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Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Inquiry into toll roads in Australia

This submission also references material (Submissions) provided to the NSW Parliamentary Inquiry into Road Access Pricing 2013 conducted by the Transport and Infrastructure Committee of the NSW Legislative Assembly.

Dear Secretary,

Please accept this submission as the Western Sydney Regional Organisation of Councils' (WSROC) contribution to the Inquiry.

Executive Summary

WSROC welcomes the opportunity to make a submission to the Parliamentary Inquiry into toll roads in Australia.

Western Sydney residents are Sydney's greatest users of toll roads both for commuter and recreational tasks. We travel further, for longer, and more often than other residents of Sydney to access high-value jobs and recreational experiences in the city's East.

Just under 70 per cent of Greater Western Sydney workers commute private vehicle¹ both within and outside the region; making the inquiry into toll roads a critical one for Western Sydney.

Currently, motorists across the region are paying vastly different sums for similar journey benefits.

For example, users of the M2 pay three to four times more on a return journey to the CBD as users of the M5 motorway; demonstrating exactly why the Australian Parliament's inquiry into toll roads is both welcome and sorely needed.

¹ Australian Census 2011. Profile ID. Greater Western Sydney. Method of travel to work. Available from:

<http://profile.id.com.au/wsroc/travel-to-work?WebID=200>

Blacktown Blue Mountains Cumberland Fairfield Hawkesbury Liverpool Parramatta Penrith

This submission specifically addresses the following issues:

- Structural inequities.
- Road users do not pay the full cost of roads (nor do users of public transport).
- Current tolls are inequitable.
- Standard tolling across the motorway network.
- Distance and time-of-day tolling.

However, WSROC also submits that the scope of the inquiry could also be expanded beyond just tolled motorways. The inquiry could address issues of how a broader-based, network level “road usage charging” regime can facilitate:

- funding for future road network enhancements;
- delivery of sustainable road maintenance programs;
- fair and equitable access to the road network;
- a more efficient road network; and
- better public transport provision.

WSROC suggests that the inquiry should consider several toll road usage charging alternatives to address structural inequities and ensure a sustainable roads funding source for the future, including:

- Distance based tolling with a total journey cap across multiple motorway links.
- Time of day variations to incentivise out of peak travel.
- A differential tolling scheme where origin/destination is considered and commuters that lack public transport alternatives are “compensated” by reduced charges.

The same approach should then be applied to broader road usage charging across the entire arterial roads network.

Without such considerations, Western Sydney residents will be forced to endure inequitable road access charges that do not reflect the service quality they are experiencing on our city’s transport network.

WSROC further recommends the following actions in getting the issue of road usage charging out of professional and industry forums and into the mainstream public arena.

- National leadership is required, COAG lists the issue as an agenda item – Road Usage Charging for Australia.
- A pilot needs to be specified and conducted, one State “volunteers” to be the pilot for a scheme that would be appropriate for national implementation.
- The pilot scheme requires leadership, the State establishes a bi-partisan task force including elected and non-elected officials.
- The issue requires that the task force leads a strategic dialogue with the community.
- The Australian and State Government create a legislative and regulatory “sandpit” to allow a practical implementation of a pilot that by its very nature would affect both national and state jurisdictions

About WSROC

Formed in 1973, the Western Sydney Regional Organisation of Councils (WSROC), represents eight councils in Western Sydney, including: Blacktown, Blue Mountains, Cumberland, Fairfield, Hawkesbury, Liverpool, City of Parramatta, and Penrith City Councils.

These local government organisations represent a significant geographical portion of the Sydney metropolitan region, covering over 5000 square kilometres and containing a mix of regional centres and large cities.

Home to around half of Sydney's population, Western Sydney stretches from the heavily urbanised, multicultural areas of Auburn and Parramatta in the east, to the greenfield growth centres around The Hills, Blacktown and Liverpool, the semi-rural areas of Hawkesbury and the World Heritage listed areas of the Blue Mountains.

Over the past 40 years WSROC has developed a strong reputation for bi-partisan advocacy on behalf of the needs of its councils and residents, especially in the key areas of economic and social development, job creation, transport and infrastructure, planning, health and the environment, and has proven itself a reliable partner in intergovernmental relations, strategic planning, and coordinating joint projects, procurement and services.

Introduction

The Inquiry into road tolling is a welcome step in the ongoing dialogue regarding the need to address road usage charging or road access pricing as a necessary reform to:

- fund future road network enhancements;
- deliver sustainable road maintenance programs;
- ensure fair and equitable access to the road network; and
- optimise the benefits from an efficient road network and the Australian and State Governments' investment in public transport.

