

REPORT OF PROCEEDINGS BEFORE

COMMITTEE ON TRANSPORT AND INFRASTRUCTURE

INQUIRY INTO ROAD ACCESS PRICING

At Sydney on Monday 27 May 2013

The Committee met at 1.30 p.m.

PRESENT

Mr C. Casuscelli (Chair)

Ms T. Mihailuk (via telephone)

Mr T. F. Owen

Mr G. M. Piper

Mr P. L. Toole

CHAIR: I declare the public hearing open. I welcome each and every one of you this afternoon for attending this hearing of the Committee on Transport and Infrastructure which is inquiring into road access pricing. This inquiry is looking into the development and implementation of a road access pricing strategy for New South Wales. The Committee heard from a number of stakeholders at its last public hearing and today the Committee will be hearing from representatives from the NRMA, Infrastructure Partnerships Australia and the Director General of Transport for NSW, Mr Les Wielinga.

Before the proceedings commence, I remind everyone to turn off their mobile phones as they can interfere with the recording equipment of Hansard. If your phone is on silent please switch it off completely. I note that the Committee has resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines governing coverage of proceedings are available if you need them.

WAL SETKIEWICZ, Senior Economic Adviser, Corporate Affairs, NRMA Motoring Services, and

CHRIS SIOROKOS, General Manager, NRMA Motoring Services, sworn and examined:

CHAIR: Have you been provided with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr SETKIEWICZ: Yes, I have.

Mr SIOROKOS: Yes, I have.

CHAIR: Do you have any questions concerning these procedures?

Mr SETKIEWICZ: No.

Mr SIOROKOS: No.

CHAIR: In what capacity do you appear before the Committee?

Mr SETKIEWICZ: As the senior economic adviser on the NRMA Motoring and Services.

Mr SIOROKOS: As general manager, Corporate Affairs, NRMA Motoring and Services.

CHAIR: Have you provided the Committee with a submission? If so, do you want the submission to form part of your formal evidence?

Mr SIOROKOS: Yes, please.

CHAIR: Do you want to make an opening statement?

Mr SIOROKOS: Just a very short one, if I may. We want to point out that motorists and drivers in New South Wales already pay, in our view, more than enough in terms of taxes and charges to use the roads. There is the federal fuel excise of 38¢ a litre and, correct me if I am wrong, but this budget collected—what was it?

Mr SETKIEWICZ: Supposed to collect \$15 billion in the next financial year.

Mr SIOROKOS: And only a small proportion of that is returned back in improvements in roads and transport. I guess the other point we would like to make is we think before there is any discussion about road access pricing there needs to be some clarity around what the purpose of road access pricing is for. Is it to raise revenue that goes into consolidated revenue? Is it to fund infrastructure? Is it to act as a demand management tool? Is it a combination of all of those things? I think if there is going to be a discussion with the New South Wales community about road access pricing we think they are the sorts of things that have to be discussed frankly and quite publicly so that people can form the view.

We would also like to make the point—and these things are also covered in the submission—that we think that there are a range of funding sources that could be considered to fund road and other transport infrastructure and also some very simple low-cost or no-cost things that could be done to manage demand and congestion on the network that we think it is important are considered and implemented before there is any kind of road access pricing regime that changes things quite considerably for motorists. I would also like to say that the position of NRMA is, if there is a change in the system that there should be no net increase in the cost of motoring because, as I pointed out before, motorists already do pay a lot and we think any change should ensure that there be no net increase.

CHAIR: I am quite encouraged by the fact that the NRMA, which represents 2.1 million members, is giving evidence.

Mr SIOROKOS: Close to 2.5 million now.

CHAIR: That is a good healthy sign for the NRMA.

Mr SIOROKOS: We are happy about that as well.

CHAIR: The NRMA essentially represents what I would call the main stakeholder group when we talk about road access pricing but in terms of transport access pricing it may just be a subset. One of the comments in the submission of the NRMA that I was interested in was that road access pricing needs to consider at least a primary objective. We all know that road access pricing will deliver a number of benefits. The submission states that there has to be an understanding of what is the primary objective of a road access pricing strategy? Does the NRMA have a view of what that main objective should be?

