From: Catherine de Fontenay
To: s 47F
Cc: National Competition Policy; [redacted]
Subject: RE: Contact for NTC road user charges [SEC=OFFICIAL]
Date: Thursday, 17 July 2025 4:33:00 PM
Attachments: s 22 (1)(a)(ii) [redacted]

OFFICIAL

Dear s 47F ,

The Productivity Commission would be very grateful for the chance to have a chat with you about road user charging, as the expert! As part of the National Competition Policy process, Treasury would like the PC to estimate the possible GDP benefits (and impact on Commonwealth and state revenues) of a possible road user charging scheme. We're still in the very preliminary stages of scoping this out, as there are a number of possible goals for road user charges, and the goals shape what is in scope and what kinds of prices are optimal. So it would be extremely helpful to chat with you.

[redacted] (copied here) can help with the scheduling from our end, and we're happy to work around your schedule.

Many thanks indeed,
Catherine

Catherine de Fontenay
Commissioner

Productivity Commission
Wurundjeri, Woi-wurrung Country
Level 8, 2MQ, 697 Collins Street, Docklands VIC 3008
s 47F [redacted]
pc.gov.au

From: s 47F [redacted] @ntc.gov.au>
Sent: Friday, 11 July 2025 4:41 PM
To: Benjamin Mitra-Kahn <benjamin.mitra-kahn@pc.gov.au>; Catherine de Fontenay <Catherine.deFontenay@pc.gov.au>; Martin Stokie <martin.stokie@pc.gov.au>
Cc: s 47F [redacted] @ntc.gov.au>; s 47F [redacted] @ntc.gov.au>
Subject: Contact for NTC road user charges [SEC=OFFICIAL]

Some people who received this message don't often get email from [redacted] @ntc.gov.au. Learn why this is important

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Martin, Catherine and Benjamin,

Thanks for your time today. We will send through some information next week regarding rail.

In the meantime, connecting you in with[redacted] who is our Head of Economics and looks after road pricing at the NTC. Details below.

[redacted]
Head of Economics
[redacted] [redacted] **ntc.gov.au**
Level 3, 600 Bourke Street | Melbourne | VIC 3000

Kind regards

[redacted]

OFFICIAL

s 47F

Subject: NCP meeting to discuss between the PC and NTC to discuss road user charges
Location: Microsoft Teams Meeting

Start: Tue 22/07/2025 4:00 PM
End: Tue 22/07/2025 5:00 PM
Show Time As: Tentative

Recurrence: (none)

Organizer: National Competition Policy
Required Attendees: s 47F @ntc.gov.au>; s 47F Benjamin Mitra-Kahn; Catherine de Fontenay; Alex Robson; s 47F
Optional Attendees: Meeting Admin

Thank you s 47F for making the time to meet with us. Please also see our NCP inquiry page as an initial Introduction.

In attendance :

Alex Robson: Deputy Chair
Catherine de Fontenay: Commissioner
Benjamin Mitra-Kahn: Assistant Commissioner
Other NCP team members.

Thank you very much.

s 47F

s 47F | Personal Assistant to Dr Alison Roberts, Dr Benjamin Mitra-Kahn and Dr Catherine de Fontenay | Project Support Officer – Productivity Stream | s 47F
s 47F

Microsoft Teams Need help?
s 22 (1)(a)(ii)

Join on a video conferencing device
s 22 (1)(a)(ii)

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s 47F

Head of Economics

s 47F s 47F **ntc.gov.au**

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Kind regards

s 47F

OFFICIAL

Microsoft Teams [Need help?]

s 22 (1)(a)(ii)

Join on a video conferencing device

s 22 (1)(a)(ii)

Date: 22 July 2025

NCP 2025 study stakeholder meeting: National Transport Commission (NTC)

