



14 July 2017

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600
economics.sen@aph.gov.au

RE: Inquiry into Toll Roads in Australia

Dear Mr Fitt,

Thank you for the email of 4 July 2017 and the invitation for RACQ to make a submission to the *Inquiry into Toll Roads in Australia*.

This submission addresses the role of toll roads within the broader urban transport network and identifies opportunities for improved outcomes for motorists. As Queensland's peak motoring organisation, representing more than 1.6 million members, RACQ has a long history of advocating for improved roads and transport options.

RACQ believes it is important to ensure that motorists receive a fair go from toll operators. This is particularly important in South East Queensland, where Transurban has a monopoly on toll road operations.

Scope of the RACQ Submission

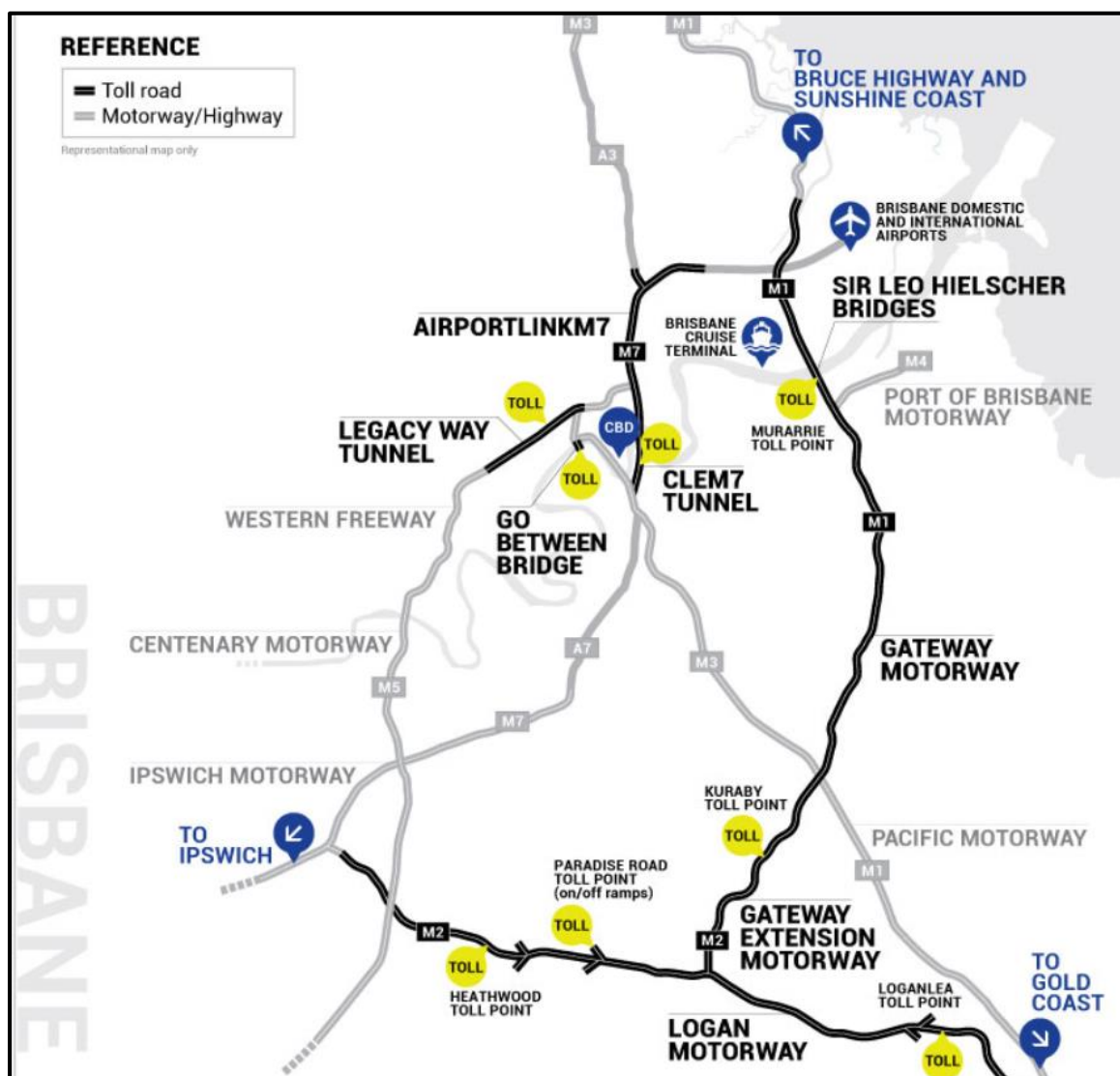
The focus of this submission is South-East Queensland (SEQ) toll roads. There are six toll roads in SEQ, all operated by Transurban under the *go via* banner. Figure 1 shows the location of the toll roads.

