



AUSTRALIAN TRUCKING ASSOCIATION

2026-27 PRE-BUDGET SUBMISSION 30 JANUARY 2026

1. About the Australian Trucking Association

The Australian Trucking Association is a united voice for our members on trucking issues of national importance. Through our eleven member associations, we represent the 60,000 businesses and 200,000 people who make up the Australian trucking industry.

2. Introduction and summary

On 10 December 2025, the Productivity Commission handed the Australian Government its final report on investing in cheaper, cleaner energy and the net zero transformation.

The report recommends that the Government phase out access to fuel tax credits for heavy vehicles travelling on public roads.¹

The ATA urges the Government to reject the commission's recommendation. It should **retain fuel tax credits for on-road heavy vehicles in the 2026-27 budget and beyond**, because—

- the recommendation would impose a general tax on a business input, fuel, which would be economically inefficient. **Fuel tax credits are not a subsidy**
- based on the commission's own figures, the effective fuel tax paid by trucking businesses would more than double from 32.4 cents per litre now to 66.1 cents per litre in 2035. **Many trucking businesses would not be able to pay this tax increase**
- it would **increase costs for industry, our rural exporters and consumers**. It ignores the other pricing pressures facing hard-pressed Australian households
- abolishing fuel tax credits would not achieve the commission's aim of reducing the industry's emissions, because **it would not address the barriers to businesses adopting low emission solutions**.

The submission sets out an alternative approach to the **reducing the industry's emissions**.

It also recommends an alternative approach to road user charging reform, including an **invoice-based road user charge for electric light and heavy vehicles**.

¹ Productivity Commission (PC), [Investing in cheaper, cleaner energy and the net zero transformation: final report](#). 10 December 2025 (2025a). Recommendation 1.3. 25-28, 30.

3. The tax policy case for fuel tax credits

All fuel purchasers pay fuel excise, but businesses that operate heavy vehicles on public roads can claim partial fuel tax credits equal to the fuel excise they paid minus a notional road user charge.² The vehicles must meet one of four environmental criteria.³

The amount of the road user charge is recommended by the National Transport Commission using a mathematical model, PAYGO, which calculates the road construction and maintenance costs attributable to each class of heavy vehicle.⁴

The PAYGO cost base is recovered in two ways: the road user charge and a tiered system of registration charges that also covers the NHVR's operating costs.

Businesses that use fuel off-road, or in on-road heavy vehicles for auxiliary purposes, can claim fuel tax credits equal to the full amount of excise they paid.⁵

Table 1 summarises the excise, road user charge and fuel tax credit rates that will apply from 2 February 2026.

Table 1: Excise, road user charge and fuel tax credit rates, cents per litre, February 2026

Fuel type	Excise rate	Road user charge	On-road HV fuel tax credits	Off-road and auxiliary fuel tax credits
Conventional diesel	52.6	32.4	20.2	52.6
B5 and B20 blends	52.6	32.4	20.2	52.6

Sources: ATO; *Fuel Tax (Road User Charge) Determination 2023*.

The policy case for fuel tax credits is the same as the case for abolishing the former wholesale sales tax. Imposing general purpose sales taxes on business inputs cascades through the production chain and distorts production and consumption decisions.⁶

It is more efficient and less distorting to impose a broad based consumption tax – the GST – on the end purchaser.

Fuel tax credits are not a subsidy. The economic effect of the fuel tax credit scheme is to reduce the effective fuel tax rate for some purchases. It does not, and can never, reduce the cost of fuel below the purchase price once tax is taken out.

The scheme does involve providing businesses with tax credits, but this is a less burdensome alternative to the approach used in the UK and some European countries.

² *Fuel Tax Act 2006* (Cth), s 43-10.

³ s 41-25.

⁴ NTC, [Heavy vehicle charges consultation report](#), October 2025. 6-7.

⁵ *Fuel Tax Act*, s 43-5(1).

⁶ Reinhardt, S and L Steel. "A brief history of Australia's tax system," in [Economic Roundup](#). Winter 2006. 1-26.

Service stations in these jurisdictions may have bowsers selling diesel at different tax rates. The diesel sold at the lower tax rate is dyed; inspectors do random checks of the colour of the fuel in vehicles' tanks.