Meeting details	
Who:	National Transport Commission (NTC) • s 47F (Head of Economics)
When:	Tuesday, 22 July 2025 4:00PM-5:00PM
Contact	s 47F
PC attendees	Deputy Chair Alex Robson & Commissioner Catherine de Fontenay NCP team: Benjamin Mitra-Kahn s 47F
Where	Microsoft Teams: s 22 (1)(a)(ii)
Country/nation	Wurundjeri (Melbourne), Ngambri, Ngunnawal (Canberra)
Notes by	s 47F
Follow-up	

Topics to be covered

- Road user charging

Stakeholder background

- The PC met with the NTC on 11 July 2025 in relation to the NCP 2025 study to discuss Occupational Licensing and Standards.
- During that meeting, we were advised that the NTC is working on a new model for pricing for heavy vehicles.
- A follow up action from that meeting was to organise a meeting with Ramon Staheli (Head of Economics) to discuss this work, its outcomes, and the road user charging in general.

Introduction

- **Acknowledgement of country**
  I'd like to begin by acknowledging the Traditional Custodians of the lands on which we meet today. I would also like to pay my respects to Elders past and present and extend that respect and acknowledgement to any Aboriginal and Torres Strait Islander people here with us today.

- **Introductions**: NCP Commissioners and team

- **Obtain consent to record meeting**
  - Recording will only be used for the purpose of generating a file note
  - If we propose to include any statement in our report, we'll get back to you to seek consent

- **PC NCP 2025 study**
  - 2023: Treasurer announced a Competition Review,.
  - November 2024: Commonwealth, states and territories entered into a new 10-year agreement on National Competition Policy
  - Prior to this, the PC provided a report estimating the economy-wide and fiscal effects of a list of competition reforms
  - This year, the PC has been asked to model two specific policy areas (occupational licensing and standards) and was requested to provide modelling advice for other reform options identified as a priority by governments.
  - We are considering road user charging in the context of this work
  - The PC is required to provide an Interim Report to the Treasurer by 31 July and a Final Report by 31 October

- There are some overlaps with other inquiries that the PC is currently undertaking, including the 5 productivity pillars which are due to report by 13 December.

Questions

1. One of the NTC's roles is to research options and undertake economic analysis for transport reforms. On researching proposed reforms to heavy vehicle charges:

   - What policies are you modelling?
   - Talk us through the results of the modelling (if available).
   - What are the next steps for this work? I think your colleagues at a recent meeting mentioned this work would be considered by Ministers?

2. Could you speak broadly on the state of road user charging policy development in Australia?

   - Priority areas of reform (or any low hanging fruit) – is this largely focused on heavy vehicles (particularly heavy EVs?)
   - Barriers and enablers for RUC policy
   - Other options being considered
   - Appetite for reform options among decision-makers?
   - Any key participants in this policy area that we should speak to as a part of our work.

3. Are there any knowledge gaps that are important to furthering road user charging policy reform in Australia? Are there any that you see as able to be addressed by the PC that we could pick up in our study?

Meeting Notes – NCP correspondence with NTC
Participants: s 47F (Head of Economics - NTC), Alex Robson, Catherine De Fontenay, s 47F
Date: 22/07/2025

This conversation focused on Australia's road user charging (RUC) framework, particularly for heavy vehicles.

High level wrap-up

- RUC somewhat sophisticated in Aus for heavy vehicles
- Areas the PC could look into are issues with reviewing infrastructure proposals
- In theory feasible to move light vehicles over into a cost recovery model
- Regulation and not prices are a more important driver of behaviour
- Carbon pricing at the pump more efficient than a usage charge

Next Steps & Action Items:

- s 47F to seek approval to share his short-run marginal cost pricing paper.