Mr SIOROKOS: I think it goes back to the comment I made earlier, that is, if we are going to have this debate in the community then the debate needs to be a frank one. The Government and other stakeholders need to be very clear about what the benefits of road access pricing would be and what the money would be used for because in our view if such a system were to be introduced we do not think it would be acceptable for the money to go into Consolidated Revenue. I think our preference would be that it would be to fund infrastructure, particularly road infrastructure.

In terms of demand management we think there are other things that could be done to help manage demand and reduce congestion and going back to the issue of road access pricing we also think that before that is looked at there are probably other innovative funding mechanisms that could be looked at for the delivery of infrastructure. We cover off some of in our submission. We look at value capture, tax incremental financing and other things that have been done in other jurisdictions around the world that we think could be looked at here as well. I do not think the community would accept road access pricing and the money going into Consolidated Revenue. I think that would be a very hard ask.

CHAIR: Neither would I, to be honest. One of the things that came through a number of submissions is that road access pricing as a demand management tool is probably the most effective of all the tools that compromise the demand management toolkit. Road access pricing not only manages demand in terms of capacity on our roads but also has the ability to provide the basis for modal shift from a motorist using a road to public transport if you get the balance between road access pricing and public transport fares correct, for example. What is the view of the NRMA in terms of road access pricing as the most effective and prime tool of demand management? do you share that view or do you have an alternate view?

Mr SIOROKOS: I think one of the things that international experience has shown is that if you do introduce any kind of access pricing or congestion regime there is a whole lot of things that you probably need to consider beforehand. You cannot simply say, "Roads are crowded, we are going to increase the cost of driving to get people off roads" and then try to put them on a public transport system that is already crowded because that will not work. In other jurisdictions I understand that they significantly increased, as a sign of goodwill, public transport expenditure before they introduced access pricing. There are issues of workplace flexibility.

There are some people who simply need to travel at particular times of day and things like NBN, greater broadband, could help with workplace flexibility. Some large private and public sector organisations are very good flexible start and finish times but there are other people like teachers, nurses, police officers, retail workers, factory workers who just have to get to work at a particular time and if they live in an area that is not well served by public transport then they will just wear the cost. There are equity issues there. We also think there really needs to be a great deal of investment in real time traffic information. Again, if you are going to introduce a pricing regime then you need to let people know whether the alternatives are working, how they are working, how quickly they can get to and from work.

There has been a lot of work done in relation to that with real time train information now available, some limited real time bus information available. We think that has to be much more extensive and we also think that the real time information and the co-ordination of variable message signs across public and private roads needs to be a lot better. There are these pre-conditions we think need to be dealt with before any such charge is theoretically introduced.

CHAIR: In terms of road access pricing and some of the comments I have heard from the NRMA it strikes me that it is almost like the NRMA thinks that road access pricing is something to be layered on top of the existing use charge base, whether it be registration, parking levies, fuel excise and the like. Is that true?

Would the NRMA change its view on some of the submission details if we are talking about road access pricing strategy in lieu of the existing funding base?

Mr SIOROKOS: Our very strong view would be that if there were to be a change in the way driving on roads was priced you would have to look at all those things you talked about. We do not think it would be acceptable just to add another charge on top of those things. We think there would need to be some very serious State and Federal reform to look at fuel tax, in particular, and those State charges. Our position, which we made very clear along with the other motoring clubs in a joint submission to the Henry tax inquiry, was that should there be a road access charging regime introduced it would have to be at no net increase in the cost of motoring. We think there would have to be serious examination and negotiation between State and Federal governments about the entire mix of road user charges. We count fuel excise as a road user charge because the more you use the more you pay, and if you are sitting in congestion and your engine is turning over you are burning fuel so you are paying as well. It is not a direct link but nonetheless people are paying.

CHAIR: If it were the case that we were to undertake wholesale reform of the registration base, fuel excise base and a whole range of other things like stamp duty on buying motor vehicles and the like, if we were to reform that whole process and have as a primary objective not only adequate charging for road access but also ensuring fairness and equity across the entire user base, would the NRMA then support in principle adoption of such things as time-of-day tolling?