Questions regarding the use of more sophisticated tolling models that allow demand management through variable pricing are equality legitimate as the funding, sustainability and equity issues. In fact, in certain cities experiencing chronic traffic congestion, the need for an effective demand management tool is the prime concern.

It is noted that the Inquiry appears to be focussed on the existing tolled motorways even though most of the road transport task, be it private, public, passenger or freight, falls upon the non-tolled sections of the road network. Limiting any potential road tolling reform just to motorways can only be considered as a first step towards a natural conclusion that involves road usage charging across the entire arterial road network.

It is unfortunate, but nonetheless true, that the default policy of all governments in Australia is to use chronic traffic congestion as the most effective component of the travel demand management strategy for roads. The outcome of this 'policy by default' is to punish road users equally without regard to the legitimacy of their travel or the actual cost of that travel to the community.

It does not discriminate between those that have real choices in mode or time-of-travel and those that do not. It does not discriminate between discretionary travel and non-discretionary travel and with few exceptions it certainly does not discriminate between the user of road-based public transport and the private motorist.

If this “default” policy is not bad enough, the nature of road tolling in Sydney is such that the undesirable outcomes previously highlighted are made even worse.

The substantive question for the people of Western Sydney is equity; how do they get fair and equitable access to roads especially for the commute task.

The question of fairness and equity to access the road network generally, and motorways specifically, cannot be addressed to the satisfaction of communities without also looking at cost and pricing distortions inherent in the entire transport network. After all, how is it possible to set appropriate public transport ticket pricing without pricing roads appropriately.

Land prices reflect many factors, including amenity, of which distance from services is a component. With relatively fixed capacity to pay, people make trade-offs which (in general) see those with the least capacity to pay for homes (on land) forced to accept the compromise of less amenity (i.e. Distance from the CBD and in Sydney’s case the harbour and the coast) to get cheaper land. The workplaces which can afford the highest rents inevitably offer high value jobs and are located close to CBDs.

This trade-off includes the cost of tolls to travel on the motorway network as it stands.

Those with the least capacity to pay, who have been forced to compromise with the lowest cost homes located furthest from the CBD are subjected to the highest costs to travel to gain high value employment closest to Sydney CBD.

Another factor is that public transport is subsidised, the pricing dynamics between roads and public transport means that in many cases public transport is cheaper than tolling charges on the motorways.

Unfortunately for many Western Sydney residents public transport is not a practical option.

Commentary

Sydney’s motorway tolling arrangements are an easily demonstrated eclectic mix of policy and protocols substantially based on specific financing arrangements driven on the day by questions of economics and politics. The public see this and are frustrated by those patronising assurances that toll roads and the method of charging are necessary and appropriate, they want transparency and genuine dialogue.

Notwithstanding that this submission commences with issues very much at the macro level and continues to address specific issues it should also be noted there is a glaring deficiency in the process to develop an informed and engaged community.

Well-informed communities are reasonable communities, they are communities willing to work with governments, they are communities who understand that the challenges before their

government requires their participation in finding solutions. And yet this strategic dialogue with communities is a fragmented, incoherent, project-focused process that fails to engage with the very people that are supposed to be beneficiaries of this process.

WSROC makes the following observations and in some cases a firm recommendation to begin a process where equity and fairness is delivered not just to the people of Western Sydney but to all road users.

Some of the observations appear to not favour Western Sydney residents but in the context of “what is good for Sydney is good for Western Sydney” and given the nature of an efficient metropolitan road network in delivering benefits for all it makes sense.

Issues

Structural inequities

The current system of registration and licensing charges, stamp duty, fuel excise and other taxes for users of roads are inefficient, inequitable, unsustainable and lack effectiveness in contributing to a modern transport network.

Road users that can afford the latest fuel-efficient vehicles or the higher cost hybrids pay substantially less to access the road network through reduced fuel excise.

- A Penrith resident driving 65km to their job pays \$29.80 per week² just in fuel excise.
- A road user driving the same distance in a hybrid vehicle pays approx. \$9.90 per week in fuel excise.
- A road user driving an electric or alternate fuel vehicle for unlimited km pays no fuel excise.

Tolls on motorways in a very small way addresses this strategic inequity but much more needs to be done if the public is to be convinced of the “fairness” of the system.

