



SUBMISSION TO PRODUCTIVITY COMMISSION DRAFT REPORT ON PUBLIC INFRASTRUCTURE

April 2014

About the Transport Reform Network

The Transport Reform Network (TRN) is a partnership of organisations and individuals that first came together in 2011 to discuss the state of transport funding and financing as well as its reform in Australia.

The TRN's mission is to seek a better way of planning, managing, funding and financing land transport in Australia to ensure it delivers optimum, equitable and sustainable economic, social and environmental outcomes for all Australians.

The current state of play is characterised by:

- the **unfunded backlog of critical maintenance** and renewal work in our existing transport infrastructure networks
- the **inability of government to fund essential new land transport** infrastructure, coupled with the scarcity of private financing options
- an **inability to meet the growing freight task** across Australia.
- confusing and **inequitable pricing signals** across different networks and modes
- divided and, at times, **illogical levels of responsibility and decision-making** across government
- **a lack of long-term planning due to funding uncertainty**, which in turn impacts funding and delivery of transport infrastructure
- a continuing **disconnect between land-use planning and transport infrastructure delivery**
- the **growing cost and impact of urban congestion** (in terms of productivity, health, lifestyle)
- the impact of under-investment in infrastructure on **transport safety outcomes** and
- **poor environmental outcomes**

The TRN believes these problems will not be resolved by dithering half-measures. Rather, the existing financing and funding model needs to be dissected, each element examined and tested under the microscope, and from this starting point a new model built to better serve the national interest through the 21st century.

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In broad terms, the TRN's objectives are to:

- provide a platform for an informed public debate on transport financing and funding;
- seek a comprehensive review of transport funding and pricing arrangements in Australia; and,
- work with all stakeholders to achieve the goal of a transparent, fair, safe, efficient, integrated network for moving goods and people with all modes: private vehicles, public transport, freight, cycling and pedestrian.

A list of TRN members is attached to this submission.

Contact Details

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Introduction

The TRN welcomes the Productivity Commission's Draft Report on Public Infrastructure, and in particular its findings and recommendations on funding mechanisms.

The TRN has long argued for a more informed and broadly based community debate on the merits of direct road usage charging (RUC), as part of a more fundamental review of the current regime of transport funding and pricing mechanisms in Australia.

We particularly welcome the recommendation in the Draft Report for pilot studies on how vehicle telematics could be used for distance and location based charging of cars and light vehicles.

To that end, it was disappointing to see the initial public response focus, in part, on the idea that drivers' movements would be continuously monitored by an 'eye in the sky'.

In this submission we address these privacy concerns, expanding further on the experience of schemes and pilots in Oregon and other US states.

In short, there are ways to mitigate any perceived infringement of an individual's privacy, including by the use of non-vehicle locating systems to track mileage.

The initial public reaction to this recommendation on RUC underlines the challenges faced in fostering a sensible, informed community debate in Australia.

The TRN believes governments have to show leadership by encouraging sensible discussion and debate on alternative funding models like road usage charging.

The release of the Commission's Draft Report, followed a week later by a discussion paper on road pricing by the AAA/IPA/Deloitte, represents the most significant opportunity yet to engage the Australian community in this debate.

It is our hope that these reports will provide a springboard for a more informed community debate, which in turn will provide the impetus for an Australian jurisdiction or jurisdictions to commit to a pilot study within the next two years.

Addressing privacy concerns in Oregon's RUC scheme

In its Draft Report the Productivity Commission referred to the Oregon scheme, case-studied in the TRN's submission to the Inquiry, as an example of a user-charging model currently in roll out.

The Oregon mileage collection system was legislated in 2013 and will be rolled out to 5,000 volunteer motorists before July 1 2015. These motorists will pay 1.5 cents per mile travelled, and in return receive a gas tax refund from the State Department of Transport (ODOT).

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The scheme is the culmination of two pilot studies - the first conducted in 2007 and the second in 2012 - both of which focused on the practicalities and technologies to track vehicle mileage, as well as addressing privacy considerations.

The scheme now being adopted in Oregon has a number of significant privacy checks.

Firstly, the legislation mandates that volunteers should have the choice of at least one mileage collection system that does not use vehicle location technology.

