



TRANSPORT  
REFORM  
NETWORK

## **SUBMISSION TO THE FEDERAL GOVERNMENT'S CONSULTATION ON THE PRODUCTIVITY COMMISSION'S Competition Policy Review Report (The Harper Review)**

**June 2015**

### **About the Transport Reform Network**

The Transport Reform Network (TRN) is a partnership of organisations and individuals that first came together in 2011 to discuss the state of transport funding and financing in Australia.

The TRN's mission is to seek a better way of planning, managing, funding and financing land transport in Australia to ensure it delivers optimum and sustainable economic, social and environmental outcomes for all Australians.

A full list of TRN members is attached. Please note, the views in this paper are not necessarily the views of all its members and observers.

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### **Get onboard.**

TRN is an industry policy group managed under the auspices of Roads Australia – ACN 004 302 836 ABN 34 834 376 172

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## INTRODUCTION

The Transport Reform Network (TRN) commends the work of the Productivity Commission in the development of the Competition Policy Review Report (Harper Review) and supports Recommendation 3 of the Report, namely:

### **Recommendation 3 — Road transport**

**Governments should introduce cost-reflective road pricing with the aid of new technologies, with pricing subject to independent oversight and revenues used for road construction, maintenance and safety.**

**To avoid imposing higher overall charges on road users, governments should take a cross-jurisdictional approach to road pricing. Indirect charges and taxes on road users should be reduced as direct pricing is introduced. Revenue implications for different levels of government should be managed by adjusting Australian Government grants to the States and Territories.**

As recommended in the Report, road pricing reform should be a national priority. The implementation of a new cost-reflective road pricing model, in a revenue-neutral way, will more effectively serve the needs and respond to preferences of road users as we move through the 21st century.

The Transport Reform Network supports the priority given to road reform in this Report and the recommendation that a working party of Federal and State treasury and transport officials be established to progress this vision and plan for the implementation a number of pilots.

## WHY ROAD REFORM IS NEEDED

The price we 'pay' to access transport infrastructure and services has evolved haphazardly over the past century. The Harper Review found that roads are the 'least reformed of all infrastructure sectors' with funding and provision remaining largely unchanged in the past 20 years.

This steady-as-she-goes approach has created an environment characterised by:

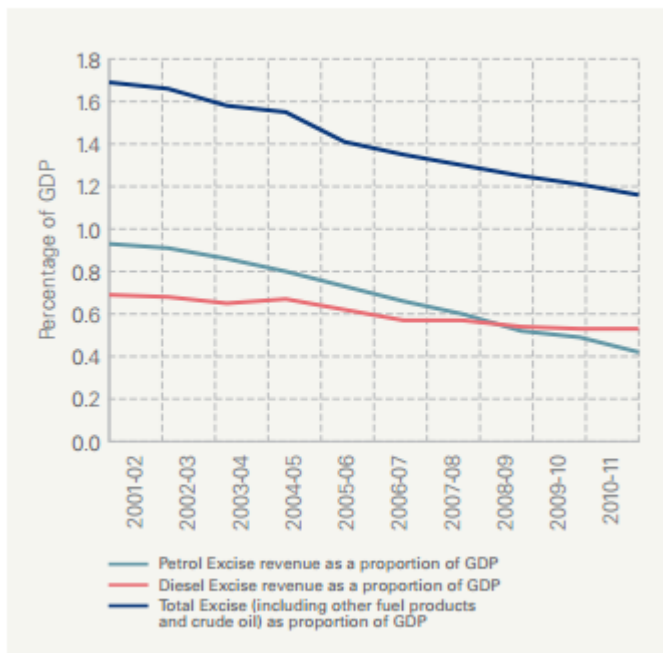
- limitations of government to fund essential new infrastructure, coupled with the scarcity of private financing options
- an unfunded backlog of critical maintenance and renewal work in our existing transport infrastructure networks
- a lack of long-term planning, which in turn impacts on funding and delivery of transport infrastructure
- confusing and inequitable pricing signals across different networks and modes
- divided and, at times, illogical levels of responsibility and decision-making across three tiers of government
- the growing cost and impact of urban congestion (in terms of productivity, health, lifestyle)
- poor environmental outcomes



- the impact of under-investment in infrastructure on transport safety outcomes
- an inability to meet the growing freight task across Australia.

The revenue base and in particular declining fuel tax revenues, not least due to improvements in the fuel efficiency of vehicles, will continue to add pressure to this situation.

#### FUEL EXCISE REVENUE BY TYPE (AND TOTAL) AS A PROPORTION OF GDP



Source: IPA analysis, Commonwealth Budget Paper – 2001-02 to 2010-11

The table above from IPA's 'Road Pricing and Transport Infrastructure Funding: reform pathways for Australia Discussion Paper', developed in conjunction with the motorist groups, clearly shows the fall in relative value of the Fuel Excise revenue since 2000.