It is not just the ATA saying that fuel tax credits are not a subsidy. In presenting its 2035 nationally determined contribution under the Paris Agreement, the Australian Government noted that—

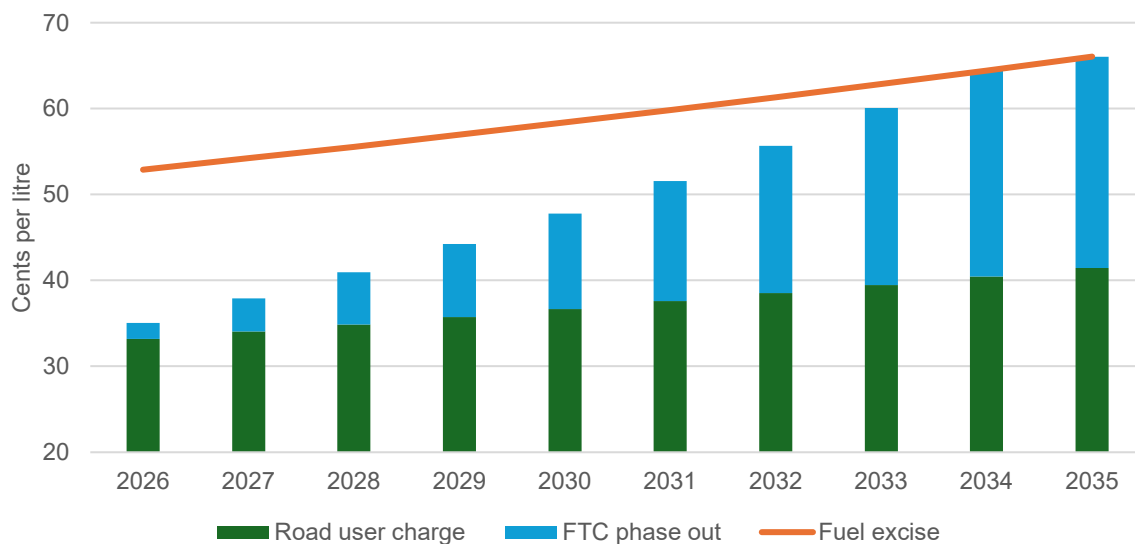
Australia joined G20 leaders in 2009 in committing to remove inefficient fossil-fuel subsidies that encourage wasteful consumption. **The Australian Government does not provide inefficient fossil-fuel subsidies** [emphasis added].⁷

4. Many trucking businesses would not be able to pay the charge increases

The report sets out a stylised projection for implementing the recommendation (figure 1), based on the assumptions that—

- fuel excise and the road user charge would increase by 2.5 per cent per year
- the industry's remaining fuel tax credits would be reduced by a \$65 per tonne of CO₂-e carbon price that would increase 5 per cent per year, phased in over ten years.⁸

Figure 1: Projected fuel excise, road user charge and FTC phase out rates



⁷ Australian Government, [Australia's 2035 nationally determined contribution](#). September 2025. 29.

⁸ PC, December 2025. 26

Figure 2: Percentage increases in the effective fuel tax rate

As figure 2 shows, the commission's projection would see the effective tax rate on fuel increase by about 8 per cent per year, before the increases tapered off in 2034 and 2035.

Based on the commission's own figures, **the effective fuel tax paid by trucking businesses would more than double from 32.4 cents per litre now to 66.1 cents per litre in 2035.**

The figures assume that governments would scrap the existing road pricing principles for heavy vehicles, where the road user charge and registration charges are set with the aim of recovering a calculated cost for the industry's road use.⁹

Instead, the road user charge would increase at the same rate as fuel excise.

The yearly increases in the effective fuel tax rate could be much higher than 8 per cent if the Government continues increasing the road user charge in line with the pricing principles. For example, transport ministers have agreed in-principle to a 6 per cent increase in the charge for 2026-27.¹⁰ The commission's phased reduction in fuel tax credits would be on top of this figure.

Many trucking businesses would be unable to pay these yearly charge increases, whether they are 8 per cent per year or higher.

We know this because businesses have struggled to pay the smaller, 6 per cent increases in the road user charge that occurred each year from 2023-24 to 2025-26.¹¹

The combined impact of these charge increases, price rises, persistent workforce shortages and natural disasters have led to a record level of insolvencies and an explosion in sham contracting.

⁹ NTC, 2025. 5.

¹⁰ *ibid*, 15.

¹¹ *Fuel Tax (Road User Charge) Determination 2023*.

