# Preface: The importance of road pricing

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I have often noted that one of the great things about transport is that everyone has an opinion but very few people have all of the facts. In addition to facilitating policy debate and educating our public sector leaders, the Australia and New Zealand School of Government (ANZSOG) has a critical role in bridging this gap by connecting government with academia and by delivering the research we need to get the solutions that will deliver economic prosperity for our future.

Productivity growth is essential to growing national income, and Australia's transport network has a central role to play in achieving productivity growth. Transport infrastructure is both a stabiliser and a catalyst. It is the lifeblood of our economy, enabling people to connect with jobs and to get goods to market. We are a lucky country in that all the projections indicate that we face a future of growth. But we cannot take this for granted, nor can we afford to be complacent.

In recent years, Australia's population growth has been among the fastest in the developed world. Sydney and Melbourne are each expected to hit a population of 8 million people by 2050 (ABS 2013). All of our major cities are expected to increase their share of the national population. Our cities are where most of our economic activity occurs, but they are also our most significant productivity drains. The scourge of congestion is costing us—$16.5 billion in avoidable costs in 2015–16 and, under current settings, about $30 billion a year by 2030 (BITRE 2015). It is taking people too long to get to and from work. The freight task is also

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growing, and is expected to increase by 80 per cent between 2010 and 2030, with the road and rail freight tasks projected to be close to double their 2010 levels by 2030 (BITRE 2014: 8).

We need to reform the way we deliver and pay for transport infrastructure if we are to have sustainable growth, and we know the current model is not sustainable.

The costs of constructing and maintaining our roads continue to rise, as increasing demand adds to the total size of the road network and as the price of engineering and construction services also increases.

Disrupting forces loom for the transport sector as much as for any other industry. Fuel excise revenue has been steadily declining as more fuel-efficient vehicles enter the market. Hybrid and fully electric vehicles will deliver environmental and health benefits, but will further reduce fuel excise revenue.

Partially and fully autonomous vehicles and the rise of ride-sharing services will transform how we travel. These technologies will deliver enormous safety and productivity benefits, but are likely to impact the number of drivers being licensed and vehicles being registered, placing pressure on state and territory revenue streams and local governments' parking coffers.

The current system is also inequitable, with those using the road networks the least subsidising those who derive most benefit from it. Our transport system is underutilised by not matching capacity with demand management in the way that other utilities and service providers do. Essentially, the land transport network has escaped the kind of microeconomic reform that we now take for granted as the most efficient and equitable way to deliver goods and services to markets.

Road pricing is not a new concept—after all, toll roads have existed in Australia since Governor Macquarie established a toll road from Sydney to Parramatta in 1811 (BITRE 2016)—and distance-based charging schemes have been trialled and implemented with varying success overseas. We need look no further than our colleagues in New Zealand to see how distance-based charging mechanisms can be used effectively in the heavy vehicle space, and how sovereign road funds can be ring-fenced for use for reinvestment in the road network.

But how would full market reform of roads look in a federation such as Australia? While we do not yet know the answer to this, I believe we are now at a tipping point, where momentum for reform is beyond doubt. In its responses to the 2016 Australian Infrastructure Plan (Infrastructure Australia 2016) and the 2015 Competition Policy Review (Harper et al. 2015), the Australian Government explicitly supported investigating cost-reflective road pricing as a long-term reform option, and committed to establish a study chaired by an eminent Australian to look into the potential impacts of road pricing reform on road users. The challenges we face in this space are manifold and complex and we still have a long road ahead of us, but with advocacy for reform coming from interest groups as diverse as governments, private transport companies, peak industry bodies, policy think tanks and state motoring clubs, I see more support than ever for changing the way we provide and fund our roads.

This collection of articles from some of the most respected researchers, economists and public sector leaders on road provision and pricing is an invaluable addition to the policy literature. I thank ANZSOG for its initiative in publishing this important collection and commend the articles to everyone with an interest in reforming how we deliver and pay for Australia's roads.

## References

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