ROAD USER CHARGE

JULY 2022

ALC AUSTRALIAN LOGISTICS COUNCIL
SUPPLY CHAIN EFFICIENCY AND SAFETY

Australia has a national economy.
Our roads connect our nation, and we need to put in place a fit-for-purpose and nationally consistent road user charge (RUC) for all vehicle types and classes.

ALC believes road pricing processes should fairly capture all the relevant cost components of roads to ensure, as far as is practicable, pricing does not distort the choice of transport mode or freight operator. The existing charging model is failing and the way in which road user charges are calculated has the potential to price other modes, such as rail, out of the market.

With the predicted transition to alternative fuels and exponential increase in the uptake of zero emission vehicles (ZEV), the consequential impact on fuel excise means we need to start planning now for alternative road funding methods. Put simply, less petrol and diesel use means less fuel excise revenue collected. This source of funding is tied to road transport funding, and less revenue will mean less investment in road infrastructure, unless we find a way to ensure all road users pay their fair share. We cannot rely on the fuel excise to adequately fund the roads Australians need.

The ongoing viability of the funding model for the Australian road network will come under threat at a critical point in time when our freight task is growing placing great strain on our urban infrastructure.

States and Territories are taking varying approaches and different directions as to whether, or when, they will implement a road user charge for electric vehicles. Australian governments are also considering a new pricing mechanism being developed for heavy vehicle access to roads under a reform package known as the Heavy Vehicle Road Reform (**HVRR**) to replace **PAYGO** – the current system, which has moved very slowly over the last six years and there is no guarantee the States and Territories will adopt the model.[i]

The expectation is that road users will pay a “per kilometre charge” for road access, regardless of their vehicle class. If this does not happen, there will be insufficient investment in road maintenance and new infrastructure leading to increasing congestion, reducing safety, hampering efficiency, and negating productivity.

Reforming road funding by implementing a RUC in place of fuel excise and other road-related charges such as licensing and registration has been recognised by groups such as IA[ii], Infrastructure Victoria [iii] and the Productivity Commission.[iv]

Recommendations

1. For the reasons generally set out in the NSW Review of Federal Financial Relations design a RUC based on a model of distance-based and location charging and so provide a sustainable stream revenue to invest in transport infrastructure.
2. National Cabinet (or any successor process that may be created) authorise the development of a report establishing a pathway for the immediate development of a RUC capable of being applied to all classes of vehicle.
3. Phase out jurisdictional electric vehicle charging schemes that would duplicate a national RUC to remove confusion, provide a consistent cost basis for businesses to plan and encourage the adoption of ZEVs
4. Transfer any relevant work developed under the HVRR process to any newly created process established to create a national RUC mechanism

[i] https://www.infrastructure.gov.au/sites/default/files/documents/pathway-ahead-heavy-vehicle-road-reform.pdf
[ii] https://www.infrastructureaustralia.gov.au/sites/default/files/2021-09/Implementation%20Pathway%20%28IP%29.pdf : 38 and 57-58
[iii] https://www.infrastructurevictoria.com.au/wp-content/uploads/2021/08/1.-Victorias-infrastructure-strategy-2021-2051-Vol-1.pdf - recommendation 53
[iv] https://www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review-supporting9.pdf :17