



TAX FORUM 4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

Brendan Lyon

Chief Executive Officer

ORGANISATION

Infrastructure Partnerships Australia.

Infrastructure Partnerships Australia is the nation’s peak infrastructure body. Our mission is to advocate the best solutions to Australia’s infrastructure challenges, equipping the nation with the assets and services we need to secure enduring and strong economic growth and importantly, to meet national social objectives. Infrastructure is the key to how Australia does business, how we meet the needs of a prosperous economy and growing population and how we sustain a cohesive and inclusive society.

Our Membership is comprised of the most senior industry leaders across the spectrum of the infrastructure sector, including financiers, constructors, operators and advisors. Importantly, a significant portion of our Membership is comprised of government agencies.

STATEMENT OF PRIORITIES

1.What are your priority reform directions for the tax and transfer system?

Infrastructure Partnerships Australia (IPA) strongly supports the efficient pricing of infrastructure in order to maximise its efficient use and encourage increased private sector investment in the kind of infrastructure that will lift Australia’s economic growth and productivity.

IPA’s 2010 Report, *Urban Transport Challenge: A Discussion Paper on a Role for Road Pricing in the Australian Context* (attached), which formed the basis of its submission to The Henry Review, examines the potential role for a national road pricing scheme to increase the efficiency of the use of our existing roads and potentially provide a funding mechanism for the next generation of public transport and road projects.

With population growth outstripping the capacity of Government to provide the necessary infrastructure to support the demand that growth, it is timely to consider the role of a new transport pricing regime that could result in increased investment in road and transport infrastructure and



TAX FORUM

4-5 October 2011

more efficient use of that infrastructure.

Australia has a substantial infrastructure shortfall. Various estimates have quantified the shortfall as being between \$400 and \$700 billion in investment required over the next 10 years just to keep pace with demand. Much of the impact of the shortfall will be felt in the transport and road sectors as the pressures on Australia's high Population growth and economic development will require transport infrastructure investment to double by 2030 and increase four-fold by 2050 across all transport modes. Additionally, according to BTRE statistics the social costs of congestion for Australia's metropolitan areas in 2011 is \$13.5 billion, projected to rise to \$20.4 billion by 2020. If the shortfall is not addressed, Australia will see lower economic growth and a further reduction in productivity.

The ageing and growing population means governments are also facing increased costs of meeting demand in core areas such as health and welfare services. With a declining revenue base and an increasing unwillingness from government to take on more debt, governments' ability to fund major infrastructure is severely constrained.

IPA proposes that the Tax Forum consider the adoption of a national road pricing scheme as a means of rationally and transparently allocating additional resources to fund transport and road infrastructure projects.

While the primary purpose of the IPA's paper was to promote an informed debate about the merits of a national road pricing scheme in Australia, the paper draws some compelling conclusions around the potential benefits of such a scheme.

Potential benefits of the setting of appropriate price signals for road infrastructure could include:

- Better matching the demands of road users with the availability capacity or 'supply' of road space;
- Providing a basis for replacing outdated and inappropriate taxes and fees, and provide a fairer set of charges which match changes and payments to actual road use and the impact this has on society; and;
- Providing a more sustainable and transparent funding mechanism for maintaining and improving the transport system.

In its report to the Treasurer, The Henry Review considered this proposal, stating that:

"Current road tax arrangements will not meet Australia's future transport challenges. Poorly functioning road networks harm the amenity, sustainability, liveability and productivity of society. **Moving from indiscriminate taxes to efficient prices would allow Australia to leverage the value of its existing transport infrastructure.** Less congested roads, shorter travel times and investment in road infrastructure that addresses user demand would provide a foundation for further productivity growth, improved living standards and more sustainable cities."

This proposal is a far reaching but necessary reform and one which should be allocated time at the Tax Forum for a full and considered discussion on its merits and future benefits.



TAX FORUM

4-5 October 2011

2. How are your proposals financed over the short and longer term?

The details of a possible structure of a national road pricing scheme are included in the attached paper, however it would be envisaged that any road pricing scheme would be cost neutral to government. The abolition of the current fragmented and inconsistent system of transport and road taxes to be replaced with a single, rationally priced user pays scheme would result in substantial administrative savings over the life of the scheme.

Depending on the structure and pricing of a national road pricing scheme, there is potential to raise additional funds for investment in transport and road infrastructure. This in turn could lead to increased economic growth and deliver a boost to national productivity.

LIST OF ATTACHMENTS

Urban Transport Challenge: *A discussion paper on a role for road pricing in the Australian context*, Infrastructure Partnerships Australia and SAHA, 2010.