Land Transport Reform A User Pays System

Submission to the draft National Road Safety Strategy for 2021-30 from the Motorcycle Advocacy Group (Qld)

23/3/21

This proposal is being submitted on behalf of the Motorcycle Advocacy Group (Qld) which is a Facebook group advocating for motorcycle issues in Queensland. We have over 2500 members in our group and we network with many thousands more riders, predominately from South East Queensland but also from interstate.

As motorcyclists, we have noticed repeatedly the omissions of motorcycles and scooters in most of the inquiries, reviews, reports and plans that deal with land transport reform and traffic congestion.

It is also apparent that these inquiries, reviews, reports and plans do not address some of the basic needs and aspirations of private vehicle owners. Despite overwhelming evidence that reform of land transport is long overdue, these inquiries, reviews, reports and plans haven't been embraced by the Australian people.

We believe it would be worthwhile for the Australian governments to consider this proposal to help meet the current needs of those in financial hardship, to boost jobs throughout the economy, lower emissions and traffic congestion, add to the health and wellbeing of the general population and boost productivity quite significantly.

We believe all these needs and aspirations could be addressed by a national user pays system for all registered motor vehicles.

We would like to propose something from the coalface.

Firstly, some of the key issues that need to be addressed are:

- **One of the biggest points of contention is private owners of multiple, registered vehicles have to pay full registration and full compulsory insurance on each vehicle despite not being able to drive or ride more than one vehicle at a time.**
- **Many people in rural and remote areas require a second or third vehicle to access basic services and jobs as there is little or no public transport. The distance required to travel is usually far greater than those in more urbanized areas.**
- **People who have low vehicle usage are subsidising those people with high vehicle usage, not only with road access charges (registration) but compulsory insurance where the probability of accidents increases with greater usage.**
- **Strict road policing and increased registration costs seem to encourage some people to drive and ride unregistered, uninsured vehicles on the road and are therefore not paying anything into the pool of insurance money. If they are involved in an accident, the state has to cover the costs which it does so through higher fees and charges on all registered and insured vehicles.**
- **Registration and insurance can be based on the number of cylinders of the engine despite plenty of obvious automotive examples at odds to this basis.**
- **Registration and compulsory insurance can't be deferred or put on pause when a vehicle will not be used for some time.**
- **A concern about electric cars is that while they add to traffic congestion like a normal car, little consideration has been given to how they would pay their way without intruding on driver's privacy.**
- **People want a reduction in traffic congestion, accidents, noise and air pollution without draconian measures that are based on financial penalties and potential invasion of privacy.**
- **There is concern that widespread adoption of electric vehicles will lead to a greater loss of road revenue and the financial burden will fall on those**

who continue to use fuel powered vehicles, particularly those that can least afford to upgrade to more fuel efficient or electric vehicles.

- **Many people are convinced that due to road funding shortfalls, the police have been pressured to become "revenue raisers" for their state or territory government instead of focusing on road safety strategies that prevent accidents and that may deliver better road safety outcomes.**
- **The future of all fuel powered vehicles is more uncertain with the advent of electric vehicles and there is widespread concern for resale prices and maintaining values of vehicles for a huge number of Australians.**
- **Very little consideration has ever been given to the use of motorcycles and scooters for commuting despite their low cost, low emissions, high density parking potential and having a congestion neutral profile. Some jurisdictions insist young riders have to hold a car licence for a year prior to being eligible for a motorcycle licence which deters motorcycle and scooter use and encourages car use.**
- **Too much focus has been on the benefits of cycling for commuting yet there is little recognition of the adverse impact they have on peak hour traffic where cyclists and cars share the same roads.**

"The need for road reform 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 include:
• The Productivity Commission's
Public infrastructure (2014)
• Professor Ian Harper's
Competition policy review (2015)
• Infrastructure Australia's
Australian infrastructure plan (2016)
• Productivity Commission's
Shifting the dial (2017), and
• Infrastructure Australia's
Australian infrastructure audit (2019)."
ROAD USER CHARGING FOR ELECTRIC VEHICLES Infrastructure Partnerships Australia

While the national cabinet is still meeting during the COVID-19 pandemic, we believe it would be worthwhile for the national cabinet to consider this proposal to help meet the current needs of those in financial hardship, to boost jobs throughout the economy, lower emissions and traffic congestion, add to the

health and wellbeing of the general population and boost productivity quite significantly.