Go via is the sole toll account provider in SEQ.¹ *Go via* offer tag and video accounts, as well as casual trip passes or a road pass that can be purchased to cover the one-off cost of using a toll road.

¹ Because toll roads in Australia are interoperable, it is possible for an SEQ resident to set up an account with a provider in Sydney or Melbourne and pay for usage of SEQ toll roads. This is rarely done, however, and most motorists aren't aware it is an option.



Figure 1 - SEQ toll roads



Source: <https://www.govia.com.au/web/ssp/brisbane-toll-roads>

Terms of Reference

a. financial arrangements of existing and proposed private toll roads, and transparency, accountability and equity aspects of these arrangements.

The RACQ wants to see tolling arrangements for existing and any future toll roads safeguarded by the Queensland Government. This is important, because private toll operators are obliged to maximise shareholder interests, which includes a profit maximisation strategy. Without government oversight, there is a risk to motorists that efficiency gains are pursued via cost cutting in areas such as road and roadside maintenance, including signage.

Government oversight is also necessary to moderate toll prices. Under current arrangements in SEQ, Transurban is prevented from increasing tolls above the CPI for the term of each franchise. This Government safeguard means that the infrastructure, even with tolls, can still be managed with an eye towards the public good so that patronage is encouraged. Higher



patronage helps to alleviate congestion on the alternative free routes and there are safety benefits when motorists switch to high-standard toll road infrastructure.

b. interaction of commercial considerations of private toll road operators with federal and state transport and infrastructure policy.

Ideally Queensland's road infrastructure would be better managed as a single public road network, rather than a fragmented system where some routes are controlled by a private operator. Notwithstanding this, RACQ takes a pragmatic approach and acknowledges that toll roads have become a fixture in SEQ. The best outcome for SEQ's road network, considering the current restrictions, is to encourage motorists to use tolled infrastructure where they see it provides value; and encourage Transurban to increase the value proposition to motorists.

Private toll roads in Australia have not fared well in recent history. Use of tolled infrastructure near the Brisbane inner city has been relatively poor, with toll roads operating generally between 25% and 50% of capacity. In its *Review of Traffic Forecast Performance: Toll Roads*, BITRE noted that "the forecasting performance for toll roads in the world has been found to be poorer than for toll-free roads. There is an asymmetrical pattern of forecasting errors, that is, consistent overestimation. Australia is no exception. Anecdotal evidence suggests that the forecasting performance for Australian toll roads may have been even worse than the world average".

The current cost of some tolls in SEQ means price-sensitive drivers solely utilise the free alternative routes. Traffic on the Clem7 fell by 65% when full tolls were imposed after the first two months of free travel and discounted tolls. A traffic reduction of 40% occurred on AirportlinkM7 when a discounted toll was imposed after the initial free travel period. The RACQ would like to see Transurban offer incentives such as discounts and 'bundling offers' when more than one toll road is used in a single trip, to encourage greater use of this tolled infrastructure.

It is important for the Queensland Government to monitor the quality of toll signage at the roadside. In the past the RACQ has campaigned for improved toll signage and our efforts saw the introduction of toll price signs at the roadside and a change in the colour of roadside direction and information toll signage to a prominent blue and gold colour scheme.

The quality of toll road signage is important because it impacts on a specific issue of concern for motorists: choice. There needs to be clear signage outlining the conditions and cost of using the road so that motorists can make an informed choice at the point of purchase.

c. any other related matters.