Mr SIOROKOS: Correct me if I am wrong, Wal. Through you, Mr Chair, our submission to the Henry transport review effectively said that that was the motoring clubs' in principle position. I am just trying to cast my memory back because we did make that submission a couple of years ago. I do recall that our view was that if there was to be a regime then that would be the basis upon which the auto clubs would, in principle, support it or consider supporting it.

CHAIR: From your submission it is the view of the NRMA that previously tolled sections of the motorway should not be retolled even in the pursuit of ensuring fairness and equity for all road users. Would your view change if we had wholesale reform of the entire funding base or would you still maintain that that section of the motorway network because of historical reasons should not be retolled?

Mr SIOROKOS: I think if there was wholesale reform of the system of charging and taxation then we probably would revisit that position. That view was formed on the basis that when those roads were built governments explained the tolls to the public by saying that after a period of time the tolls would come off and it would be a free road. I think our view was that in order to keep faith with the community and to get them to accept that if public-private partnerships or private sector investment or tolls are needed then if that is what the governments said they were going to do then that is what they need to do. But if a section of tollway is significantly enhanced then we are realistic and we would accept that someone needs to pay for those significant enhancements.

Mr SETKIEWICZ: But we are not of the view that a road that has been tolled is wanted to be now retolled to pay for something else. It needs to be a significant alignment.

Mr GREG PIPER: A full hypothecation to that cost?

Mr SETKIEWICZ: Yes.

CHAIR: And based on the concept that if we were going to do anything we would go to a network tolling model, not a corridor or road specific tolling model.

Mr SETKIEWICZ: That is very different. A network obviously brings into entire focus the issues of fairness and equity. Obviously, Mr Chair, you are aware of the tolling structures that exist in metropolitan Sydney and depending on where you live it can hurt you quite considerably.

CHAIR: Indeed.

Mr GREG PIPER: Can you give the Committee some facts as to what the costs are for the average motor vehicle user on the network now? You are talking about any change not increasing the cost to a user. The second point on page one of your letter refers to demand pressures changing and being exacerbated by a shift in demographics and increasing mobility, including leisure trips. It seems to me that private motor vehicle

affordability is now historically quite low. I would like to know your view on that because you seem to be indicating that there should be no additional charges applied whether it is in the system that we are looking at now or from any other area. I know you are specifically looking after the interests of that particular cohort.

Mr SETKIEWICZ: Car affordability probably is cheaper now than what it was 10, 15, 20 years ago but the costs of running a motor vehicle today are a lot more expensive than what they were. The price of fuel is not as cheap as it was 20 years ago. Obviously when you collate all those numbers together the cost of motoring is increasing.

Mr GREG PIPER: I was getting at the total cost, not the cost of a motor vehicle per se. Overall you are saying the costs are going up.

Mr SIOROKOS: They vary based on fuel fluctuations but the long-term trend is that the price of fuel is slowly going up. But the other thing to remember as well is the amount of money collected in fuel excise and the amount of money that is returned to roads—was it \$15 billion last year?

CHAIR: Less than a quarter.

Mr SIOROKOS: Less than a quarter goes back. So there is already a fair amount of money that motorists are paying and that does not include the State taxes and charges and does not include tolls. So we do think the people are paying their way and if you were going to change the system our view would be you don't need to increase how much people are paying. But I go back to saying there are probably a whole lot of other things that could be done before you need to look at significant changes to pricing.

Mr TIM OWEN: Did you get any feedback when you spoke to the Henry review on excise?

Mr SIOROKOS: I do not recall we did.

Mr SETKIEWICZ: We were not represented before the hearing.

Mr SIOROKOS: We made a written submission.

Mr TIM OWEN: There has been no real feedback at all from the federal level about this?

Mr SIOROKOS: No. I think to be fair it has been a long-standing issue; it is not a recent one.

Mr TIM OWEN: I agree.

Mr SIOROKOS: It is one of those things when you talk to Federal governments they say, "Well we need to fund a whole lot of things and fuel excise pays for other things." There is a view that drivers are not paying their way. Our argument is that they are paying a whole lot of money and how government decides to spend that money is a policy issue for government, which is fair enough, but we want to make the point that motorists are paying and in our view—representing our members—we think more of what they pay should come back to fund roads and transport.

