



Federal-State Road Funding Arrangements Inquiry

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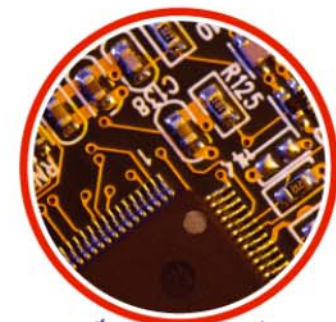
Collaborating with the road industry to turn knowledge into practice



research



consulting



technology



What is ARRB Group?

- Speakers:
 - Dave Jones, Regional Manager for VIC, TAS & NZ
 - Dr Dimitris Tsolakis, Chief Economist
- ARRB created in 1960 as Australia's national transport research organisation, the Australian Road Research Board
- Headquarters in Melbourne, with regional offices across Australia
- "Not-for-profit" whose members are Australia's State Road Authorities, Australian Local Government Association and New Zealand Transport Agency
- Deliver about \$7m national research program in road safety, pavements, bituminous surfacings, transport economics and transport operations. Funding managed for Members by Austroads
- Advise Australian, State and Local Government organisations directly about specific issues



Current arrangements in Australia

- Maintaining a commitment towards looking after Australia's vital road networks
- Providing some funding certainty for planning the future of the nation's road network
- A key source of revenue is fuel excise collected by the Commonwealth government (\$9.1b in 2006-07)
- Commonwealth land transport infrastructure funding under \$3b – excise a source of general taxation
- Key State source of revenue is vehicle registration fees/stamp duty (about \$ 6b in 2006-07) - blunt policy instrument



Current arrangements in Australia (cont.)

- Would benefit from greater transparency - mechanisms of raising and distributing revenues to road networks
- Currently little to link revenue raising and road funding mechanisms
- Complex and costly to administer - often creating 'conflict' between levels of responsibility (government)
- Would benefit from good research - road hierarchy, needs analysis, road use, safety, community access
- Do not encourage efficiency in building and using roads - providing poor signals to both road users and road agencies



Efficiency implications

- Current arrangements based on 'blunt' policy instruments, which provide poor signals to road users (poor signals can lead to excess use)
- High transaction costs in raising and distributing funds (often based on very crude data and analysis)
- Driven more by broader political decisions instead of the fundamentals of supply and demand for roads



Equity implications

- Equity considerations due to complex and not well informed fund distribution mechanisms through different levels of governments
- Lack of consistency in methodology across different levels of government in assessing road funding needs
- Lack of consistency in vehicle charging mechanisms (heavy vs. light vehicles) – blunt instrument for user charging



Road user charging

- Appropriately pricing of roads has the capacity to increase both economic efficiency and equity
- Has to operate within a transparent road funding system
 - not necessarily as an add-on to the existing system
 - not necessarily as a 'blunt' instrument across all types of the road network or road users
- Has the capacity to provide robust signals for a more efficient use of the road network
- Has the capacity to encourage development and use of PT, cycling and walking



Road pricing

- Urban congestion
- Other 'unmet' social costs (e.g. emissions, amenity, crash risk)
- Definition of congestion
- Recurrent vs. non-recurrent congestion
- Road pricing mechanisms can better address issues related to congestion and other social and environmental costs of travel



Road pricing mechanisms

- Appropriate mechanisms (e.g. cordon pricing, link pricing, HOT/HOV lanes)
- Appropriately applied can provide high quality information leads to encourage better planning of road networks & informing policy decisions
- Increase transparency and efficiency in investing decisions for accessibility and mobility
- Encourage innovation in building and using road networks including use of new technologies such as ITS



Summary

- Current Federal-State road funding arrangements not transparent and can substantially benefit from an overhaul
- However, any changes must try to address the key weaknesses of the current arrangements through evidence-based policies
- Road pricing/user charging can help improve both efficiency and equity, if it is developed and applied properly