



4 March 2021

Senator Slade Brockman
Chair
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Senator Brockman,

**RE: SENATE ECONOMICS LEGISLATION COMMITTEE INQUIRY INTO THE COAG REFORM FUND
AMENDMENT (NO ELECTRIC VEHICLE TAX) BILL 2020**

Infrastructure Partnerships Australia is pleased to provide this submission in response to the Senate Economics Legislation Committee's Inquiry into the COAG Reform Fund Amendment (No Electric Vehicle Tax) Bill 2020.

Infrastructure Partnerships Australia is an independent think tank 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.

Infrastructure Partnerships Australia has consistently argued for national road reform for the past decade and has been a key advocate for the implementation of a fair and sustainable road user charging system. As such, this submission provides clear evidence outlining the merits of a road user charge for Electric Vehicles to assist the Committee in its inquiry.

Road reform in Australia

For decades, successive reviews and reports have recommended governments take action to modernise the way we fund our roads. The Productivity Commission, the Henry Tax Review, the Harper Review, Infrastructure Partnerships Australia, Infrastructure Australia, Infrastructure Victoria, and more recently, the NSW Federal Financial Relations Review have all drawn the same conclusion that the current system for funding and investing in our roads is inefficient, unfair, and unsustainable.

Over recent years however, the road reform case has become more urgent. The uptake of fuel-efficient vehicles has driven a rapid and terminal decline in fuel excise revenue – which makes up a major source of funding for our roads. With Electric Vehicles set to become the dominant consumer choice in the light vehicle market over the coming decade, this rapid decline will only accelerate. Without this critical stream of revenue, governments will struggle to invest in and maintain our growing transport networks – or, in the absence of raising less efficient revenue streams, will need to reduce services in other areas.

In November 2019, Infrastructure Partnerships Australia released a report calling on governments around



Australia to seize the emerging technology opportunity in Electric Vehicles to finally see road reform achieved. The *Road User Charging for Electric Vehicles* report, which is attached to this submission, proposed the introduction of a simple distance-based charge for Electric and Zero Emissions Vehicles – equal and equivalent to the de facto road user charge (Fuel Excise) for all other cars - as a means of ensuring all Australian motorists make a fair and sustainable contribution to road use.

In late 2020, the Victoria and South Australian Governments announced separate plans to introduce a road user charge for Electric and Zero Emissions Vehicles in line with Infrastructure Partnerships Australia's proposal. The introduction of a distance-based charging mechanism marks a major turning point in the decades long journey to reform Australian roads and correct the historic unfairness in our transport system.

No Electric Vehicle Tax Bill 2020

The COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020 referred to the Senate Economic Legislation Committee, by attempting to dissuade states from reforming, seeks to undermine this positive change and entrench a future where road users would not pay to use roads.

The amendment to the COAG Reform Fund Act 2008, which aims to neutralise the revenue effect of charges imposed by states and territories on the use of Electric Vehicles, would effectively deny state and territory governments their constitutional right to raise revenue for road and transport service provision. This would set a dangerous precedent for our federation and work to undermine state sovereignty.

The methodology proposed under the amendment also fails to recognise the net funding impact on Electric Vehicles, seeking to deduct legitimately raised revenues rather than support investment. Instead of attempting to block reform, the Federal Government should be incentivising state and territory governments in their efforts to encourage Electric Vehicle uptake and introduce a sustainable way of paying for the roads.

Further, the proposed amendment would erode incentives for public transport use (and therefore investment) relative to private vehicle ownership and use. By removing the price signal for consumers provided by a consumption charge (such as a Road User Charge or a Fuel Excise), this amendment would have the net effect of increasing the relative cost of public transport to users.

The amendment and explanatory memorandum also incorrectly characterises a road user charge as a disincentive to the uptake of Electric Vehicles. The Victorian Government has proposed a modest 2.5 cents per kilometre charge on all Victorian registered zero and low-emission vehicles not currently subject to Federal fuel excise. On average, a motorist travelling 13,100 kilometres in an Electric Vehicle would pay \$330 each year, excluding an annual \$100 vehicle registration discount. Relative to the cost of a new Electric Vehicle, a road user charge is not a significant impost and would not reasonably constitute a barrier to uptake.

The Victorian Government's proposal shows that it is both possible and desirable to support decarbonisation of our transport sector while also creating a fair and sustainable funding system for roads. In recognising the environmental and health benefits of Zero Emission Vehicles, the Victorian Government committed to reinvest the revenue collected through the charge into measures to accelerate uptake, including investment in Electric Vehicle charging infrastructure and reforms to enable Electric Vehicle ready new buildings.

Rather than disincentivise uptake, this charge will provide certainty to prospective Electric Vehicle owners about future road funding arrangements while providing surety that governments will retain sufficient funding to pay for maintenance and upgrades of the roads and supporting infrastructure they will use. This approach demonstrates that we can have our cake and eat it too - encouraging EV adoption through a balanced incentive package while also future-proofing our road network through a modest user charge.

In the absence of a pricing regime that accounts for the cost of road use, the transition to Electric Vehicles is likely to lead to the overconsumption of our road networks in already congested urban cities. Moving towards a rational approach to pricing road use is the best chance governments have to reduce congestion and emissions in our cities by getting people out of private vehicles and into public transport.

Should you require further information or evidence in support of this submission, please contact Director of Communications and Engagement, Michael Player via michael.player@infrastructure.org.au.

Yours Sincerely



ADRIAN DWYER
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