Outlook

For review (COB 30 July 2025) Draft August CM paper on road user charging [SEC=OFFICIAL]

From s 22 @pc.gov.au>
Date Tue 2025-07-29 16:23
To Catherine de Fontenay s 22 @pc.gov.au>; Alex Robson s 22 @pc.gov.au>
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Hi Catherine and Alex

Thanks again for your time yesterday afternoon to discuss road user charging.

As discussed, here is a draft paper for the August CM for your review that (hopefully!) reflects the outcomes of our conversation. Outline of proposed RUC paper.docx

We would welcome any comments that you have on the draft. We are required to lodge the paper by 10am on Thursday, so any comments by COB tomorrow would be appreciated so we can meet the secretariat deadline.

Cheers

[redacted]

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s 22

From: Catherine de Fontenay s 22 @pc.gov.au>
Sent: Tuesday, 29 July 2025 9:55 AM
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Subject: RE: For 4pm Monday 28 July 2025 - Background for meeting with NCP team on Road User Chargin [SEC=OFFICIAL]

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Hi all, I've had a look at the writeup and it's taking shape nicely.

Just a couple of thoughts on how we might get more concrete numbers:

- If we come up with a sensible way of estimating the demand elasticity (how much total miles will go down if road user charging is implemented), either through estimating it ourselves or finding a sensible estimate, that's the main input that we need.
- If I estimate how much total miles go down with a particular road user charge, then I can use that to create a rough estimate of its impact on emissions, on road wear, and on road accidents, and on congestion (although one could obviously be more precise with better data on responses to congestion peak pricing).
- The hard part is how to estimate the output losses. If I charge more for road use then some economic activity will not occur.
- But if we come up with a clever way to predict output losses, then we have enough to input into a CGE model.
- You could even use those two components to roughly work out the socially optimal road user charge.

Thanks all,

Catherine

Catherine de Fontenay | Commissioner | [redacted]

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Subject: For 4pm Monday 28 July 2025 - Background for meeting with NCP team on Road User Chargin [SEC=OFFICIAL]

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Hi Alex and Catherine

Here is some background and context for what we would like to talk through with you at our meeting on Monday afternoon.

The team has developed a proposed scope for our work to talk through on Monday, for you to take to the August CM for noting. We are still deciding whether it is best to do that as a paper, or as an oral update which we can also discuss next week.

In short, our thinking on scope is that we should:

1. **Highlight that gaps in the current framework are getting worse**
    a. Set out the current framework of charging and spending at all levels of government – building on Shifting the Dial's discussion of this with recent budget information to support.
    b. Look at gaps (e.g. impact of technology changes for efficiently recovery for road infrastructure, increasingly regressive charging, failure to address externalities)
2. **Discuss alternative approaches to charge to cost recover and address externalities**
    a. We see this as a matrix of issues with different vehicle types (light/heavy/EV/ICE) and different types of charge – which could be used to prioritise areas most in need of reform
    b. Charging flexibly to take into account variables like distance, weight, emissions, congestion etc
3. **Think through practical considerations**
    a. Simplicity v efficiency of charging framework – currently only a couple (3 or 4?) taxpayers for fuel excise component of road user charging, so this cheaper to administer than alternatives. There are also some data and privacy concerns around distance-based charges. Consider a mix of fixed and variable charging to address this.
    b. What different levels of government should charge for (considering benefits of national consistency and constitutional considerations over excises and geographically discriminatory taxes)
    c. governance over expenditure proposals for road infrastructure – noting possible benefits of perceived hypothecation of revenue to send signal on expected quantum of expenditure.
4. **Use modelling to support discussion where possible**
    a. CGE modelling – benefits of reforms
    b. Fiscal/revenue costings to support implementation

5. **Note that agreements across levels of government can be difficult to progress and take time, so identify priority areas for action first, like heavy vehicles, EV regulation, EV charging infrastructure and pricing**

This would leave other, broader, issues outside of the project scope.

As you know, there has been a lot of previous work done on this issue by the PC that we can draw on. This work covers key policy concerns with the current approach and recommended reform directions for government, including:

- a large supporting paper to the *Shifting the Dial* report
- a section on road infrastructure and charging in *Advancing Prosperity*
- a discussion of road user charging and congestion charging in the *Public Transport Pricing* report and
- sections of the *Road and Rail Freight Infrastructure Pricing* report.

These were all relatively long-term projects, where we have about six weeks to pull something useful and coherent together. We plan to organise some short, targeted engagement with participants to occur from early August, ideally once the NCP interim report is released (as this indicates we are looking into the issue).

Our (very early working) draft for a CM paper is available at Outline of proposed RUC paper.docx, which shows a bit of where we are heading in more detail than this email.

Look forward to talking through with you on Monday. Hope you have a good weekend.

Cheers

s 22

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