Treasury secretary John Fraser backs 'efficient' road-user charges

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Treasury secretary John Fraser has swung his weight behind the concept of directly charging motorists for the miles they drive, declaring it an inevitable solution as governments seek more stable and fairer ways of funding roads, bridges and tunnels.

In a speech in which Mr Fraser warned that infrastructure spending shouldn't been seen as a panacea for a lack of short-term economic growth, he also backed the use of so-called "value capture" funding for projects.
The concept involves using mechanisms such investment bonds funded by future council charges to capture some of the financial gains of those who benefit indirectly from new projects, such as property developers.
Challenging governments at both the state and federal level to back the right projects, Mr Fraser said it would be wrong to rely on such spending as a "source of short-term stimulus for the economy.

"While conceptually appealing, especially when the cost of borrowing is relatively low, the scope for fast-acting infrastructure projects to provide short-term fiscal stimulus is very limited," he said in a speech to infrastructure investors published by Treasury on Monday. "The ideal fiscal stimulus is one that leads to rapid and broad-based increases in demand in order to soak up space capacity."

Mr Fraser's remarks coincided with disappointment among some financial market investors at the lack of a unified push for additional fiscal stimulus by Group of 20 countries, whose finance ministers and central bank chiefs met in Shanghai over the weekend.

The meeting was divided over calls by groups such as the International Monetary Fund and OECD for a fresh wave of government borrowing to fund infrastructure as a way of shaking off sluggish global growth.

Treasurer Scott Morrison, speaking in parliament after returning from the G20 on Sunday, said he was thankful the view promoted by the IMF and OECD was not universal. He quoted his German counterpart, Wolfgang Schäuble, who said during the meeting that using debt to fund growth "just leads to zombie-fying economies."
"His goal, in his economy, is to get to a debt-to-GDP ratio of 60 per cent," Mr Morrison said. "Now that is more than twice what Australia's current level is."

Mr Fraser said rushing into new projects to stimulate the economy could lead to public funds being locked into inefficient long-term commitments, which have "not been properly prioritised and which lack clear objectives, in response to short-term economic goals".

However, he said governments may need to make "intuitive" judgments on the benefits of new projects that may not be measurable, acknowledging this was a process that "often feels uncomfortable".

While independent assessment of new projects, such as Infrastructure Australia's recent list of priorities, was welcome, politics shouldn't be removed from the process, Mr Fraser said. "One acid test of this approach will be whether we can finally build a second airport in Sydney after it was first proposed in 1969 and after the first sod was turned in 1992."

Transport funding was another area of likely change, he suggested, with the reliance on toll roads likely to evolve into direct road-user charging, where drivers pay for the miles they cover. "It could provide a more efficient way to raise road funding than the existing cocktail of fuel excise, registration fees and general revenue, which do not directly correlate with the costs individual users place on the system or the levels of investment required," he said.

Citing the availability of charging technology, such as GPS-linked systems, Mr Fraser noted that pilot schemes were already under way in Canada and Singapore. "Road user charging recognises that a city, or indeed a country's road network, is more than a series of individual roads. It is a complex network, where congestion problems (and solutions) are always interlinked."