In the 2012 pilot, for example, participants had the option of using a mileage reporting device that did not measure vehicle location, but rather used information from the vehicle electronics to measure and wirelessly report distance travelled and fuel consumed. Another available option was to pay a monthly flat rate with no requirement to report mileage.

Although the specific mileage reporting and payment options for the new scheme are yet to be announced, Oregon's guiding philosophy right from the start of its RUC journey has been to allow participants to choose the method of reporting from a range of technological and non-technological solutions.

Secondly, the scheme has strict privacy collection parameters in place.

Disclosure of any personally identifiable information is restricted, and location and daily metered use information is required to be destroyed after 30 days. There are strict penalties for breaches of these privacy restrictions.

The Oregon experience over two pilot studies and the subsequent new scheme demonstrates that non-GPS based vehicle mileage monitoring is a viable option in a RUC scheme.

The TRN believes that an Australian pilot studies or studies should have similar technology options and privacy protections in place.

Based on the Oregon experience, privacy should not be used as an excuse to dismiss out of hand RUC in an Australian context.

Recommendation: That the Productivity Commission recommend implementation of a pilot RUC scheme in a jurisdiction/s within Australia and ensure that the pilot consider similar privacy protections to those in place in the Oregon scheme.

Towards RUC: the experience elsewhere in the US

The groundswell of support for RUC is growing across the United States (see Figure 1).

Significantly, it is being led by government departments and legislators.

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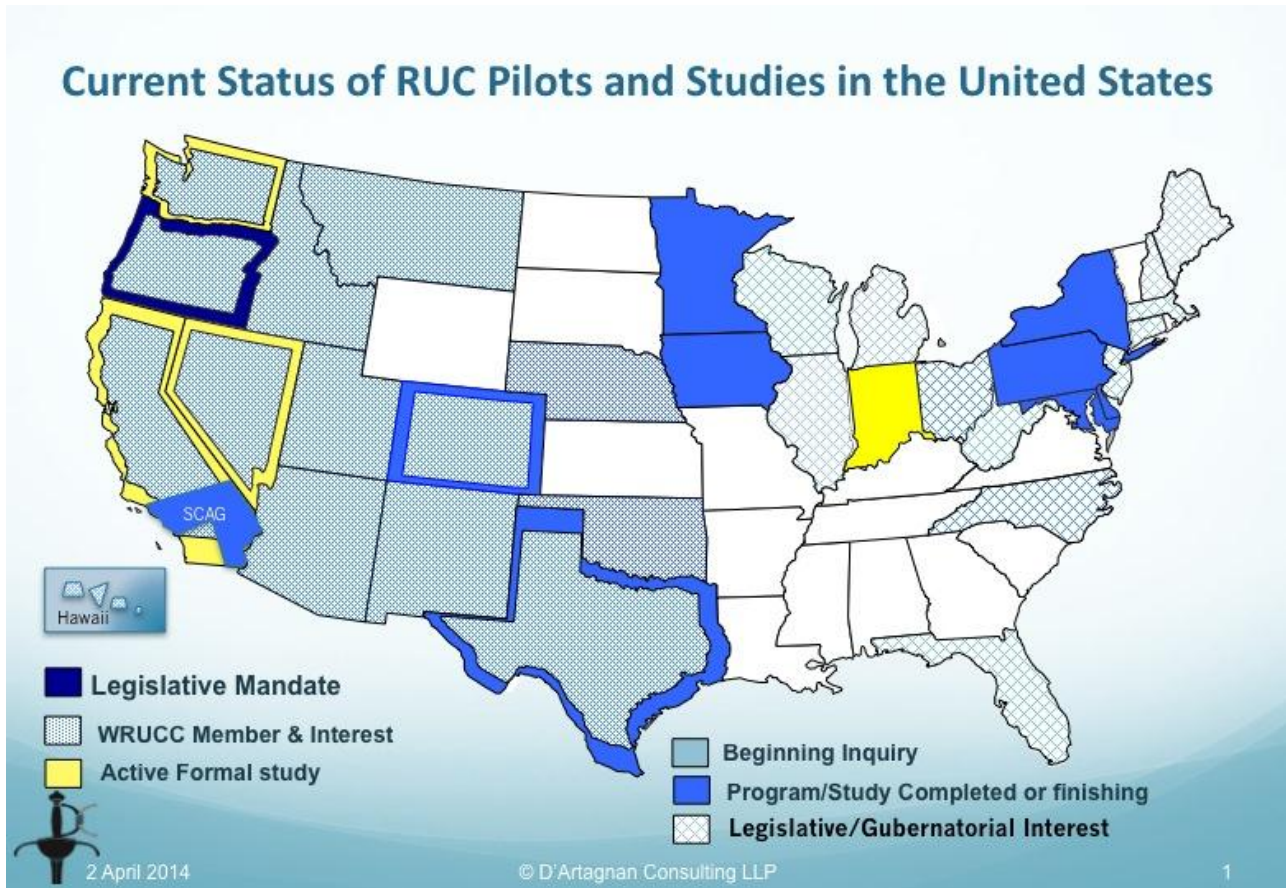
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Figure 1.