The cost of business inputs has increased

There have been significant increases in the cost of business inputs such as electricity, labour, repairs, insurance and workers compensation.

There is a severe truck driver shortage that restricts capacity

At the same time, there is a persistent and severe driver shortage that restricts capacity.

In its 2025 Occupation Shortage List, Jobs and Skills Australia found there was a shortage of general truck drivers and articulated truck drivers nationally and in every state and territory.¹²

Separately, the world road transport organisation, the IRU, found that in 2024—

- 28,000, or 13.3 per cent, of driver positions in Australia were unfilled, and that
- 43 per cent of Australian trucking businesses were experiencing severe or very severe difficulty filling driver positions.¹³

Natural disasters are increasingly disrupting operations

Natural disasters, including repeated flooding and increasingly severe weather patterns, have disrupted operations, damaged infrastructure, delayed freight movements and added to maintenance and downtime costs.

The industry has a limited capacity to pass on cost increases or absorb them

Trucking businesses have a limited ability to pass on cost increases. ATA survey research shows that—

- only 34 per cent of trucking businesses can pass on increased fuel costs (including as a result of changes in fuel tax credits)
- businesses that can raise their charges are rarely able to increase them by more than CPI.¹⁴

The trucking industry works on tight margins. Previous research by ANZ put the industry's median profit margin at just over two per cent, with the bottom quartile of the industry either experiencing negative, flat or very tight profit margins.¹⁵

¹² JSA, [Occupation shortage list](#). OSCA codes 713131 and 713231.

¹³ IRU, [Global truck driver shortage report 2024](#). 32-33.

¹⁴ ATA, [2021-22 heavy vehicle charges consultation report](#). Submission to the NTC, March 2021. 4-5.

¹⁵ ANZ Bank research provided to the ATA, 2017 and 2018.

It's hardly surprising that exits and insolvencies are soaring

According to CreditorWatch, the national business closure rate for road transport in the 12 months to November 2025 was 8.5 per cent, or one in every 12 businesses.¹⁶

There has been a sustained increase in invoice defaults; the number of trucking businesses with large tax debts has surged.¹⁷

Sham contracting is also exploding

Perhaps unsurprisingly when faced with such acute financial pressures, there has been an explosion of sham contracting across the trucking industry. This is where businesses circumvent labour laws by engaging drivers as independent contractors rather than as employees.

These businesses can reduce their labour costs by underpaying wages and not paying superannuation, payroll tax or insurance. ABN drivers may also avoid paying the correct rate of income tax.

Sham contracting is illegal, but there is no active enforcement to deter it.

The result is that safe and compliant trucking operators who invest in safe work systems and pay their staff fairly are bearing the brunt of extreme competition as their margins get tighter and costs rise.¹⁸

5. Removing fuel tax credits would increase costs for everyone

Removing fuel tax credits would **increase costs for Australia's rural exporters and households.**

The report does not even consider the impact of the plan on our rural commodity exports; it draws on Grattan Institute research to argue that it would only have a modest impact on households.¹⁹

The report does not examine this Grattan Institute research closely. It does not consider the regional impact of removing fuel tax credits. **It does not consider the combined impact of the recommendation with the other cost of living pressures on households**, including the 21.5 per cent increase in electricity prices and the 11.2 per cent increase in childcare fees in 2025.²⁰

¹⁶ CreditorWatch, [Running on empty: how defaults, cost pressures and competition are redefining the Australian road transport industry](#). November 2025. 3.

¹⁷ *ibid*, 2.

¹⁸ NatRoad, [NatRoad exposes systemic illegal practices destroying Australian trucking industry](#). Media release, 5 November 2025.

¹⁹ PC, 2025, 27, citing M Terrill et al, [Fuelling budget repair: how to reform fuel taxes for business](#). Grattan Institute report 2023-3, July 2023. 28.

²⁰ ABS, [Consumer Price Index, Australia](#). December 2025.

The impact of the recommendation on remote Indigenous communities is a particular concern. The Government would need to increase spending on the Low Cost Essentials Subsidy Scheme to offset the cost of the recommendation on the 30 essential items that the scheme covers.²¹

6. The recommendation would not reduce carbon emissions

The report does not model the effect of removing fuel tax credits on emissions.

In summary, **the effect would be zero.**

The ATA submission on the commission's interim report identified the real world barriers holding back the industry's adoption of low emission solutions.²²

Removing fuel tax credits would not address any of those barriers.

