Implementing a Forward-Looking Cost Base (FLCB) for Heavy Vehicle Charges Consultation Regulatory Impact Statement (C-RIS).

A Submission to the National Transport Commission

12 June 2026

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Introduction

The Australian Logistics Council (**ALC**) welcomes the opportunity to comment on the National Transport Commission's (**NTC**) *Implementing a Forward-Looking Cost Base (**FLCB**) for Heavy Vehicle Charges Consultation Regulatory Impact Statement* (**C-RIS**).

ALC represents Australia's major end-to-end supply chain participants, including freight rail operators, port authorities, airports, stevedores, intermodal terminal operators, heavy vehicle operators, technology and property companies and large freight customers. Collectively, these stakeholders underpin the performance of Australia's freight and logistics system, which is critical to national productivity, trade competitiveness, and economic resilience.

Regulatory Context and System Framing

ALC supports a safe, productive, and competitive freight system in which pricing structures are fair, transparent and reflect actual use of the road network.

The base PAYGO framework used to determine road user charges (a **RUC**) for heavy vehicles was designed in 2007. Today's freight environment requires a more sophisticated, usage-based, and forward-looking approach.

The current charging system has several key limitations:

- firstly, charges are still based on historical maintenance expenditure only and do not adequately capture contemporary infrastructure needs, changing vehicle technologies, or the network upgrades required to support increased productivity or the introduction of heavy zero-emission vehicles; and
- Secondly, PAYGO does not reflect actual road usage.

Registration charges are static and unrelated to the distance travelled or the freight task. Fuel excise has historically served as a partial proxy for distance and mass, but improvements in vehicle fuel efficiency and the emergence of electric heavy vehicles mean that fuel consumption is no longer a reliable indicator of road use.

As more electric vehicles enter the market, fuel excise revenue will fall even as road use increases.

On that basis, the heavy vehicle road user charging system requires reform.

Principles for Heavy Vehicle Charging Reform

ALC supports a charging framework grounded in the following principles:

- **Fairness and equity.** Charges should reflect actual road usage, including mass, distance, and location, and be applied consistently across vehicle types and operators.
- **Productivity and efficiency.** A modern charging framework should support more efficient use of freight infrastructure, reduce administrative burden, and provide operators with improved planning information. The adoption of telematics creates opportunities for real-time data sharing that can deliver safety, efficiency, and compliance benefits in addition to improved charging accuracy.
- **Mode neutrality.** ALC supports charging reform that provides a level playing field between road and freight rail. The objective is to support efficient freight allocation based on service quality, cost, and reliability, rather than price distortions caused by legacy charging frameworks.
- **Administrative simplicity.** The charging system should be transparent, easy to understand and low-cost to administer, reducing reliance on rebate processes such as fuel tax credits.
- **Support for small operators.** Reform must not disproportionately burden small operators who often lack the capital flexibility of larger firms. Transitional support may be required to ensure fairness across the industry.
- **Alignment with national strategic objectives.** Charging reform should support Australia's broader goals, including decarbonisation, supply chain resilience, and the forecast growth in freight tasks. Australia has set clear national targets, including achieving net-zero emissions by 2050. A framework that does not accommodate or encourage the adoption of heavy zero-emission vehicles risks slowing this transition and undermining broader national objectives. The framework also contains an inherent subsidy for road transport, which may distort customers' mode choice for freight in favour of road transport and to the disadvantage of freight rail.

The idea of adopting an FLCB to determine a RUC has been considered by the government since 2017[1], with the NTC charged with developing an FLCB for heavy vehicle road charging by the Infrastructure and Transport Ministers' Meeting held in May 2023.[2]

[1] Farrier Swier Consulting *Financial Policy Elements of Developing a Forward-Looking Cost Base for Heavy Vehicle Charging (*2017): https://www.infrastructure.gov.au/sites/default/files/migrated/roads/heavy/files/Financial-elements-of-forward-looking-cost-base-report.pdf

[2] C-RIS:1

As indicated in the C-RIS:

> The heavy vehicle cost base is derived by measuring heavy vehicle–related road expenditure across all jurisdictions and calculating a national heavy vehicle cost base. Heavy vehicle charges are then set to recover the cost base through charges that are set nationally[3]

and:

> Heavy vehicle charges apply nationally regardless of location or road type. This necessarily means that a vehicle travelling on a poor-quality road may perceive poorer service quality than an identical vehicle travelling on a smooth, well-constructed road.
>
> Road quality affects fuel consumption for a given vehicle and load, with consumption likely to be higher on poor-quality roads. This may result in those operators travelling on the worst-quality roads paying more in RUC while experiencing poor service.
>
> On the other hand, well-constructed roads are likely to sustain less damage from heavy vehicle use, resulting in lower unit costs than poorly constructed roads, which wear out more.
>
> Therefore, if charges are uniform, it is also possible that users of high-quality roads are disadvantaged relative to users of lower-quality roads. The same may apply to both high and low traffic volumes.[4]

The proposed FLCB is based on the building-block method to determine the level of revenue that owners of regulated assets, such as telecommunications, should receive to maintain and develop their assets.

