WHAT YOU NEED TO KNOW ABOUT TRANSPORT NETWORK PRICING

Infrastructure Victoria has released the first in a series of papers on transport network pricing.

The overall aim of this series is to examine the options, challenges and opportunities for transport network pricing in Victoria.

The first paper outlines the problems with the current approach to transport pricing in Victoria, and the benefits and limitations of introducing a new road pricing regime to reduce congestion and make the most efficient use of the state's transport network.

What is transport network pricing?

Transport network pricing means users pay to access and use the transport system. It aligns the price more directly with those who use and benefit from the transport system by charging according to when or where people travel.

User charges are already used across many public and private infrastructure networks including telecommunications, energy, gas, water, ports, public transport and some roads.

All Victorians pay for roads and public transport whether or not they use it through general government revenue measures such as Payroll Tax or Goods and Services Tax (GST). Victorians also pay for transport in a number of ways, including State and Commonwealth government charges (such as registration and fuel excise) and private costs (such as car insurance).

Why introduce changes?

The problem is that what people pay:

- Does not encourage the best use of the infrastructure
- Is not always linked to how much transport infrastructure they use
- Is not always linked to their ability to pay
- Is not transparent at the time of use.

This means the current pricing system is inefficient, unfair and affects the cost and accessibility of goods and services.

Focusing on road pricing first

Infrastructure Victoria is focusing on road pricing as a first step towards developing a transport network pricing regime that includes public transport and roads.

This is because it offers the greatest potential for improving Victoria's entire transport network, particularly for relieving congestion on Melbourne's roads. With road pricing, a five per cent reduction in traffic is estimated to result in an increase of up to 50 per cent in travel speeds on congested roads.

Public transport and freight already have a price signal or a direct user charge mechanism.

How would road pricing be implemented?

A range of road pricing models could improve the performance of the transport network. At this stage of our research, we do not recommend a particular road pricing model or mechanism. Choosing the right model and designing an effective mechanism depends on the main objective of the regime.

Our first paper on the topic outlines four potential models for road pricing, and considers overseas case studies such as London, Milan, Stockholm and Singapore. We will be refining our evaluation framework and criteria for assessing these models and mechanisms in our next paper as part of stage two of this research series.

How can you get involved?

In this phase of engagement, we are seeking feedback on the key issues raised in the transport network pricing paper. To read the paper or complete our feedback form, visit yoursay.infrastructurevictoria.com.au.

INFRASTRUCTURE VICTORIA

THE CONGESTION PROBLEM

TODAY

$4.6 BILLION

Cost of congestion on Victorian economy in 2015

38KM

Average speed per hour during morning peak traffic

60 MINS

Current time in a car travelling from Epping to the CBD in morning peak

1 IN 3 TRIPS

Made during peak hour in Melbourne's north and west are in congested conditions

IN THE FUTURE

$10.2 BILLION

Projected cost of congestion by 2030 on Victorian economy

31KM

Projected average speed during morning peak traffic in 2046

1 HOUR 45 MINS

Projected time in a car travelling from Epping to the CBD in morning peak in 2046

1 IN 2 TRIPS

Made during morning peak in Melbourne's north and west will be in congested conditions in 2046

WHAT THIS MEANS FOR YOU

$1700 A YEAR

Cost of congestion by 2030 for every Melburnian

23% BY 2046

Increase of average car journey time by 2046 because of congestion

2 WEEKS PER YEAR

Stuck in congested traffic

BUSTING THE MYTHS

MYTH: Road pricing is just another tax.

Introducing a well-designed road price as part of an integrated pricing regime does not need to be another tax on roads if:

- the price is set to manage demand, recover costs for infrastructure or both
- those who use the roads are charged for their use. This could be in return for a better service such as less congested roads
- existing State or Commonwealth road taxes and charges are streamlined or replaced.

MYTH: Road pricing is unfair.

Evidence shows that the current charges are unfair and do not promote access to services for all Victorians and place a relatively greater burden on lower income Melburnians.

Road pricing can be designed so those who do not use the roads don't have to pay as much for them.

MYTH: We just need to build more roads to reduce congestion.

We think that more roads are needed to improve the flow of traffic and connectivity to employment and services as Melbourne adds another three million people. However, building more roads will not reduce congestion unless combined with road pricing to manage demand.

Experience shows that new roads eventually become congested as new drivers are drawn onto the road. Only having a price on the road will deter this from happening.

MYTH: We already pay enough to travel on our transport network.

No one knows how much they pay to travel. Transport infrastructure is substantially funded from general revenue, like income tax, and the fuel excise is not transparent. Without a direct price signal on roads, there are no incentives for drivers to change their behaviour - choose to drive at different times or catch public transport - to make the most efficient use of the transport network. This leads to congestion and crowding during peak periods and spare capacity at others.

Victoria's travel survey shows that nearly 20 per cent of all trips made during the morning peak are not related to work or education. It would only take a proportion of these people to change their behaviour to achieve school holiday-like conditions every day of the year.

MYTH: Road pricing is just revenue raising.

We think that the main objective of a transport pricing regime should be to manage demand rather than recover costs for infrastructure. This will inform how a pricing regime is designed and set.

The fuel excise paid by motorists is solely for raising revenue as it is not earmarked for spending on roads.

We also think that, unlike fuel excise, revenue raised from road pricing should be directly and transparently reinvested in transport services.

MYTH: We should just encourage more people to use public transport.

We do think that adequate public transport infrastructure and services need to be in place before introducing road pricing. But encouraging more people to use public transport or providing more public transport will not reduce congestion unless combined with road pricing to manage demand.

If a motorist is diverted off the roads onto public transport, reducing congestion, they will eventually be replaced by other motorists attracted by the less congested roads. This will continue until the roads are as congested as before. Only having a price on the road will deter this from happening.

MYTH: We don't need road pricing as new technology like intelligent road systems and way finding apps will manage congestion.

New technology like intelligent road systems and way-finding apps can improve the flow of traffic. But they will not reduce congestion unless combined with road pricing to manage demand.

Way-finding apps can even reduce the efficiency of the road network by encouraging rat running and diverting motorists onto roads not designed to handle more traffic.

Keep in touch

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