the most significant constraint on the CCA freight task. Even where higher-productivity vehicles are technically suitable for arterial or state-managed networks, access to quarries, concrete plants, cement terminals and construction sites is frequently constrained by short local-road links, bridge capacity, pavement condition, local road manager capability and inconsistent assessment processes.

While local government road expenditure is included in the FLCB cost base, the proposed model does not:

- identify or prioritise mechanisms to increase investment in constrained local networks;
- improve access decision-making or local government assessment capability;
- require local-road expenditure recovered from heavy vehicle charges to be linked to improved access outcomes; or
- provide transparent reporting on whether local-network expenditure is reducing bottlenecks for freight-intensive sectors.

CCAA does not oppose the use of ABS Government Financial Statistics data as an interim input for forecasting local government road expenditure. However, this data is not sufficient on its own to support a credible long-term charging framework. The FLCB should be supported by better route-level asset data, bridge and pavement assessments, freight route mapping and local road manager capability programs.

CCAA recommends that any FLCB implementation include annual reporting against local-network performance measures, including:

- kilometres of expanded PBS, CML and HML access;
- the number of structural bottlenecks removed;
- the proportion of the freight network that remains mass-constrained;

- access decision timeframes for heavy vehicle permits and notices;
- journey-time reliability on key construction-materials freight routes; and
- progress in adopting nationally consistent access tools, including NAAS.

c) Limited support for higher-productivity vehicles

The proposed framework does not provide meaningful incentives to:

- expand access for PBS and higher-mass vehicles; or
- invest in infrastructure that supports more efficient freight configurations.

d) No alignment with decarbonisation, fleet transition or broader freight efficiency objectives

The FLCB model is confined to infrastructure cost recovery and does not sufficiently incorporate decarbonisation objectives, fleet transition considerations or broader freight system efficiency goals.

CCAA supports the C-RIS position that diesel-powered heavy vehicles should not face an increased RUC merely to compensate for RUC not currently paid by electric and hybrid heavy vehicles. However, this should be treated as an interim position while better data is developed.

The construction-materials sector faces particular challenges in transitioning to zero-emission heavy vehicles. Battery-electric construction vehicles incur significant tare-weight penalties, which directly reduce payload and increase cost per tonne. Previous CCAA analysis identified that battery-electric concrete agitators may face a payload penalty of approximately 15–16 per cent compared with diesel equivalents because of a 2.5–3.0 tonne battery tare penalty offset by only a 0.5 tonne concession.

CCAA recommends that NTC develop a transparent forward pathway for the treatment of electric and hybrid heavy vehicles in the charging framework, based on actual vehicle numbers, road use, mass impacts, payload impacts and network requirements. This should be aligned with broader reforms to mass concessions, charging infrastructure, industrial land-use planning and PBS access.

5. Disconnect between charges and outcomes

A central concern for CCAA is the lack of a clear link between:

- the charges paid by heavy vehicle operators; and
- the outcomes delivered in terms of network performance, access and productivity.

Industry contributes to road expenditure across all levels of government, including local networks that are critical to freight movements. However, there is limited visibility or assurance that this contribution results in improved outcomes.

5A. FLCB should be designed as a transition pathway to more direct charging reform

CCAA considers that FLCB should be treated as an interim technical improvement, not the end-state for heavy vehicle charging reform.

A core limitation of both PAYGO and the proposed FLCB is that charges remain averaged across broad vehicle classes and the national road network. This means the charging framework still does not sufficiently reflect where vehicles operate, the mass they carry, the distance they travel or the actual network impacts they impose.

CCAA therefore recommends that the FLCB be designed so that it can support a future transition to Mass-Distance-Location charging. MDL charging would provide a more direct and transparent link between road use, road impact, funding needs and investment outcomes. It would also create a stronger basis for funding local and first- and last-mile infrastructure, where many of the most material productivity constraints occur.

The transition to MDL should be supported by telematics, on-board mass systems, NAAS, consistent local road asset data and strong governance arrangements. This would allow governments to move beyond averaged charges and toward a more equitable system that better rewards safer, more productive and lower-impact vehicle operations.

CCAA is also concerned that the FLCB should not lock in long-term charging outcomes based on stale or extrapolated road-use data. The C-RIS notes that the ABS Survey of Motor Vehicle Use ceased in 2020 and that the model extrapolates 2020 SMVU data in the absence of a replacement source.

Before FLCB is used to set charges over the long term, NTC should publish sensitivity analysis showing how charge outcomes change under different usage assumptions and should identify a clear pathway to incorporate more current data sources, including telematics, on-board mass data, registration data, NAAS outputs and the outcomes of national heavy vehicle charging pilots.