Source: D'Artagnan Consulting LLP

One of the most important developments is the formation of the Western Road Usage Charge Consortium (WRUCC), a voluntary coalition of State Departments of Transportation and specified others committed to collaborative research and development around the concept of RUC.

There are currently 12 western US states - including California - enrolled and actively participating in the WRUCC, sharing information and working shoulder-to-shoulder to push for fundamental reform of road funding.

Indeed, California has well and truly commenced the journey towards the implementation of RUC. The Southern California Association of Governments is one of those leading the charge. Its 2012 Regional Transportation Plan recommended the long-term transition to mileage-based user fees to replace gas taxes by 2025.

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California is the most populous state in the Union, home to 38 million Americans, and needs an estimated \$2.8 billion a year just to keep pace with its existing road maintenance. It is currently spending about \$685 million a year.

Another of the WRUCC members, Washington State, undertook a feasibility study in 2012 and is now working towards introducing legislation for a pilot of transition scheme in the 2015 legislative session.

Washington State has so far looked at three charging models:

- **Time Permit** - a flat fee to drive a vehicle an unlimited number of miles for a given period of time (e.g. a month or a year);
- **Odometer Charge** - a per-mile charge measured by odometer readings; and
- **Automated Distance Charge** - a per-mile charge measured by in-vehicle technology that can distinguish between in-state and out-of-state travel with periodic billing.

While the state government acknowledges that these RUC systems will cost more to collect than the gas tax, it also says they will produce greater and more stable net revenue over 25 years.

Meantime in Indiana, legislation has just been signed into law to conduct a study into alternative funding mechanisms, including options based on vehicle gross weight and mileage.

And in North Carolina, the State's Board of Transport is currently considering a report that recommends a RUC pilot study.

Sentiment on RUC is clearly shifting in the United States as governments grapple with falling gas tax revenues and a growing backlog of road maintenance and renewal works. These same governments are leading the community in exploring alternative funding sources like RUC.

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Where to next?

The TRN supports the thrust and recommendations of the recently released Discussion Paper from Australia's key motoring clubs, Infrastructure Partnerships Australia and Deloitte – *Road Pricing and Transport Infrastructure Funding: Reform Pathways for Australia*.

The TRN also notes the current work being undertaken by the Heavy Vehicle Charging and Investment (HVCI) Group to develop new reform options to better direct funding to where there is the greatest potential to improve heavy vehicle productivity, as well as funding and heavy vehicle charging arrangements that fully support road transport productivity growth. The TRN believes any work being undertaken on road usage charging for light vehicles should be done in parallel with the HVCI Group.

In essence, this paper calls for:

- a separate Productivity Commission inquiry that will chart a course for genuine road charging reform in Australia
- a program of step-changes that can pave the way for the introduction of RUC, including the harmonisation of state registration fees and regulations for light vehicles, and
- large scale trials of road pricing to test different design options, in concert with, and informing, the Productivity Commission inquiry.

The TRN believes that Australians will accept the logic of RUC if it is shown to be:

- fair and transparent
- addresses privacy concerns
- revenue neutral (ie. they pay no more, or indeed less, than they currently pay in registration, fuel tax and other charges), and
- contributing directly and solely to better roads and public transport.

Recommendation: That the Productivity Commission undertake a specific inquiry into road funding, regulation and pricing, in parallel with work being undertaken by the Heavy Vehicle Charging and Investment (HVCI) Group and at the same time work with the states to commission a RUC pilot study or studies within two years.

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TRN Members

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