



## SESSION 1 – Discussion Paper: Land Transport Market Reform

*Participants are invited to consider the key issues for reforming land transport in Australia including the opportunities and challenges for industry and governments to deliver long term road investment and charging reforms that will realise economic and productivity benefits. This session will also cover current work underway regarding HVRR.*

### Why reform road transport?

Population growth, particularly in our major cities, will continue to drive demand for road transport services. The total domestic passenger task (measured in passenger kilometres travelled) will likely grow by almost 50 per cent between 2011 and 2031. The national land freight task is expected to grow by 86 per cent between 2011 and 2031, with much of that expected to be handled by road freight.

Competing budgetary pressures, stemming from the needs of an ageing population (health and social service demand) and decline in tax revenue, will increasingly make governments' expenditure choices more difficult.

Reasons being put forward to support a push for land transport market reform:

- Road-related revenue is tipped to decline relative to government expenditure on road infrastructure.
- Compared with other infrastructure sectors, such as energy and water, or even other transport sectors, such as aviation and freight rail, price signals for the use of roads are opaque at best.
- The cost of congestion is expected to increase.
- There is a lack of transparency between what users 'pay' for roads and investment decisions by road owners.
- To maximise returns on investment, there is a need for investment decisions to explicitly take into account, and ensure provision for, the cost of maintaining assets over their lifecycle.
- Equity considerations have also been raised as a rationale for reform – with some stakeholders of the view that road user charging should more fairly reflect drivers' specific use of road infrastructure assets.

The Australian Government's response to the *2014 Productivity Commission Inquiry into Public Infrastructure* supported reform in principle as a long term reform, but acknowledged its complexities and the breadth of issues that would need to be worked through before road pricing could be introduced on a broader scale.

In its response to the *Competition Policy (Harper) Review*, the Australian Government has announced that it will seek to accelerate work with states and territories on Heavy Vehicle Road Reform (HVRR) and investigate the benefits, costs and potential next steps of options to introduce cost reflective road pricing for all vehicles.

### Where are we now?

Heavy vehicles are the logical starting point for road user charging and investment reform, since there is already a user charging arrangement in place for heavy vehicle users to recover their share of past road expenditure.

Since 2007, the Department has been directly involved in significant multi-jurisdictional research and development related to heavy vehicle investment and charging reform. This work has resulted in the development of a number of key milestone reports to the Council of Australian Governments (COAG) including a detailed Feasibility Study and a 2014 Strategic Directions Report which included an implementation plan.

More recently, the Department has taken a leading role in progressing HVRR through its leadership of a cross-jurisdictional officials group and the development of the HVRR road map, which was endorsed by transport Ministers in May 2015.

At its 11 December 2015 meeting, COAG agreed to task the Transport and Infrastructure Council (the Council), in consultation with the Council on Federal and Financial Relations, with:

- Leading efforts to accelerate HVRR, including identifying steps to transition to independent pricing regulation by 2017-18;
- Investigating the benefits, costs and options to introduce cost reflective road pricing for all vehicles, including options to reduce all other Commonwealth and state road-related taxes and charges, such as fuel excise, as a market based model is introduced; and
- Reporting to COAG on progress of these matters by mid-2016 and annually thereafter.

The decision to accelerate reform and implement independent price regulation for heavy vehicle road user charges has added further momentum to the HVRR process.

The Department is holding state-based consultations with the heavy vehicle industry to receive feedback on the first editions of the asset registers, expenditure plans and the HVRR road map.

The Department has also engaged a consultant to deliver a study on the high level benefits and costs of light vehicle charging and investment reform. The Bureau of Infrastructure and Transport Economics (BITRE) is also undertaking scenario modelling.

### **Will telematics have a role to play (in reform)?**

Telematics systems are becoming more affordable and accessible, which will only strengthen the commercial case for operators to adopt the technology on a voluntary basis.

Through the Council, Australian governments are developing a *National Policy Framework for Land Transport Technology*. This Policy Framework is directly relevant to any stakeholder concerns about the possibility of multiple telematics devices being required by different government agencies.

While the Policy Framework is still being drafted, it is anticipated that the final version will contain a strong commitment from all jurisdictions to deploy new technologies in a way that is nationally consistent, harmonised with international standards, and flexible, rather than prescriptive. Council is expected to consider the Policy Framework at its next meeting.

On the application of telematics for heavy vehicle charging purposes, it is important to note that no decision has yet been made by governments about the method of charge collection to be employed in any future HVRR model.

### **Opportunities for ALC input to reform processes**

The ALC has been closely engaged in the HVRR work to date. The Department welcomes the opportunity to continue to work with the ALC as this reform progresses, including on the important issue of sharing data.

Full market reform, should it be agreed by governments, will be a long term endeavour. While numerous reports to government have explored the potential benefits of road pricing reform for light vehicles, from an economic and competition perspective, much of the more detailed work that would demonstrate the benefits of reform – to government, the community and industry – is yet to be done. Industry will be a vital partner in this work.

#### **Questions for discussion**

- How can the logistics industry and government work together to progress HVRRs to improve the efficiency of freight movements?
- What role could the logistics industry play in building the case and subsequently progressing reforms of road user charging and investment arrangements in Australia?
- How important will the interoperability of vehicle telematics technology be when designing any future road funding mechanism?