We believe all these needs and aspirations could be addressed by a national user pays system for all registered motor vehicles.

There is a need for a simple, efficient and effective way to improve road funding and have a user pays system for registered road vehicles could achieve this. A user pays fuel levy system for internal combustion powered registered road vehicles could be in addition to fuel excise.

Revenue from road use *Parliament of Australia*

Rob Dossor, Economics

Key Issue

Revenue from the primary road user charge, fuel excise, has been falling for some time due mostly to improvements in vehicle efficiency.

The pressure to secure other revenue streams to replace fuel excise presents Governments with an opportunity to design a system to replace existing road related revenue charges with one that solves the revenue decline and better reflects individual driver's use of roads, with the added potential to address traffic congestion.

Land Transport Reform could be achieved by changing the way motor vehicle registration and compulsory third party insurance is collected, going from a fixed cost registration and compulsory third party insurance premium, to a user pays system.

If the Federal, State and Territory governments work together and adopt fuel based levies for fuel powered motor vehicles and distance/time fees for electric vehicles to replace fixed State and Territory vehicle registration fees and compulsory insurance premiums, a lot of benefits would follow.

While the Federal Government has the power to implement fuel levies, States and Territories may not (Queensland did have a fuel retail price subsidy arrangement in the past). States and Territories have the responsibility to set vehicle registration fees, stamp duties and compulsory insurance premiums.

The way States and Territories do this is based on each registered vehicle and has led to a number of inefficient and ineffective outcomes, some of which are listed above.

A fuel levy would make automotive fuels more expensive and provide a strong financial incentive to reduce fuel use. Motorists could save money by avoiding unnecessary trips. They would tend to walk, cycle and use public transport more extensively. Car pooling, driving carefully and efficiently, having regular tune-ups and using fuel efficient vehicles would be more likely.

This would lead to less transport sector greenhouse gas emissions, major illnesses like asthma, influenza, pneumonia and cancer that have been linked to car exhaust gases would be reduced.

If there are less motorists on the road and if they are more careful and drive sensibly to reduce fuel usage, the severity of accidents, injuries and repair bills will also decline.

In 2017, an Automobile Association report estimated that road crashes are costing Australia almost $30 bn a year.

Vehicle manufacturers would compete to provide clean running, fuel efficient vehicles as noted with the Euro 5 standards.

If we can reduce our reliance on cars, future town planning would place less emphasis on private transport and more on public transport.

As more people reduce their car use and patronise public transport, the provision and quality of those services and facilities would be extended and improved to ensure public transport is an ongoing, viable and convenient alternative for more and more people.

Alternate transport infrastructure like bikeways provide greater safety for pedestrians and cyclists, especially children, by separating them from motor vehicles, provide convenient access to local service centres and to public transport facilities. They offer a wide variety of recreational walking and cycling

networks, all of which is good for a healthier population and a more prosperous local and regional business communities.

How might a user pays system work?

Fuel powered vehicles.

The Federal government could allow all State and Territory governments to replace vehicle registration fees and compulsory insurance premiums with a fuel levy.

State and Territory governments could administer a variable user pays fuel levy system within their state or territory to recoup motor vehicle registration fees and compulsory third party insurance premiums.

State and Territories could set up Boards that transparently determine any variation in the rate of the fuel levy each month to reflect variation of costs in individual States and Territories.

- **The fuel levy could be based on average, annual motorist's fuel usage within each State or Territory.**
- **The levy could be based on zones, a higher levy in urban zones and lowest in regional and remote zones. This may also lead to a quicker uptake of electric vehicles in cities and urban areas.**
- **A zonal system would be fairer and more equitable as the average fuel consumption for country motorists is usually greater than the average fuel consumption of city motorists. City motorists commonly have a range of essential services close by and also have access to good public transport facilities as well.**
- **State and Territory governments could set their levies, through the Federal government, to replace annual registration and compulsory insurance so their system is revenue neutral.**