Mr TIM OWEN: A couple of Committee members are from non-metropolitan areas. Will you give us your thoughts about road access pricing in non-metropolitan areas? What would your thoughts be if we were to go to a networked approach to this?

Mr SIOROKOS: Again I think it boils down to: What's it for? If you are talking about congestion management then maybe you would introduce it if that was your approach to dealing with congestion on some of the main freeways—you are from Newcastle so you may look at the F3. I guess if it is to fund infrastructure if there is a different imperative then you may want to introduce it to fund particular infrastructures. I know that some freight operators are saying in terms of upgrading some bridges in the country that maybe you should introduce tolls on particular bridges. That is not something we are advocating but that is a view out there. It really depends on what you want to do with the money and that is why we have said a couple of times that the Government and the Committee needs to be really clear and to have an honest and frank discussion with the community—if we are going to go down this path—on what the money will be spent on and how and why a change needs to be made.

Mr GREG PIPER: My next question relates to a response you gave earlier to the Chair. You were talking about the options that were available to deal with congestion management. I think you referred to no cost, low-cost options and in your submission in relation to funding road infrastructure you referred to the innovative financing options available. Do you have examples of no cost, low-cost options for congestion management and innovative funding options for road infrastructure?

Mr SIOROKOS: I might deal with the no cost, low-cost options first. In 2011 the NRMA released a decongestion strategy for Sydney, which was a 10-point plan. That contained a whole lot of things that could be done. Even simple things like improving signage makes a big difference, better use of variable message signs. There are good examples overseas of how these things are done. I think one of the things that the report pointed out was something as simple as perhaps on a turning lane not just having the traffic loops at the front of the turning lane but having some near the back so you know how long the queue is. At the moment you do not know in a lot of turning lanes whether there is one car in the queue or 20 because the loop is at the front of the turning lane. If you had one near the back, once the queue got big you could use the system to change the phasing of the lights, for example.

There are lots of other examples. I understand the Italians are doing a lot in terms of using technology to improve traffic flow. I understand the Irish are doing a lot to improve technology to improve traffic flow. Over the weekend we released a short sort of policy document that we are hoping the Federal Government or Opposition will commit to for the election about some other local congestion management initiatives. Things like using variable message signs in the central business districts of towns to let people know where parking is. There is technology available at the moment that people see in shopping centres and airport car parks that tells you exactly where to park. Some councils use that technology for enforcement purposes. Our view is those sorts of things, if they exist, could also be used for congestion management purposes.

It might be worth looking—this will not necessarily be a low-cost option—at the SCATS system that the RTI operates, which I believe was introduced in the 1970s, to see what is out there and what is better. The Victorians have got managed motorways. I understand from talking to people from VicRoads and from the tollway companies down there that they are sweating their assets a lot more and getting more efficiency in their motorways by using managed motorway techniques and applying ramp metering. So they kind of ration when people can and can't get on freeways but the traffic flows more smoothly and nine times out of ten people get a much quicker ride to where they are going. There are things like that that we think can be looked at in terms of managing congestion. In terms of funding we commissioned a report late 2010, early 2011 and Professor Ed Blakely and a fellow from SKM, whose name escapes me, did a report for us on using a value capture model to fund an extension to the M4.

Basically that was looking at capturing the value of the increased property values resulting from the construction of the M4 East and improving the amenity on Parramatta Road in using some or all of that money to in part or fully fund an M4 East. Based on what that report showed we know it has been used successfully overseas. I understand that the metro system in Hong Kong was funded by selling airspace above stations. So there are ways things can be done that we think need to be looked at here. In our opinion the Treasury in New South Wales has not given proper consideration to these things before it has ruled them out and we do not quite understand why. We would like there to be a robust public discussion about these things. There is tax incremental financing and other methods as well. But there are things being done.