In 2012 there were three SEQ toll operators: go via, AirportlinkM7 and FLOW. Today Transurban is the sole toll account provider in SEQ (a chronology of major SEQ toll road developments, such as this, is provided in the Appendix). The monopoly position of Transurban in SEQ raises concerns about the limited competition and questions about the governance and financial arrangements of Australia's Tolling Customer Ombudsman (TCO).

Unlike Sydney and Melbourne, that have more than one toll account provider, SEQ motorists are restricted to using go via. Although the interoperability of toll roads in Australia makes it possible to reside in SEQ but sign up with a toll provider in another jurisdiction, most motorists aren't aware of this and it is not something that is well advertised by the tolling industry. It is therefore important for the Queensland Government to monitor the customer service being provided to SEQ motorists and ensure it is adequate.



When motorists have an unresolved complaint about a toll operator, they are advised to contact the TCO. While Transurban's monopoly in SEQ heightens the need for an ombudsman, it also ironically raises concerns about governance and funding arrangements of the TCO. RACQ understands that the TCO is jointly funded by Australia's tolling operators, but the proportion of funding provided by each tolling operator is not publicly available.

With 13 toll roads and tunnels, Transurban operates most of the tolled infrastructure in Australia. The exception is the ConnectEast Group (with EastLink in Melbourne) and Interlink Roads (M5 South-West Motorway in Sydney). Given the dominance of Transurban, it is possible that the TCO is up to 80% funded by Transurban. This raises possible conflict of interest and governance issues and it would be worthwhile for the Committee to explore the funding arrangements for the TCO.

It could also be worthwhile for the Queensland Government to consider introducing a government funded Queensland tolling ombudsman. This could be justified because unlike Sydney and Melbourne that both have more than one toll provider, in Queensland Transurban has the monopoly.

We thank you again for the invitation to make a submission to this Inquiry, and we trust that our submission is of assistance in the Committee's deliberations. If you wish to discuss this submission, please do not hesitate to contact me on the phone number or email address provided below.

Yours sincerely,

Susan Furze
Principal Transport Economist



Appendix

Table 1 - timeline of toll roads in Southeast Queensland since 2000

2000 June	Strategic Transport Opportunities for Brisbane (STOB) initiative developed the North-South Bypass Tunnel (NSBT) as Stage 1. The general route for AirportlinkM7 was referred to as NSBT Stages 2 and 3.
2004 March March May	Clem7: EIS Initial Advice Statement released. Campbell Newman elected Mayor with TransApex a key plank of the election campaign. TransApex: Pre-feasibility study commissioned finds AirportlinkM7 Project technically and financially feasible.
2005 April April June July	SEQ Infrastructure Plan and Program 2005 – 2026 (SEQIPP) includes AirportlinkM7. Clem7: Draft EIS released for public comment. AirportlinkM7: Detailed Feasibility Study begun. GBB: Feasibility Study voluntary impact assessment statement and business case begun.
2006 April July Nov	Clem7: River City Motorways (RCM) announced as preferred tender. Clem7: Construction begun. GBB: Decision to proceed announced.
2008 July July Sept Oct Nov	Tolling: Free flow tolling starts on Gateway and Logan toll roads. GBB: Construction begun. Legacy Way: Detailed feasibility Study. Transport Plan for Brisbane 2008 - 2026 released. AirportlinkM7: Construction begun.
2010 March July	Clem7: Open to traffic. GBB: Open to traffic.
2011 Feb April May	Clem7: RCM goes into receivership. Legacy Way: Construction begun. Gateway: Bridge duplication opens.
2012 July Nov	AirportlinkM7: Open to traffic. AirportlinkM7: Suspended trade on the ASX.
2013 Jan	Council and QML announce negotiations regarding tolling rights for the GBB and Legacy Way.
2013 Jul	QML is awarded the tolling rights for GBB and Legacy Way.
2013 Dec	QML acquired Clem7.
2013 Dec	QIC propose sale of QML.
2014 Apr	QML sold for \$7b to a consortium consisting of Transurban, Australian Super and Tawreed Investments Limited.
2015 Jun	Legacy Way opened.
2015 Nov	Transurban acquires AirportlinkM7.