It would not address the engineering reality that there is no single technology available to replace diesel engines. For the industry's long haul, rural, remote and heavy haulage tasks, there is no replacement for diesel engines at all. For these operators, **the commission's approach would just be an unavoidable increase in effective tax.**

Under the commission's proposal, the reduction in the Government's expenditure on fuel tax credits would disappear into the budget. It would not be allocated to new measures to help reduce the industry's emissions; operators would have no say in how it was spent.

The recommendation would not reduce the upfront cost of electrification

For urban and near urban areas, battery electric (BEVs), hybrid and hydrogen fuel cell electric (HFCEVs) are available or potentially available solutions to reducing emissions.

Battery electric vehicles are also suitable for some linehaul tasks with the rollout of charging infrastructure. Hydrogen fuel cell electric vehicles (HFCEVs) can travel greater distances than battery electric vehicles without refuelling/recharging.²³

Other electric solutions for reducing emissions are becoming available as well. Powered trailer axles, such as the under-development SAF TRAKe axle,²⁴ recover braking energy and use it to help propel the combination. Powered axles are a partial electrification option for tasks that require a diesel prime mover and can be retrofitted to trailers.

Separately, electric power takeoffs (ePTOs) can be used to replace mechanical power takeoffs for powering auxiliary equipment such as work platforms. A mechanical PTO

²¹ McCarthy, M. (Minister for Indigenous Australians), [100 remote stores now enrolled in the Low-Cost Essentials Subsidy Scheme](#). Media release, 26 September 2025.

²² ATA, [Investing in cheaper, cleaner energy and the net zero transformation](#). Submission to the Productivity Commission, 18 September 2025. 2-5.

²³ NSW Department of Primary Industries and Regional Development, [Green hydrogen](#). Viewed 11 September 2025.

²⁴ SAF Holland, [SAF TRAKe](#). Viewed 7 September 2025.

requires the vehicle's engine to idle continuously, perhaps for many hours, so replacing them with ePTOs reduces fuel consumption, emissions and noise.

The principal barrier stopping businesses from investing in electric equipment is its high upfront cost, because—

- trucking is an industry of small businesses. 98 per cent of trucking businesses have 19 employees or fewer; 62 per cent are non-employing.²⁵ These businesses are typically well aware that the long term cost of owning an electric vehicle might be comparable to a conventional diesel truck. Knowing that the costs might work out the same over time is not the same as having the upfront resources to buy one now.
- for fleet purchasers, the high cost of the equipment and the necessary charging infrastructure remain significant issues.

The Government is addressing the upfront cost barrier through its \$70 million Clean Energy Finance Corporation (CEFC) investment with Volvo Group Australia to provide discounted finance for trucking businesses buying electric trucks and to support their long-term residual value.²⁶

Removing fuel tax credits would not reduce the upfront cost of electrification. In fact, **the extra tax would make it harder for operators to afford to buy new vehicles and equipment.**

It would not support the use of renewable diesel, either

Renewable diesel, or hydrotreated vegetable oil (HVO), is a direct replacement for petroleum diesel or can be used as a blend. Renewable diesel is different to biodiesel, which is produced using a different chemical process.

Renewable diesel promises to be highly suitable for reducing emissions from the parts of the road freight task that cannot be electrified. And it can be used safely in existing equipment.

The Government is investing \$1.1 billion in a new, ten-year Cleaner Fuels Program to stimulate private investment in the Australian production of low carbon liquid fuels such as renewable diesel and sustainable aviation fuel.²⁷

The commission's approach would not distinguish between conventional and renewable diesel. There would be **no incentive for operators to use the renewable diesel produced under the Government's own program.**

²⁵ ABS, [Counts of Australian businesses, including entries and exits, June 2020 to June 2025](#), data cube 2.

²⁶ Bowen, C (Minister for Climate Change and Energy). [Australian-made electric trucks to power a cleaner, cheaper freight future](#). Media release, 9 December 2025.

²⁷ Chalmers J (Treasurer) et al. [Fuelling the future: \\$1.1 billion to power cleaner Aussie fuel production](#). Media release, 17 September 2025.

