



14 May 2024

Professor Allan Fels AO  
Independent Chair  
NSW Independent Toll Review 2024

(submitted via [tolling\\_pmo@transport.nsw.gov.au](mailto:tolling_pmo@transport.nsw.gov.au))

**RA Submission to the Independent Toll Review Interim Report for NSW government**

Dear Professor Allan Fels AO,

Roads Australia (RA) appreciates the opportunity to provide this submission on the Independent Toll Review Interim Report for NSW government (**Interim Report**).

This submission is based on input received from a range of RA members responding to various aspects of the Interim Report.

The Interim Report provides a comprehensive overview of the issues that have emerged in the toll road sector in NSW, with potential learnings for other regions.

Generally, the feedback from our members is a request for further details on the implementation and the workings of any proposed regime, including the role of proposed State Toll Co and the scope of the proposed legislative change.

In particular, the submissions raised concerns about the potential impact of the proposed coordinated network system of tolls and pricing system. Such concerns include:

1. the rights of toll road operators to have stability with respect to operating conditions for the period of concession. Any legislative change impacting the long-term contractual arrangements may entitle toll road operators to seek compensation;
2. the uncertainty around the future toll prices affecting investment confidence and the State's reputation as a safe and stable region for investment, introducing sovereign risk as a factor for future private infrastructure investment in NSW;
3. the uncertainty and risk for the banking sector, including the possibility of breaches which necessitate the immediate repayment of loans; and
4. potential material income tax and stamp duty imposts triggered by any changes to the operation of concession agreements.

Also focusing solely on the profitability of existing toll roads was considered to downplay the technical and commercial risks associated with building and managing these assets. Historically, private sector bidders for toll road projects have had to assume significant construction and demand risks. Many contractors have struggled to manage construction risks and many toll road concessions have incurred losses due to overestimation of initial traffic volumes. Private investor returns take into account the risks allocated to them. These risks should be considered as part of the decision to move to a State Toll Co model.

Some members have also highlighted the advantages of funding road delivery and operation from toll revenue instead of relying on a state budget process. Tolls enable the 'user pay' principle, allowing government to cover the cost of construction, operation, and maintenance. Consequently, there is some support for continuing to adopt the existing approach. Particularly in the context of KPMG May 2021 data estimating Sydney's tolled motorway network to 2051 will contribute A\$5.6 billion on average per year in economic benefits to all road users.

Should you wish to discuss this further, please do not hesitate to contact me.

Yours sincerely,

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