Road users do not pay the full cost of roads (nor do users of public transport)

... if we were easily able to compare the cost/value equation across different modes of transport then transport providers, freight operators and commuters, may be making very different transport decisions to the ones made today.³

The costs associated with roads are more than just the cost of their construction. There are also long-term maintenance costs, and costs associated with acquiring land for new road projects. Pollution and emissions caused by vehicles also result in health costs, as do road accidents.⁴

² This is calculated on a Commodore averaging 12 litres per 100km.

³ Evans and Peck, *Road pricing: Considerations for Australia*, May 2013, p 10

<http://www.evanspeck.com/site/DefaultSite/filesystem/documents/Insights/Road%20Pricing%20%20Considerations%20for%20Australia.pdf>

⁴ Submission to Parliamentary Inquiry – Road Access Pricing - Action for Public Transport, p 2

The Long-Term Transport Master Plan (2012) noted that users do not pay for many of these costs:

Under our current system, there are many costs associated with road use that are not completely borne by the individual road user. These costs include the provision of road maintenance, the cost of pollution from our vehicles, the cost of accidents and the additional time cost to all road users arising from increases in congestion.⁵

It is estimated that the NSW Government recovers less than 70 per cent of its expenditure on roads and related services through user-focused means: road user charges, motor vehicle taxation and tolls on state-owned motorways. Road users are generally not aware of this funding gap.⁶

There is an argument that these costs should be factored in when calculating the actual cost of motor vehicle use. Roads Australia has argued that road users should share greater responsibility for the costs of maintaining and operating the road network through more accurate pricing:

The current pricing signals sent to road users are wrong. There is a strong case to view roads as a utility - not unlike water and electricity - and to make users of the road network more financially accountable for its upkeep, renewal and efficient operation.⁷

Complementing the need for road pricing reform is public transport pricing reform. One example is that because of the relatively fixed nature of the costs of the rail network in 2010/2011 each rail trip cost \$9.45, absurdly this meant that once the price of a rail ticket was factored in a Penrith rail commuter would get a “subsidy” of \$2.99 while a Burwood commuter would receive a “subsidy” of \$5.25 for a trip to the CBD.

WSROC is of the view that a coherent, transparent and sustainable pricing regime is required for the entire transport network and both components (road and public transport pricing) need to be addressed concurrently. This would also represent an opportunity to review policy, including taxes, levies and fees that now contribute to inequities and competing dynamics between roads and public transport.

Current tolls are inequitable

Our toll road network is inequitable in that some users pay more depending on which motorways they use more frequently. User charges bear no relationship to road users’ actual use of roads. There are large differences in the cost per kilometre of using each motorway, and tolls are based on the cost of construction, with resulting inequities for road users.⁸

Infrastructure Partnerships Australia illustrated the inequity of Sydney’s current motorway tolls:

... Toll apply to nine sections of the Sydney Orbital Network and the East-West corridor, however approximately 50 per cent of the motorway network remains untolled and cashback applies for private

⁵ NSW Government, *NSW Long term transport master plan*, December 2012, p 373

⁶ Submission 14, Roads Australia, p 2

⁷ Submission 14, Roads Australia, p 2

⁸ Submission 2, 10,000 Friends of Greater Sydney, p 2

vehicle use on the M5. The resulting complexity of the system has led to unintended and inequitable outcomes for some motorists. ...

The differential pricing regimes across the network also gives rise to issues of equity where motorists using different sections of the network pay vastly different sums for similar functionality.⁹

WSROC has previously illustrated the inequities between;

- Western Sydney residents (limited or no access to practical public transport) with long commutes to their jobs in eastern Sydney and eastern Sydney residents (with many public transport options) with short commutes to their jobs (see Table 1), and
- Roads users within the region, depending on whether you live in the South West, the West and the North West your tolls to and from work are dramatically different (see Table 2).

| TABLE 1. Difference in commuter experience between Inner West and Outer West | | |
|--|-------------------------|-------------------|
| | Penrith (Glenmore Park) | Five Dock |
| Leave home | 5.26 am – 6.52 am | 6.33 am – 7.47am |
| Arrive work | 7.03 am – 8.27 am | 7.05 am – 8.28 am |
| Number of available PT trips | 11 * | 23 ** |
| Cost | \$8.80 - \$9.36 | \$3.50 - \$6.88 |

Table 1. notes:

* Walking for 15mins at Penrith would make no practical difference to the number of options.