6. Recommendations

CCAA recommends that the NTC pursue further reforms that:

1. **Strengthen the link between charges and outcomes**
   The charging framework should better reflect network performance and freight productivity outcomes.

2. **Prioritise first and last mile access**
   Reforms should be aligned with targeted investment in local road networks critical to freight movements.

3. **Support higher-productivity vehicles**
   Pricing, access and investment settings should be better aligned to enable more efficient freight configurations.

4. **Improve transparency and accountability**
   Greater clarity is needed on how revenue derived from heavy vehicle charges contributes to infrastructure outcomes.

5. **Adopt transparent and industry-affordable technical settings**

   If FLCB is implemented, CCAA recommends:

   - using the Australian Government 10-year bond rate rather than a blended rate, because it is more transparent, publicly available and less likely to pass jurisdiction-specific balance sheet impacts through to heavy vehicle operators;
   - applying true-ups only through a transparent, symmetrical and smoothed mechanism, with clear public reporting of forecast versus actual expenditure and revenue;
   - ensuring true-ups are not used to recover expenditure that is not attributable to heavy vehicle road use or that does not support improved road condition, access or network performance;
   - publishing sensitivity analysis showing the impact of different expenditure, road-use, interest-rate and local-government data assumptions on charge outcomes; and
   - ensuring toll roads and non-standard financing arrangements are treated on a net-cost basis to avoid double counting.

6. **Position FLCB as an interim step**
   The FLCB should be treated as a technical improvement, with further reform required to better align charging with system performance.

7. Conclusion

CCAA supports efforts to improve the methodology used to calculate heavy vehicle charges.

However, the proposed FLCB model does not materially improve the outcomes that matter most to industry and risks reinforcing the existing disconnect between charges and network performance.

Charging reform should be integrated with broader changes to access, investment and freight productivity to deliver meaningful benefits.

Appendix A – Response to key C-RIS consultation questions

Question 2 – Do you support the transition to the forward-looking cost base method?
CCAA supports the FLCB as an interim technical improvement to the cost-base methodology, provided it is not treated as a substitute for broader reform to access, investment, network performance and freight productivity.

Question 3 – Are there other issues ITMM should consider?
Yes. ITMM should consider whether FLCB improves outcomes for industry, not only whether it improves cost recovery for governments. The key issues are first- and last-mile access, local government capability, higher-productivity vehicle access, asset data quality, transparency of expenditure and the link between charges and delivered network outcomes.

Question 6 – Rate of return.
CCAA prefers the Australian Government 10-year bond rate rather than the blended rate. It is more transparent, publicly available and less likely to pass jurisdiction-specific financing costs through to heavy vehicle operators.

Question 8 – True-ups.
CCAA supports true-ups only if they are transparent, symmetrical, smoothed over time and supported by public reporting. True-ups should not be used to recover expenditure that is not attributable to heavy vehicle road use or that does not support improved road condition, access or network performance.

Questions 9–11 – Local government road expenditure.
CCAA does not oppose the use of ABS Government Financial Statistics data as an interim input. However, this should be supplemented over time with better local-road asset data, bridge and pavement assessments, freight route mapping and reporting on whether local expenditure improves first- and last-mile access.

Question 12 – Hybrid and electric heavy vehicles.
CCAA supports the C-RIS proposal not to increase the RUC for diesel vehicles to compensate for RUC not currently paid by electric and hybrid heavy vehicles. However, NTC should develop a forward pathway for the treatment of electric and hybrid heavy vehicles based on actual vehicle numbers, road use, mass impacts, payload impacts and infrastructure requirements.

Questions 14–15 – Sensitivity analysis.
CCAA recommends additional sensitivity analysis on local government expenditure, stale road-use data, alternative usage assumptions, rate-of-return assumptions, low and high electric heavy vehicle uptake, and the impact of different charge paths on freight-intensive sectors that cannot easily pass through cost increases.

Question 21 – Preferred implementation option.
If FLCB proceeds, CCAA prefers Option 1A, with uniform annual increases over the first regulatory period. CCAA does not support Options 2 or 3 unless governments commit to measurable access, productivity and local-network outcomes.

Question 22 – Alternative options.
CCAA recommends that NTC examine an alternative “FLCB plus network-performance compact” option. Under this approach, any charge path above Option 1A would be contingent on published delivery commitments and annual reporting against agreed access, productivity and local-network KPIs.