- **Registered vehicle owners could pay a nominal annual fee for each vehicle to cover any administrative costs that may be required. Trailers and caravans could have their registration and insurance paid through the extra use of fuel by the towing vehicle.**
- **Whether existing premiums based on the crash risk for different vehicle categories continues or whether it is based entirely on fuel usage alone, or a mixture of both, is a matter for the relevant government ministers to decide.**
- **Having a system based just on fuel usage would be less complex and less costly to administer, as well as being reasonably equitable given that fuel usage of a vehicle depends a lot on its power and weight which is roughly how current registration and CTP is worked out.**

We refer to the following extracts:

"*Road Pricing and Transport Infrastructure Funding: Reform Pathways for Australia*

3.3 Fairer allocation of costs and benefits

The existing configuration of Fuel Excise and fixed state-based charges results in an imbalance in the allocation of costs and benefits in the transport market. The combination of high fixed charges and consumption taxes that are only marginally linked to usage means that some users are effectively subsidising others. Principally, but not exclusively, lower mileage users of the network where a greater proportion of their total charges comprise fixed components are effectively subsidising heavier users. The result can be a misalignment between what users pay and how they benefit – particularly when considered on a total cost per kilometre basis.

Equally, time and location of usage is not adequately accommodated in the existing pricing structure.

Meaning users in remote or low traffic areas may be effectively subsidising users in high traffic areas through an indirect contribution towards funding additional capacity to accommodate peak urban demand and thereby sharing the burden of indirect economic costs of congestion to which they do not contribute. Drivers of more modern or more fuel efficient vehicles may also pay lower overall road taxes through discounts for hybrid vehicles, or a smaller amount of Fuel Excise because of lower consumption per kilometre – despite a comparable contribution to other externalities like congestion and cost of road provision. This does not mean a new structure should seek to disincentivise more fuel efficient vehicles or alterative drivetrain technologies, but should acknowledge that greater fuel efficiency is only part of the solution to existing road problems. Although unlikely to be an immediate catalyst for change – due to the embedded nature of the imbalance – a fairer allocation of costs and benefits may become a driver over time. With a projected increase in congestion and the shifting dynamics of fuel use and fuel types, these imbalances may grow over time. While adjustments to the current composition of road use taxation could partially address this imbalance – for example through an adjustment to the balance between fixed

charges and excise or variations to the taxation for particular fuels – these modifications are unlikely to be enduring or comprehensive.

A change to the framework of road user charging could be a viable option to better align the costs of road use to the benefits. This means that, in the short to medium term, fuel excise will be replaced as the principal form of road-related revenue by state-based charges which are not linked to the distance people drive, such as registration and licence fees.

The existing and growing disconnect between the kilometres people drive and how much they pay raises numerous challenges:

• It is inequitable: because people who rarely drive subsidise people who frequently drive. It also increasingly means that people who own newer and more fuel-efficient or electric vehicles pay less tax.

• It is inefficient: because road users are not charged for their use. This means that once registration and licence fees are paid, people are actually incentivised to drive. In addition, drivers pay the same amount regardless of the time of day and location of their trip. This means there are no financial incentives for people to change their travel habits to be more efficient, by driving after peak hour or switching to public transport.

• It is unsustainable: because fuel excise, the largest single contributor of road-related revenue, will continue to decline, meaning expenditure will outstrip income.

• It is not transparent: because there is no link between usage and expenditure, the reasons and justification for capital and maintenance expenditure decisions are rarely published and can be inconsistent.

People living in outer-urban areas and regional centres often have poor access to public transport and rely heavily on private vehicles for access to jobs, education, services and entertainment."

However, when presented as a percentage of total household expenditure, the transport costs experienced outside capital cities constitute a heavier financial burden than in any other geographic area. Australians living outside our capital cities spend a greater share of their income on transport than anyone else.

Research Paper 6 2000-01

Richard Webb
Economics, Commerce and Industrial Relations Group Group
3 October 2000

Petrol and diesel excises are levied for a variety of reasons. The primary reason is to raise revenue; in 2000-01, they are projected to raise almost $13 billion. By comparison, the goods and services tax is expected to raise around $24 billion in 2000-01. Excises are levied on petrol and diesel because demand for these fuels does not change much when prices rise and because they are relatively easy to administer. On the other hand, as taxes on inputs used in producing goods and services, petrol and diesel excises can reduce living standards by moving resources from industries that use these fuels relatively intensively. The reductions in excise under A New Tax System will reduce these effects. Moreover, petrol and diesel excises are regressive in that people on low incomes pay a higher proportion of their incomes in the form of excise than people on high incomes, given the same level of fuel use.