** This is limited to just two bus routes.

** Other bus routes and bus and rail combinations increase available options by more than double the number.

** Walking for just 15 mins at Five Dock dramatically increases the number of options.

| TABLE 2. Price of a return journey to Sydney CBD (peak hour) | | | |
|--|------------------------------|------------|--------------|
| Motorway | Distance travelled (approx.) | Daily cost | Yearly cost* |
| M2 (North West Growth Centre to CBD) | 70km | \$27.62 | \$6, 905 |
| M5 (South West Growth Centre to CBD) | 70km | \$6.00** | \$1,500 |

⁹ Submission 15, Infrastructure Partnerships Australia, p 14

| | | | |
|---------------------------------------|---------|---------|---------|
| M4 (Penrith to CBD) | 55km | \$0.00 | \$0.00 |
| Train*** (Penrith/Richmond to CBD) | 55-60km | \$15.00 | \$3,750 |

Table2. notes:

*Based on five-day working week (250 days).

**After M5 rebate applied.

*** Based on adult peak fare with daily \$15 cap applied.

The Australian Institute of Traffic Planning and Management supported a review of public transport pricing, including consideration of equitable pricing and current public transport zones:

Under the existing system those who live in the inner and middle areas pay the least for public transport, but generally can afford to pay more. A more equitable zone system and price structure is required to provide an equitable balance, based on affordability. Such a review should have the aim of being revenue neutral in terms of fare box collection when compared to the existing system.¹⁰

The Australian Institute of Traffic Planning and Management submitted that an equitable road access pricing strategy should exempt certain road users, or compensate them:

People in regional areas have little or no public transport and rely on roads for their transport. Consideration should be given to moderation of road user pricing to account for this reliance and, in general, for the longer trips undertaken. Those persons with mobility impairments, who may have no choice but to drive, should be exempt from having to pay to access the road network.¹¹

Finding a solution

Standard tolling across the motorway network¹²

According to the Long-Term Transport Master Plan, the introduction of a standard per kilometre toll across Sydney’s motorway network ‘has the potential to deliver significant benefits’ including:

Consistency for motorway users – Regardless of the part of the network people use regularly or where they live, motorists’ charges to use the motorways will be directly linked to their level of use of the motorways.

New funds for roads – New funds could be generated and directed towards completing the motorway network, maintaining existing roads and increasing our investment in public transport alternatives.¹³

The introduction of harmonised tolling across Sydney’s motorway network is supported by many within the roads industry. Infrastructure Partnerships Australia argues in favour of a

¹⁰ Submission 5, Australian Institute of Traffic Planning and Management, pp 6-7

¹¹ Submission 5, Australian Institute of Traffic Planning and Management, p 2

¹² Sydney’s toll roads currently operate with differing toll types - most have a flat rate toll, the M7 a distance based toll, and the Harbour Bridge and Harbour Tunnel a time of day based toll: see

<<http://sydnemotorways.com/tagsandpasses.html>>

¹³ NSW Government, *NSW Long term transport master plan*, December 2012, pp 373-

374 ¹⁴ Submission 15, Infrastructure Partnerships Australia, pp 19-20

standardised, equitable framework for charging users across the entire motorway network. They felt that this would provide a more effective way to manage demand on the road network, while also raising sufficient funds to maintain current infrastructure and build new roads – to fill in the 'missing links' in our motorway network – as well as improving public transport.

Drivers would also pay a fairer amount for their use of the road network.¹⁴ 10,000 Friends of Greater Sydney echoed this view:

... tolling on the motorway network can be more equitable, used as a traffic management tool and the basis for increased funds flow to finance new transport infrastructure. If coupled with a modest increase in public transport fares, ... it could form the basis for implementing major enhancements to the Sydney transport network.¹⁴

Such reform would require agreements to be reached with motorway operators under the leadership of the state government to ensure the implementation of network-wide tolling. Existing contracts would need to be renegotiated with motorway concession holders, with incentives and possible compensation for investors.

Consideration would also need to be given to the most appropriate technology for the introduction of integrated tolling on Sydney's network. The Australian Institute of Traffic Planning and Management highlighted the importance of accurate and affordable technology to record relevant data: 'Technology that would enable accurate information to be recorded regarding type of vehicle, distance travelled, time of journey and road used would need to be considered.'¹⁵

A harmonised motorway tolling regime coupled with the latest tolling technology would allow major questions of equity to be addressed for the first time in Sydney; for example;

- Charging a road user based on origin and destination information (i.e. commute task or otherwise) would allow for reduced tolls to be charged for those road users with no or restricted access to practical public transport alternatives.
- A journey cap can be applied at the network level for those users who use multiple motorway links.

Distance and time-of-day tolling

It can be argued that standardised distance-based tolling on motorways must also be complemented with journey caps and be accompanied by higher charges during peak periods to reduce demand.