In this context, the proposed NTC FLCB model is designed to produce a national 'postage stamp' charge for road access, based on forward-looking assumptions about government road expenditures, rather than the current system of retrospectively capturing expenditures over a particular period.

Whilst the 'building block' method is of course the standard method of determining the amount of statutory revenue for the operation of an infrastructure asset, it is typically determined on the operation (and needs)of specific assets owned by a specific owner and not on the basis of aggregating data from eight separate 'owners' (the jurisdictions) and applying the proposed funding formula mechanically.

The proposal is therefore far less ambitious than the previously proposed Heavy Vehicle Road Reform project, which attempted to ensure the 'right funding to the right road' to improve access and productivity through road owners submitting an investment plan for the consideration of an independent economic regulator, so investments on roads are made to meet agreed road service standards.[5]

[3] C-RIS:19

[4] C-RIS:20

[5] Infrastructure Department *Heavy Vehicle Road Reform – What we are doing and why we are doing it* (2016): https://www.infrastructure.gov.au/sites/default/files/migrated/roads/heavy/background/files/HVRR_What_we_are_doing_and_why_we_are_doing_it_16082016.pdf

It also doesn't materially change the current charging structure, so it wouldn't lead a consignor to use rail as the mode of transport rather than road, where it would be otherwise more efficient to do so.

Finally, given:

- the limited data available to determine heavy vehicle usage and demand[6];
- jurisdictions are broadly free to make political decisions as to how and when they invest in roads; and
- that ITMM will still make a political decision as to what the RUC will do over any given period[7]

The change from PAYGO to an FLCB creates no incentive for a jurisdiction to improve general service levels or first- and last-mile access on a particular road.

However, it is also the case that:

- The proposed model is simple and does not prejudice smaller operators.
- The 'true-up' system proposed[8] to ensure heavy vehicle charges recover actual rather than forecast road expenditure over time, is supported as a confidence-building mechanism, so that operators have some comfort that road user charges are being used to recover the costs of providing a service, rather than a hidden tax going into government general revenue.
- Similarly, the proposed 'transparent reporting system' proposed in section 10.6.2 of the RIS will provide the industry with the information necessary to judge whether a proposed RUC has been appropriately struck.
- the 'line-in-the-sand' approach to determine the original regulatory asset base as the basis to subsequently apply normal 'building block' methodologies and the assumption of a 20-year lifespan for the initial RAB is supported as the most straightforward method to commence the FLCB cost calculation method; and
- the proposed FLCB method is 'designed to accommodate alternative charging mechanisms such as the distance-charge or consider zero-emission incentives (sic), as well as the ability to include charges for light vehicles'.[9]

Conclusion

ALC supports the development of a Forward-Looking Cost Base for heavy vehicle charging and considers Option 1B the strongest available option for the 2027-28 to 2029-30 charging period.

Moving from PAYGO to an FLCB is a worthwhile reform. It shifts the system away from a backward-looking expenditure model and toward a clearer assessment of the future cost of providing road infrastructure. It also creates a better foundation for future reforms, including distance-based charging, improved data use and the integration of zero-emission heavy vehicles into the charging framework.

[6] See section 3.3.5 and 7.4 of the C-RIS

[7] See section 10 of the C-RIS

[8] Section 8.6 of the C-RIS

[9] RIS: 18

However, the FLCB should not be treated as the full reform task. The proposed model remains a national average charge. It does not directly connect heavy vehicle charges to the roads used, the quality of service received, or the investment required to improve freight productivity on specific corridors. It also does not yet provide a strong mechanism to address first- and last-mile access constraints, improve road service standards, or remove price distortions between road and rail.

These limitations are significant. Heavy vehicle charging reform is not just a revenue issue. It goes directly to freight productivity, infrastructure planning, decarbonisation and supply chain resilience. A better charging framework should help governments and industry make clearer decisions about how freight moves, how infrastructure is funded, and how road and rail are used across the national freight network.

For the FLCB to work, governments must provide clear reporting and accountability. Industry should be able to see the cost base, the assumptions behind it, the treatment of forecast and actual expenditure, and the link between charges collected and infrastructure outcomes delivered. The proposed true-up and reporting arrangements will be essential to maintaining confidence that heavy vehicle charges are recovering the cost of road service provision, rather than becoming an opaque tax.

ALC supports implementation of the FLCB, with Option 1B adopted for the first regulatory period. Governments should treat this as the beginning of a broader reform pathway, not the end point. The next stage must move toward a charging framework that is fair, transparent, usage-based, mode-neutral and aligned with Australia's long-term freight system needs.