A second reason for levying petrol and diesel excises is to recover from road users the costs they impose on society, such as wear and tear on pavements and air pollution. Petrol and diesel excises are a proxy cost recovery charge in that the total amount of excise a road user pays through fuel consumption is related to road use. But the excises are an inefficient mechanism for cost recovery because the amount of excise a user pays does not vary directly with the social costs of road use. In practice, cost recovery considerations seem to play little role in the determination of petrol and diesel excise rates.

Heavy trucks are responsible for most damage to roads, and charges are imposed on owners of heavy vehicles in an attempt to recover the cost of damage. The charges have two components. State governments impose a fixed annual registration charge. This charge is deficient in that it does not vary with distance travelled and hence damage to road pavements. The second component of the charges is a notional amount of the diesel excise. The appropriateness of attributing part of the diesel fuel excise

towards road use charges depends on whether the diesel fuel excise is seen as a general revenue tax or as a tax to raise revenue for a specific purpose, e.g. to fund spending on roads. If the excise is the former, it could be argued that a cost recovery charge additional to the diesel fuel excise should apply to road freight.

Electric powered vehicles.

The following proposal on how electric vehicles could initially pay a road user charge based on distance alone then move to location, time and mass based charge.

Over time, governments may wish to make a road user charge more sophisticated by moving from a distance-based charge to a location, time and mass based charge. This would enable a road user charge to help address congestion or support broader policy objectives. In some cases, this will require the use of technologies to measure where and when users travel. It is important that governments should have time to engage communities on and install appropriate safeguards for users' information. In the meantime, it is important that today's governments do not rule out any future options until this engagement has occurred.

ROAD USER CHARGING FOR ELECTRIC VEHICLES
Infrastructure Partnerships Australia

This proposal advocates for electric vehicles to pay for their use of the roads in order to recover foregone fuel taxes, in effect a user pays system. While the proposal advocates a simple distance based charge initially, this does not take into account electric cars adding to traffic congestion, particularly in urban areas where their uptake would likely be greatest.

An improvement on a simple distance charge for electric vehicles could be a road user charge based on distance, time on the road and the zone the vehicle is garaged in. The weight of the electric vehicle may need to be taken into account also if road damage had to be considered.

Quite simply, a distance charge alone would be inadequate for an electric car used in heavily congested areas. It would not reflect the road use of the vehicle in peak hour traffic.

However, a distance and time charge would better reflect road use so that an electric car in heavy traffic would be costed differently than an electric car in light traffic. The zone the electric vehicle is garaged in may also be important to consider if road user charges are to be applied equitably.

There would be no need to disclose location information so privacy would not be infringed.

Also, the above proposal advocates data download every few months to determine the amount of road charges payable. This could probably be improved on by having the data download occurring each time the electric vehicle is charged.

Electric vehicles can be charged at a public charging station, a business or private residence. The relevant road use charges could be downloaded while the car is being charged. This could perhaps be drawn against a pre-paid account similar to how tolls are paid or any agreed account. The electric vehicle itself could advise the owner of the likely cost prior to charging and if the account had sufficient funds.

Having a steady revenue stream would probably be beneficial to State and Territory governments and could lower their administrative costs.

The Economy

The Automotive Industry is extremely significant to the Australian economy, not only for the billions of dollars it contributes and the hundreds of thousands of jobs.

It is home to a great many small businesses and a significant number of these businesses manufacture products for domestic and overseas use.

A user pays system as described would be extremely likely to boost ownership of registered vehicles. Aspiration ownership would skyrocket as people purchased multiple vehicles, many of them may need restoring, repairing, customising or general maintenance and servicing.

Alongside aspirational ownership would be practical ownership purchases as fuel costs increase through the user pays levy, smaller, more fuel efficient vehicles like smaller cars, motorbikes and scooters, particularly those powered electrically.