According to Infrastructure Partnerships Australia, 'a network tolling approach ... and provisions for the eventual introduction of time of day price variability, will be crucial to the efficient delivery and effective operation of Sydney's transport system.'¹⁶

¹⁴ Submission 2, 10,000 Friends of Greater Sydney, p 2

¹⁵ Submission 5, Australian Institute of Traffic Planning and Management, p 2

¹⁶ Submission 15, Infrastructure Partnerships Australia, p 2

Varying tolls based on the time-of-day would offer a way to manage demand on Sydney's motorways, by encouraging changes in driver behaviour.¹⁷ Under time of day charging, motorists would plan their journeys in advance, considering the time of day, whether the journey is essential, the desired route and mode of travel. It was argued that this would reduce congestion on the road network at peak times. The Australian Institute of Traffic Planning and Management stated that time-of-day tolling would discourage motorists from travelling on certain roads and at certain times of the day and encourage them to explore alternative modes of transport.¹⁸

Equally important is that time-of-day tolling can be structured to incentivise travel outside of peak travel times.

Another possible approach is to introduce distance-based (with journey caps and time-of-day) charging across the entire road network. As noted by Infrastructure Partnerships Australia, road access pricing schemes 'may cover a small collection of high-use road corridors or the entire network. Finally, the scheme may only include vehicles over a certain weight or may cover all vehicles using the road network.'¹⁹

WSROC has previously and continues to urge the State Government to investigate the opportunities and challenges from the introduction of a harmonised tolling regime across all of Sydney's motorways as a first step, based on the following principles;

- Distance based tolling with a total journey cap across multiple motorway links.
- Time of day variations to incentivise out of peak travel.
- A differential tolling scheme where origin/destination is considered and commuters that lack public transport alternatives are "compensated" by reduced charges.

WSROC supports in-principle the introduction of equitable distance based charging (subject to the conditions detailed above) across the whole road network, combined with a reduction in, or removal of, vehicle registration charges and the fuel excise.

Conclusion

The current motorway tolling regime can be explained with little effort but far more difficult is explaining the value proposition in using tolled motorways during times of chronic congestion (peak travel times).

Equally difficult is explaining how the current arrangements represent the fairest possible outcomes for the people of Greater Western Sydney, for as has been demonstrated in this submission, they are not.

WSROC has previously and continues to urge the State Government to look seriously at the introduction of a harmonised tolling regime across all of Sydney's motorways as a first step, based on the following principles;

¹⁷ Submission 15, Infrastructure Partnerships Australia, pp 35-36 ("Urban Transport Challenge: Driving reform on Sydney's roads")

¹⁸ Submission 5, Australian Institute of Traffic Planning and Management, p 4

¹⁹ Submission 15, Infrastructure Partnerships Australia, p 16

- **Distance based tolling with a total journey cap across multiple motorway links.**
- **Time of day variations to incentivise out of peak travel.**
- **A differential tolling scheme where origin/destination is considered and commuters that lack public transport alternatives are “compensated” by reduced charges.**

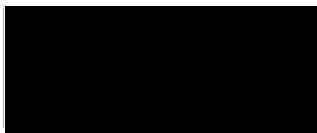
If the harmonisation of the tolling arrangements across the Sydney motorway network is not possible then the State Government should consider a network-wide journey rebate for toll road users based on the aforementioned principles.

WSROC also supports the introduction of distance based charging (subject to the conditions detailed above) across the whole arterial road network, combined with a reduction in, or removal of, vehicle registration charges and the fuel excise.

WSROC would commend the Australian Government in acknowledging that road usage charging will be affected by and give effect to any broader based tax reform. For this reason, the national government must provide the necessary leadership to the States and Territories.

WSROC recommends the following actions in getting the issue of road usage charging out of professional and industry forums and into the mainstream public arena.

- National leadership is required, COAG lists the issue as an agenda item – Road Usage Charging in Australia.
- A pilot needs to be specified and conducted, one State “volunteers” to be the pilot for a scheme that would be appropriate for national implementation. It would make sense that NSW leads in this pilot as it has the most to gain from the benefits of such a scheme.
- The pilot scheme requires leadership, the State establishes a bi-partisan task force including elected and non-elected officials. Overseas experience demonstrates that without bi-partisan support over a protracted period success is highly unlikely.
- The issue requires that the task force leads a strategic dialogue with the community. The Terms of Reference for such a task force will need to include strategic marketing objectives, development and governance of a long-term program
- The Australian and State Government create a legislative and regulatory “sandpit” to allow a practical implementation of a pilot that by its very nature would affect both national and state jurisdictions.



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