NOTE: s 47F *emphasised these were personal views, not official NTC positions.*

Meeting notes

- Current Charging Framework (Heavy Vehicles)
    - PAYGO methodology:
        - Based on past government expenditure.
        - Allocates costs using a cost allocation matrix and usage data (e.g., ESA – Equivalent Standard Axles).
        - Excludes light vehicle costs from final calculation.
    - Issues with PAYGO:
        - Highly volatile year-to-year
        - Intergenerational inequity: Current users pay for long-term assets.
        - Disconnection between short-term cost spikes and stable infrastructure use.
    - Alternative Model – Building Blocks Approach:
        - Inspired by the ACCC model used for utilities.
        - Spreads costs (depreciation + maintenance) over the asset's life.
        - Provides a more stable and predictable cost base.
        - Better aligns funding with longer-term network costs.

- Cost Allocation & Equity
    - Allocation Methods:
        - OpEx like signage maintenance or roadside mowing - allocated by vehicle kilometres.
        - Pavement costs - allocated by ESA-km and average gross mass.
        - Environmental factors (e.g., weather, age) also considered contributors to wear.
    - Institutional Incentives:
        - Because light vehicles aren't charged on cost recovery basis, there's pressure to shift cost allocations to heavy vehicles to increase recoverable revenue.

- Elasticity, Efficiency, and Pricing
    - Short-run price elasticity for heavy vehicles is low.
    - Route choices often fixed by sender/receiver needs and regulated driver hours.
    - Labour and vehicle hours drive routing decisions more than marginal road prices.
    - s 47F sceptical of ultra-granular pricing models:
        - Current data is insufficient for road-by-road marginal cost pricing.
        - Suggests that postage stamp pricing is more efficient and fair, especially in rural/remote areas.

- Electric Vehicles
    - EV impact on RUC:
        - Concerns over declining fuel excise revenue as EVs rise.
        - Ramon supports a distance-based charge for new EV heavy vehicles to maintain fairness?
        - Dual system recommended: retain RUC for diesel, layer distance charges for EVs?
    - Telematics for New Fleet Only:
        - High-tech vehicles can handle telematics; retrofitting old fleet is inefficient.
        - New Zealand's model cited as an effective example.

- Carbon Pricing and Emissions
    - s 47F position:
        - Carbon should be priced via fuel taxes, not integrated into RUC.
        - Distance-based carbon proxies are unreliable due to variation in fuel use by terrain/load.
        - Simple fuel excise linked to emissions intensity is more effective.

- Regulatory Access and Local Government Constraints
    - Access restrictions:
        - Not just regulatory – also due to physical constraints (e.g., bridge weight limits, turn radius).
        - Some permit process improvements are underway, but infrastructure limits persist.
    - Rural LGAs face funding uncertainty:

        - Limited ratepayer base and high road responsibilities lead to risk-averse access decisions.
        - Highlights a disconnect between usage costs and funding flows.

- Congestion, Safety, and Other Externalities
    - Noise and Safety Externalities:
        - Believes many are already “priced in” (e.g., house prices near roads, insurance).
        - Advocates for mitigation (e.g., noise walls) over additional pricing.
    - Congestion Pricing:
        - Differentiates between:
            - Congestion taxing (e.g., London) – revenue-driven.
            - Congestion pricing (e.g., Singapore) – behaviourally responsive, dynamic.

- Light Vehicle Reform
    - Believes it’s feasible to extend cost recovery to light vehicles:
    - Rego already recovers some cost.
    - Excise could be split into general vs. road revenue.
    - Distance-based charging for light vehicles more viable than heavies due to less variance in load/fuel use.

- Investment Reform and Efficiency
    - Building blocks model supports prudent investment.
    - Roads lack the efficiency oversight that utilities face.
    - Major gains are on the supply side through better project scrutiny and risk allocation.
    - Resistance exists from state road agencies and Treasuries to increased oversight.

- Monopoly Nature of Roads
    - Roads are a natural monopoly more intense than utilities (e.g., no real substitute).
    - Calls for better recognition of this when designing charging frameworks.

- Modal Shift and Rail Competition
    - Debates on shifting freight from road to rail are complex:
    - s 47F questions the extent to which price drives modal choice.
    - Anecdotally, fuel cost alone for road freight can exceed full rail cost — suggesting non-price factors dominate decisions.