At each purchase of a registered motor vehicle, the State or Territory collect stamp duty, with increased purchases comes increased stamp duty collection. The Automotive industry gets bigger, contributes more money into the economy and employs more people and starts more small businesses.

The AISC National Industry Insights Report

The Automotive industry is broad and encompasses a variety of activities and businesses. These activities include repair and service of vehicles; retailing of vehicles; parts and tools; repair, maintenance, repair and service of bicycles, outdoor power equipment, marine vessels and motorcycles; and some non-car manufacturing.

The Automotive industry is estimated to contribute $37 billion to the Australian economy, and as at May 2018 the industry employed over 356,000 Australians.

Australian Infrastructure Audit 2019

A user pays system would encourage people to use less fuel and use their cars less. This would reduce traffic congestion, probably reduce the severity of accidents which leads to less fatalities and lower costs associated with road accident trauma.

Bureau of Infrastructure, Transport and Regional Economics (BITRE)

Traffic and congestion cost trends for Australian capital cities

The avoidable cost of congestion for the Australian capital cities is estimated to be around $16.5 billion for the 2015 financial year, having grown from about $12.8 billion for 2010. BITRE 'business-as-usual' projections of these costs of metropolitan congestion rise to around $30 billion by 2030–with the various modelling scenarios conducted giving aggregate 2030 results of between $27.7 and $37.3 billion, depending upon the chosen assumptions.

The Environment

According to the Department of Industry, Science, Energy and Resources

"Light vehicles – cars, 4×4s, SUVs and small commercial vehicles up to 3.5 tonnes – account for 10% of Australia's greenhouse gas emissions.

The National Transport Commission estimates that if Australian consumers purchased vehicles with best-in-class emissions, average carbon dioxide (CO2) emissions for new light vehicles would be 60% lower.

Motorcycles and motor scooters are popular choices for commuting as they need less fuel and are cheaper to run than cars. They're generally easier and cheaper (sometimes free) to park.

Electric motorcycles and scooters are extremely cheap to run, and are roughly comparable in performance with their petrol-engine equivalents of the same size and weight.

The electric versions are plug-in vehicles, usually with rechargeable lithium ion batteries. They produce zero emissions and can have a range of just over 200km.

Health

According to the *Department of Industry, Science, Energy and Resources*

"Brisk walking is an excellent way of getting your 30 minutes (or more) exercise per day. Walking helps prevent cardiovascular disease. There is a strong link between walking and reduced rates of obesity, adult-onset diabetes and osteoporosis. Walking can also improve your sense of wellbeing."

In 2017-18, the Australian Bureau of Statistics' National Health Survey showed that two thirds (67.0%) of Australian adults were overweight or obese (12.5 million people), an increase from 63.4% in 2014-15. The National Health Survey also indicated that almost one quarter (24.9%) of children aged 5-17 years were overweight or obese in 2017-18 (17% overweight and 8.1% obese).

The PwC report Weighing the cost of obesity

Obesity is not only a health and quality of life risk for individuals, it also impacts society through the direct and indirect costs it generates. There are various costs to different stakeholders that have been outlined in section 2. For this report, where our aim was to take a conservative approach based on existing evidence, eleven evidence-based areas of costs of obesity were evaluated. The total costs for these areas in Australia in 2011-12, were estimated to be $8.6 billion (in 2014-15 dollars). This total figure includes $3.8 billion in direct costs and $4.8 billion in indirect costs. These marginal costs are based on a bottom-up approach using BMI as the comparator and include the costs of comorbidities associated with obesity such as diabetes, heart disease and cancer.

The Motorcycle Advocacy Group (Qld) recommends that the National Cabinet look into the proposal that motor vehicle registration and compulsory

third party insurance premiums be charged as a levy on automotive fuel instead of the current situation whereby motor vehicle registration and compulsory third party insurance premiums are a fixed cost on registered motor vehicles.

In addition to this, the Motorcycle Advocacy Group (Qld) recommends that the National Cabinet also look into the proposal that electric vehicles have road charges based on where they are garaged, time on the road and distance traveled.

David White

On behalf of the Motorcycle Advocacy Group (Qld)

Mobile [redacted]