

# THE CONVERSATION

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## Road users must pay, sooner rather than later

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A well designed user pays system for Australian roads would help boost productivity. Image sourced from shutterstock.com

The idea of motorists paying for the roads they use beyond tolls, fuel excise or registration fees has taken hold in Australia. A user-pays system might replace existing fees with charges based on motorists' actual use of roads. New technologies would allow charges to be applied at different rates during peak periods in the same way we pay for the use of telecommunications or electricity networks.

The Henry Tax Review, the Harper Competition Review, the Productivity Commission's Public Infrastructure Inquiry, last week's AFR National Infrastructure Summit, and now the Australian Automobile Association, agree it's time. But politicians aren't sure it will pass the "pub test" with voters.

A user-pays system is necessary to reduce congestion on our roads and improve productivity into the future. We must have a debate over *how*, not *if*, we should implement a road user-pays system. But chances are political debates will send the user-pays idea down a rabbit hole before it even begins.

### Can it pass the "pub test"?

No politician wants to be the one who implements a user-pays system for roads. But while the jury is still out on whether motorists support the idea of user-pays, the current fuel excise hits those who can

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least afford it the hardest.

A well-designed user-pays system would be fairer. And road users would know exactly what they were getting for their money.

There can be no such thing as a simple debate about transport reform. A debate about user-pays must cover:

- earmarking (hypothecation) road-related revenue for road construction and maintenance
- efficient use (or “sweating”) of our existing transport infrastructure
- ways of enabling intermodal freight movement
- public-private partnerships to take advantage of available capital and ramp-up infrastructure spending
- efficient approaches to competitive tendering for infrastructure projects
- changes to the existing fuel excise
- effective ways to limit the impact of user-pays on those who can least afford it
- new ways to capture the value added to nearby properties by infrastructure improvements
- better ways to fund public transport

The debate will be intense. But business-as-usual will only lead to mounting congestion in our cities, decreased productivity and ultimately a decline in our standard of living. And it will be very difficult to implement the necessary reforms without a user-pays system.

### **Pricing and charging are not the same**

Two important issues must be considered separately in the debate: pricing and charging. First, there needs to be a way to recognise the price – the amount consumers are willing to pay for using roads - relative to the costs associated with the funding, construction and maintenance of roads. Second, there needs to be a way to charge users for actually using the roads where the amount charged reflects the price.

Much of the political debate will likely focus on charging, though pricing will be the major reform. Even though voters are already paying for roads, they don't really know how much and the contribution has little to do with their actual use of roads.

Without accurate pricing, we can only guess at how to prioritise road construction and maintenance. In the absence of such market information, simply building more roads will not address the underlying issues.

Although a simple per kilometre charge is supported by many, accurate pricing would mean different charges to reflect demand. This may require a combination of per kilometre and congestion charging. Also, charges would need to vary to reflect how much motorists would be willing to pay under different circumstances. A broad user-pays system might even encourage more flexible work practices as the cost of commuting becomes more transparent.

But there are many sticking points. For one thing, the Australian Motoring Enthusiasts Party is opposed to any user-charges for existing roads, even though road pricing may make it fairer for motorists in regional areas.

## **We can't afford another GST 'birthday cake'**

The introduction of road pricing may prove as difficult – if not more – than the introduction of the GST. That took 30 years to happen. Can we really afford to wait that long?

At 650 pages, the Coalition's Fightback! policy was known as the "longest political suicide note in history". But more than two decades later, most of Fightback! has been implemented.

However, the GST debate was less complex than the road user-pays debate is shaping up to be. For one thing, John Howard had the backing of the States to introduce the GST. The introduction of road pricing will require getting the States on board again, but in an area that is clearly within the States' constitutional powers.

Prime Minister Tony Abbott's relationships with Queensland and Victoria are far from congenial. And transport reform is shaping up to be a major issue for all levels of government. So it is not difficult to see why politicians "are wary of a voter backlash" over transport reform.

## **Media one-liners will hinder reform**

To make matters worse, the complexity of transport reform will be more difficult to explain in media-grabbing one-liners than the impact of the GST on a birthday cake. And history suggests that another "birthday cake" incident has the potential to put transport reform on hold for several years.

We cannot put all of the responsibility on our politicians. Sensible debate with large-scale community support for reform is essential. Otherwise, achieving transport reform will make the implementation of the GST look like a political cake-walk.

In the meantime, whether user-pays happens now or in the future, the longer we wait, the more we will pay.

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