From: Catherine de Fontenay
To: National Competition Policy
Subject: FW: Road user charging: a brief note on how Australian can provide a world-best model [SEC=OFFICIAL]
Date: Tuesday, 30 September 2025 4:12:12 PM
Attachments: Policy note - Road User Charges.pdf

OFFICIAL

Here's a handy addition to our literature review!

Catherine de Fontenay | Commissioner | p. s 47F
Schedule a meeting | Chat on Teams

From: Robert Breunig s 47F @anu.edu.au>
Sent: Tuesday, 30 September 2025 4:10 PM
To: Robert Breunig s 47F @anu.edu.au>
Subject: Road user charging: a brief note on how Australian can provide a world-best model

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Dear friends,

The introduction of road user charging in Australia provides a unique opportunity to make world-leading policy innovation and to establish a model for reforming taxes in Australia.

Driving an electric vehicle should not be subsidised, but free from the taxes on pollution externalities. The attached note provides a simple, sensible model for moving forward.

Best wishes,
Bob

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Australian National University

Crawford School of Public Policy

TTPI

Tax and Transfer Policy Institute

Road user charging: a pathway for Australia

TTPI – Policy Brief 4/2025
September 2025

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Road user charging: a pathway for Australia

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Recommendations

The introduction of road user charging in Australia provides a unique opportunity to make **world-leading policy innovation** and to establish a **model for reforming taxes in Australia**.

An ideal model should have four simple elements:

- Maintain kilometre (KM) charges on heavy vehicles. They cause the road damage.
- Introduce congestion charging for all vehicles. Car drivers only impose costs on each other on congested roads.
- Keep fuel excise. This provides an incentive to electrify.
- Eliminate subsidies for electric vehicles including the Fringe Benefits Tax concession.

What we need

- Simplicity. This approach provides a model for how to design a simple tax system, free from gaming and manipulation.
- This program incentivises drivers to electrify.
- This program puts a price on the three externalities:
  1. Road damage (from heavy vehicles; it is zero from passenger vehicles)
  2. Congestion
  3. Pollution

What we don't want to do

- KM charging is bad
  1. We don't want to penalise poor people
     KM charging penalises poor people who travel from the suburbs to the city for work
  2. We don't want to discourage the movement of goods and people
     KM charging is akin to putting a tariff on the internal movement of goods and services
- We don't want complex carve-outs and exemptions that some people can take advantage of while normal people end up getting stuck with a tax that they can't avoid.

What we shouldn't worry about

In a perfect world, a carbon tax would be ideal to address the pollution externality. Driving an electric vehicle fuelled by coal power should be taxed. But soon enough, all electricity will be green. Keep fuel excise as the tax on the pollution externality and do not worry about taxing electric vehicles except through the congestion charge.

More information

Happy to chat if it's helpful s 47F [redacted]