



17 February 2021

Mr Huw Merriman MP
Chair of the Transport Committee
House of Commons
London, SW1A 0AA

Dear Mr Merriman

RE: INQUIRY INTO ZERO EMISSIONS VEHICLES AND ROAD PRICING

Infrastructure Partnerships Australia is pleased to provide this submission in response to the House of Commons Transport Committee's Inquiry into Zero Emissions Vehicles and Road Pricing.

Infrastructure Partnerships Australia is an independent think tank and an executive member network, providing research focused on excellence in social and economic infrastructure. We exist to shape public debate and drive reform for the national interest. As the national voice for infrastructure in Australia, our membership reflects a diverse range of public and private sector entities, including infrastructure owners, operators, financiers, advisers, technology providers and policy makers.

In November 2019, Infrastructure Partnerships Australia released a report entitled *Road User Charging For Electric Vehicles*. This report proposed the introduction of a simple distance-based charge for Electric and Zero Emissions Vehicles as a means of ensuring all Australian motorists make a fair and sustainable contribution for road use.

In late 2020, the Victoria and South Australian Governments announced plans to each introduce a road user charge for Electric and Zero Emissions Vehicles in line with Infrastructure Partnerships Australia's proposal. Other Australian jurisdictions are also actively considering introducing this reform.

Governments in the United Kingdom and Australia face common transport and environmental challenges – namely the need to decarbonise the transport sector while also ensuring adequate revenue to fund road construction, operation and maintenance. On this basis, this submission seeks to provide evidence from Australia that may assist the Committee to shape the UK Government's policy response.

Background: Road pricing reform in Australia

The case for road pricing in Australia is well-established. Successive inquiries, reviews and reports have pointed to the need to reform our road funding and user charging system. Each of these have drawn the same conclusion that the current system for funding and investing in our roads is inefficient, unfair and unsustainable. These date back to the early 1990s, but more recent calls for reform in Australia include:

- Productivity Commission's *Public Infrastructure* (2014)
- Professor Ian Harper's *Competition Policy Review* (2015)
- Infrastructure Australia's *Australian Infrastructure Plan* (2016)



- Infrastructure Victoria's *The Road Ahead* (2016)
- Productivity Commission's *Shifting The Dial* (2017), and
- Infrastructure Australia's *Australian Infrastructure Audit* (2019).

The Australian Federal Government, in response the 2016 *Australian Infrastructure Plan*, even committed to an inquiry into road reform. However, five years later, this inquiry has failed to materialise.

Infrastructure Partnerships Australia has consistently argued for national road reform and implementation of a user charging system for the past decade. This includes publishing *Road Pricing and Transport Infrastructure Funding* in 2014 and advocating for change through a variety of inquiry processes, formal submissions, public forums and news publications.

A road user charge can be simple to design, implement and operate

A road user charge for Electric and Zero Emission Vehicles does not need to be complex. In fact, this reform will be most easily implementable and understandable for communities if it is simple, transparent and effective.

Under the model proposed by Infrastructure Partnerships Australia, a road user charge for Electric and Zero Emissions Vehicles should be network-wide and not isolated to specific area or type of road. It should be considered separately to congestion charges, subscription style transport services, or charges for private or toll roads. Users currently pay fuel excise for use of these roads, so a distance-based road user charge would mirror the existing approach.

The model we proposed would have the following features:

- A per-kilometre charge should be set no higher than fuel excise for regular petrol or diesel vehicles (that is, the average vehicle on a fuel excise per kilometre basis) to ensure Electric or Zero Emissions Vehicle motorists pay no more than the equivalent vehicle would in fuel excise.
- Odometer readings could be taken every six or twelve months and could be implemented alongside existing registration processes. For vehicles with the capacity to transmit readings, owners may choose to submit this way, or simply take a photograph of their odometer as evidence.
- There would be no need for authorities to know when or where a vehicle has been. Governments would require no more information about a vehicle than what could be gathered by a glance at its odometer.
- This model would be 'opt-in', in the sense that motorists choose the new model through their choice to purchase an Electric or Zero Emissions Vehicle. Those who drive vehicles powered by petrol, diesel or LPG currently pay excise on the fuel they consume, meaning all drivers continue to make a contribution to consumption-based road revenue.
- Revenue from a road user charge should be reinvested in new transport capacity. This investment should be 'modally agnostic' and flow to the projects that will provide the greatest improvements to transport outcomes over time.

Fairer road funding and decarbonisation of the vehicle fleet can be complementary outcomes

The revenue raised from a road user charge for Electric and Zero Emissions Vehicles is likely to be modest in the near term. For example, under the proposed rate of A\$0.025 (£0.014) per kilometre in Victoria, a motorist travelling the average 13,100 kilometres in an Electric Vehicle would pay A\$330 (£185) each year, excluding an annual A\$100 (£56) vehicle registration discount. Relative to the cost of a new Electric Vehicle, a road user charge is not a significant impost, and would be substantially less than a motorist in an equivalently sized petrol

or diesel vehicle would pay.

Although the total revenue is likely to grow substantially over time, in the near term the aggregate funds raised by a road user charge are likely to be relatively minor. This provides an opportunity for governments to ensure funding to support uptake of Electric and Zero Emissions Vehicles outweighs revenue raised without a major fiscal impact. The most impactful measures are likely to include a reduction in the upfront cost of new vehicles, until price parity with petrol and diesel vehicles is reached.

This net investment in the electrification of the vehicle fleet is likely to be critical for building public support, while also bringing forward the benefits of decarbonising the transport sector. Once mass market uptake of Electric and Zero Emissions Vehicles has been achieved, the net benefits of accelerating the electrification of the fleet will have expired, enabling government support to be retired.

A road user charge could also provide a catalyst for strong growth in the electrified fleet by providing potential Electric and Zero Emission Vehicle buyers with certainty about the future road funding arrangements. This allows potential buyers to purchase vehicles with confidence, while providing surety that governments will retain sufficient funding to pay for maintenance and upgrades of the roads they will use over the life of their vehicle.

The legacy would be a fairer and more sustainable means of paying for road use, alongside a substantially lower carbon vehicle fleet.

Further information

Should you wish to find more details on Infrastructure Partnerships Australia's proposal, you can access a copy of our report at <https://infrastructure.org.au/ruc-for-evs/>. More details on the model proposed in Victoria can be found at <https://www.vicroads.vic.gov.au/registration/registration-fees/zlev-road-user-charge>.

We would be happy to provide further evidence in support of our submission. Should you require further information, please contact Director of Policy and Research, Jon Frazer on +61 422 688 430 or jon.frazer@infrastructure.org.au.

Yours Sincerely



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