

24 May 2021

The Director
Portfolio Committee No. 6
Parliament House
Macquarie Street
Sydney NSW 2000

NSW Legislative Council - Inquiry into Road Tolling Regimes

Roads Australia (RA) welcomes the opportunity to make a submission to the NSW Legislative Council's inquiry into road tolling regimes.

By way of background, RA is the peak body for roads within an integrated transport system, representing an industry that contributes \$207 billion annually to the economy and supports 1.3 million jobs. RA brings industry, government and communities together to lead the evolution of Australia's roads, integrated transport and mobility.

It is ultimately a matter for government as to how a particular road is to be financed and funded, something that needs to be determined on a case-by-case basis.

However, it is clear a toll road regime does have a place in the road mix of our cities.

Infrastructure Australia said in its February 2016 *Australian Infrastructure Plan Priorities and Reforms for our Nation's Future* that the current approach to charging for road use is unfair, unsustainable and inefficient:

- **unfair** because the link between usage and charging is weak. The system sees taxpayers subsidise all users, while those who use the network less are effectively paying a subsidy to support those who use it most;
- **unsustainable** because fuel excise revenue will continue to decline in real terms as fuel efficiency continues to rise and the uptake of alternatively fuelled vehicles gathers pace; and
- **inefficient** because road users do not receive signals to use the network in the most cost-effective way. This can lead to congestion, which Infrastructure Australia suggested in 2016 would cost the economy \$53 billion per year by 2031.¹

As the then Chief Executive Officer of Infrastructure Australia Philip Davies told the Roads Australia National Summit on 1 June 2017:

¹ https://www.infrastructureaustralia.gov.au/sites/default/files/2019-06/Australian_Infrastructure_Plan.pdf; pg 84

A user-pays system of road funding could deliver secure, sustainable funding for our roads – and better services for users – but we need to get on the front foot and begin planning for this level of change sooner rather than later.

While the pathway to reform is likely to stretch over the next decade, it must start now if we are to deliver improvements in network performance, address fairness issues and provide a sustainable source of funding for our road networks.²

There are also other policy considerations.

A 2016 Transurban Melbourne Road Usage Study, which was the first practical study into user pays road user charging in Australia, concluded:

... the study demonstrated the flexibility a user-pays system could offer in enabling a wide range of price signal options to help manage demand and modify behaviours, and in so doing, help address issues such as traffic congestion and optimising network usage.³

A review of toll roads by the government economic analysis organisation, the Bureau of Infrastructure and Transport Research Economics (BITRE), stated that toll roads have helped ease congestion as a result of the rising populations in our largest capital cities and have allowed:

... road infrastructure to be provided earlier than would have been possible under the traditional model of road provision.⁴

In another report, BITRE also stated that the avoidable cost estimates of congestion in Sydney would rise from \$6.1 billion in 2015 to between \$9.5 billion (low estimate) and \$12.6 billion (upper estimate) by 2030.⁵

A 2015 review by KPMG into the economic contribution of toll roads found that NSW toll roads have over 10 years:

- provided businesses with \$6.9 billion in benefits from travel time savings, reliability gains, vehicle operating cost savings and wider economic benefits
- benefited households by \$7 billion from personal travel time savings, reliability gains and vehicle operating cost savings
- assisted the environment by \$72 million through reduced environmental emissions.⁶

The involvement of the private sector in designing, constructing, financing, operating and maintaining toll roads allows road owners to capture the benefits of innovation that can lead to better outcomes.

As Infrastructure Australia found in its 2014-2015 Assessment Brief for NorthConnex:

² <https://www.infrastructureaustralia.gov.au/listing/speech/roads-australia-summit-2017>

³ Page 54

⁴ https://www.bitre.gov.au/sites/default/files/is_081.pdf pg 1

⁵ https://www.bitre.gov.au/sites/default/files/is_074.pdf, pg 24

⁶ https://www.transurban.com/content/dam/transurban-pdfs/02/news/report_economiccontributionaustollroads.pdf, pg 23

The NorthConnex project showcases a number of positive features of project development. The procurement process run by Transurban has focused on specifying outcomes, which has allowed tenderers to provide innovations in design and resulted in a 46 per cent cost reduction compared to previous submissions to Infrastructure Australia.

The Government's exposure to risk is also substantially lower because of the delivery of the project by Transurban. Further, user funding is an important component of the project and this is supported by Infrastructure Australia, because it can provide stronger incentives for good project selection and a sustainable funding source.⁷

Finally, the terms of the contracts for many toll roads also require the provision of community assets such as walking and cycle tracks that in many circumstances would not otherwise be provided.

In summary, the need to fund government services means that some form of direct payment is sometimes necessary so the high-quality motorway standard required to move people and freight around our cities can be built. Without this option many worthy projects would be delayed or never occur.

For the reasons set out by Infrastructure Australia in 2016 and by many others, some form of national consistency on road user charges for all classes of vehicles should be considered.

Unlike other ways of paying for Australian roads, tolls are visible and provide a direct connection between use of the road and payment for that use.

There are generally accepted principles for determining the rates of tolls; however, the particular nature of each tolled road (length, complexity of design, financing arrangements etc.) and the way each concession was set up, means that there will be variations in prices that are also visible to road users.

This difficult pricing system, along with the fact that many people see the costs as being higher than what they perceive they are already paying for public roads (ie. many consider them free when in effect they are paying via general taxation) contribute to concerns over the fairness of toll rates.

Should you wish to discuss this submission, I can be contacted on (03) 9821 5255 or michael@roads.org.au.

Yours sincerely



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⁷ <https://www.infrastructureaustralia.gov.au/sites/default/files/2019-06/NSW-NorthConnex.pdf>, pg 3