In short, the current model of funding, maintaining and developing our land transport system is unsustainable to meet the demands of Australia's growing population.

### ROAD PRICING IS THE WAY FORWARD

In support of Recommendation 3 in the Report, a more direct, user-pays approach would ensure that everyone pays a fair price for use of the system and that governments have a sustainable source of funding to develop and maintain the road network.

The TRN recommends that governments, through the recommended COAG working party, assess and consider the different road pricing models already in operation and/or being trialed both here and overseas. These include network-based time-of-day charging, distance based charging, congestion charges, and privately-operated toll roads, for example:

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- TRN member, Transurban, will run a trial road pricing scheme using 1200 volunteer motorists. The study, to be carried out over the next twelve months, will trial various user-pays models including:
  - a distance-based per-kilometre charge;
  - an annual fixed costs per kilometre based on expected usage, and;
  - a price per trip or charge to access the road network
- New Zealand has collected road usage charges from diesel vehicles and heavy trucks based on weight and distance since 1977. Today around 250,000 trucks and 500,000 diesel vehicles pay the fee known locally as RUC.
- In the United States, major studies and pilot testing have been or are being performed by Oregon, Iowa, Minnesota, Nevada, Washington State, Indiana and California.

Next month the Oregon Department of Transportation will begin assessing the state's Road Usage Charge Program, known as OReGO, a charge of 1.5cents/mile for 5,000 volunteer drivers of cars and light commercial. The program is testing three different methods of collecting mileage-based fees.

Californian legislation passed in September 2014 will enable a Road Charge Demonstration Program to be conducted to study the feasibility of road use charging. The trial will start in 2017 with its results to be reported in 2018.

- Road use charging has been in operation in many European countries for more than a decade. Certain EU countries require heavy vehicles to be equipped with distance and location reporting devices to measure distance travelled on main roads. Others operate a system of permits ('vignettes') which allow trucks and/or passenger vehicles to access the road network of a country for a specified period of time such as a day, week, month or year.

Congestion charging has been in place in London and Stockholm since 2003 and 2007 respectively

The advantage of all of these approaches is that they can influence how people use the network, including the time of day and the mode of travel. Charges imposed under each model can be linked to road construction, maintenance and safety making road investment decisions more responsive to road users. Technology exists to support each of these models.

The TRN does not advocate any model over another; all options should be on the table for discussion and examination by the COAG working group. Once a vision for Australia is adopted then the TRN would support appropriate pilots and intermediate steps in working toward that vision.

## **HURDLES TO ROAD PRICING REFORM**

The TRN recognises that the challenges in bringing about fundamental reform to road pricing, as briefly addressed in the Report, including:



- educating Australians that the time has come to re-think the way we pay for transport choices and that roads are utilities and should be treated as such.
- demonstrating that revenue collected from road use charging is reinvested back into roads and other transport infrastructure;
- ensuring that those disadvantaged by distance, low income and/or lack of alternatives are catered for under a new regime
- assuring the community that individual privacy is protected
- supporting future innovation (eg driverless cars)
- phasing out current taxes (registration, fuel taxes etc) as the new regime is phased in.
- demonstrating that there will not be a penalty on rural and regional drivers (in fact if congestion is taken into account then rural drivers in some cases will be better off, and those using fuel for non-road purposes won't be impacted unfairly by road taxes).

None of these challenges is insurmountable and should not stand in the way of progressing the reform agenda. However, the TRN recommends an immediate and long term program of community engagement to ensure the wider public has a clear understanding of what is meant by road reform and its overall opportunities and benefits.

## CONCLUSION

The TRN agrees with the finding of the Harper Review that *“road reform is the least advanced of all transport modes and holds the greatest prospect for efficiency improvements, which are important for Australian productivity and community amenity.”*

We support the suggested road map for implementation outlined in the Report, in particular that a COAG working group comprising treasury and transport officials be established within 12 months to develop pilots and trials.

Community education and information will be paramount to a successful transition to road pricing. Its benefits and a clear understanding of its revenue neutrality must be widely communicated as early as possible. Public misunderstanding and anxiety that comes with change must be countered from the outset through an ongoing education campaign to avoid leaving the reforms open to becoming a political football or put in the ‘too hard’ basket.

It will be to Australia's long term disadvantage if the agenda toward road reform is not tackled now.

Members of the TRN have broad-ranging expertise in road development, maintenance and safety both in Australia and overseas and would be pleased to contribute in to the continuing progress of the road reform agenda.

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**TRN Members & Observers**

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