7. The ATA's alternative

Reducing emissions from road freight transport

Instead of adopting the Productivity Commission's recommendation, the ATA urges the Government to adopt three complementary approaches to reducing the industry's carbon emissions—

- address the upfront capital cost of electrification or alternative fuel options by establishing a **voucher scheme** covering half the price gap between comparable alternative fuel and conventional models
- offer production incentives and put in place a **low carbon fuel standard** to support the domestic production and use of enough renewable diesel to meet 5 per cent of Australia's diesel needs before the end of the 2030s, as well as **increasing the provision of EV charging and green hydrogen refuelling infrastructure**
- implement a **regtech solution, targeted infrastructure investment and road access upgrades** to support the use of high productivity and low emission vehicles, given that the most cost effective way to reduce emissions is to increase productivity. The funding could also be used to make the road network more resilient through flood proofing and the creation of alternative routes.

Deloitte Access Economics modelling shows these policies would reduce emissions by a cumulative 35.1 million tonnes of CO₂-e over 25 years.²⁸

Table 2 sets out the indicative cost of our recommended approach. The cost to government in 2027 would be \$815.6 million, noting that the fuel industry would be responsible for the cost of meeting the low carbon fuel standard.

The cost of the voucher scheme would be at its highest in 2027, the year modelled, and would then decline, including because of the falling cost differential between alternative fuelled and conventional vehicles.

The industry's share of the cost of the targeted road investments would be recovered over time through heavy vehicle charges.

²⁸ Deloitte Access Economics (DAE), [Pathways to decarbonising Australia's trucking industry](#). Report prepared for the ATA, July 2025. 2.

Table 2: Indicative cost of the ATA's recommended approach, 2027

Measure	2027 cost \$m
Voucher scheme	315.6
Low carbon fuel standard	0
Targeted road investment	500.0
Total	815.6

The future of road user charging

In early 2026, the NTC will consult on the replacement for its PAYGO road pricing model, the Forward Looking Cost Base (FLCB). The FLCB will be based on the well-understood building block model.

The FLCB will not change how charges are collected. The ATA considers that **the existing approach – plus an invoice-based charge for electric vehicles – should be retained until the road user charge approaches the fuel tax rate**, which we project could be in the late 2030s.

The existing road user charging system has low compliance and administration costs: the report's argument that eliminating fuel tax credits would reduce the administrative burden on operators is not supported by how it works in practice.²⁹ The existing system does not require service station operators to have multiple diesel pumps offering fuel at different prices; it does not require telematics or hubometers; it does not involve additional invoices.

Small trucking businesses often use their fuel tax credits as a cashflow management tool. The fuel tax credits on their BAS offset the GST and other taxes they need to pay.

Road user charging for electric vehicles

We urge the Government to continue working with the states to develop an invoice-based **road user charging system for light and heavy zero emission vehicles**, with the charges set at a level that does not discourage the uptake of these vehicles.

The charging system should use a **flat per-kilometre rate** and should not impose a road wear premium for heavier trucks.

This is due to the High Court's judgement in *Vanderstock*³⁰ and the resulting need for the invoice based system to be imposed by the Commonwealth.

At present, the stepped system of state-level registration charges helps recover the additional road wear caused by heavier trucks.

²⁹ See PC, 2025. 26 fn 14.

³⁰ *Vanderstock v Victoria* [2023] HCA 30. The ATA appeared in the case as amicus curiae.

Trucking businesses would pay twice for their road wear if the charging system included a damage premium unless the states agreed to flatten their registration charges.

Western Australia and the Northern Territory would under this approach lose the ability to charge trucking businesses less for road access than is charged nationally. The damage premiums under the invoice-based road user charging system would need to be consistent across Australia.³¹

There is **no case for rolling out charges on electric heavy vehicles first**. In January 2025, there were only about 960 battery or FCE trucks and buses on Australian roads compared to about 259,000 battery or FCE light vehicles.³²

The ABS Survey of Motor Vehicle Use should be reinstated

The future success of road pricing will depend on having good information about fuel use and total distance travelled (VKT) information by type of vehicle and area of operation.

This information was available in the Survey of Motor Vehicle Use (SMVU), but the ABS discontinued the survey in 2020.³³

Government and industry are continuing to work off the 2020 SMVU, but its relevance is decreasing each year. It may be possible to replace the SMVU with telematics data in the future, but this is not yet a workable option.

The ATA urges the Government to **fund the ABS to reinstate the SMVU**.

³¹ *Constitution*, s 51(ii).

³² BITRE, [Road vehicles, Australia](#). January 2025. Table 4.

³³ NTC, [Heavy vehicle charges determination: consultation regulation impact statement](#). June 2021. 42-44.