Mr SETKIEWICZ: You mentioned the M4. There is another example in Boston in the US where they solved two problems: one was a transport problem and one was the renewal of the corridor. There were certain areas where basically the shops were closing, the real estate was ineffective. This was a way to try and rejuvenate the area and obviously improve public transport in that area, widen the roads a bit, create the opportunities for people to move back into those areas and also to use the value of the land adjacent to that corridor. Going back say 100 metres or 200 metres away from the road and also building up allows you the possibility to generate more stamp duty in order to fund more projects. With the particular example of the M4 there was an opportunity to look at actually putting in a light rail system at the end once the road network had been established. The possibilities are out there to look at something quite innovatively and it gives you the opportunity to go outside the normal bounds of either going into debt financing or some other traditional forms of funding.

CHAIR: The managed motorway concept has been raised in a number of submissions before today. However, the managed motorway concept as a fundamental premise relies on the fact that you can maintain a motorway in a state of near-free flow and two things happen: the efficiency of the motorway goes up, the

efficiency of the road network goes up, and you establish a value proposition for people in terms of paying an additional toll to get onto a road that they know will deliver them within a particular time to a destination. But it comes with a message that has not been able to be sold to other jurisdictions around the world. The message is: to maintain a freeway in a state of near free flow means that you have to deny access during periods of the day or restrict access in terms of balancing the demand to the actual capacity. You represent 2.5 million NRMA members. Could you sell a message to them saying, "If you want an efficient road network, if you want value for money, when you pay a toll on a particular motorway corridor we will have to restrict access during certain periods of the day." Is that saleable to your members?

Mr SIOROKOS: We have never put that to them. One thing our members keep coming back to us about in terms of when we have asked them about tolling, when we ask them about pricing, when we ask them about all this stuff, is value for money. They do not want to feel that they are paying money to sit in a car park, effectively. If they think they are getting value for money, then I think people accept things like tolling. I suspect if you could explain to people that you could improve efficiency and you could get people where they want to get to more quickly but there are some trade-offs, then I think people are pretty sensible and they understand that, but we have never tested it so I could not tell you whether—

CHAIR: Would you be interested as an organisation to lead the public debate?

Mr SIOROKOS: I think we would probably want to think about that, to be honest, just to have a bit more of a look at the data, understand what it is saying. When we talk to VicRoads and to the tollway operators, they have not put that to us. Their view is that you do ration but the rationing does not add to trip time.

CHAIR: Depends if you are on the motorway or off the motorway.

Mr SETKIEWICZ: The other thing we are cognisant of is that we want our members to be given a choice. They can use the toll road, or if they do not want to use the toll road they have other choices.

CHAIR: And your view on choices, with choices comes an understanding of what the choices mean. A number of submissions have raised the issue about the members of our community not knowing the true costs of travel. For example, we have motorists saying that they spend too much money on their travel and they are subsidising public transport users, and we have public transport users pointing their fingers back at the motorists and saying they are subsidising them. At the end of the day we have both competing ends of the argument blaming each other that none of them are pulling their weight. What is your view about the understanding of the true costs of travel of your members, so they can make informed decisions and at the end of the day execute an appropriate choice?

Mr SIOROKOS: I would go back a step if I may and say that we know that our members—we do not take an either/or position. We do not say it has to be all roads and no public transport. We understand that our members drive, they use public transport, they walk and they might do all of those things in one trip. Our very strong view is that we just want their travel to be as seamless as possible. If they do need to drive to a train station because they do not live close to a station, there needs to be decent commuter car parking or if they are getting a lift with their spouse for part of the trip there needs to be a kiss and drop zone where they can pull in, drop someone off and not get fined.

We think all of those things need to be done. We think that public transport needs to be improved because the more people on buses and trains and ferries means the roads are less congested. We understand that. Our members want that as well. We do not see this debate simply as all we are interested in are roads. We are interested in the mobility of our members and their ability to get from A to B, however they choose to get from A to B. In terms of driving, I would go back to the point I made earlier that drivers pay particularly in excise a lot more than is returned to the system for either roads or public transport.

CHAIR: The question is not about what they pay. The question is: Do they understand when they make a decision to drive a motor car or jump on public transport that they appreciate the true cost of shifting their bodies from point A to point B?

Mr SIOROKOS: I do not know whether people think about that. If they need to be somewhere at a particular time and the only way they can get there is by car, then they will go by car. If they need to get to work but before they go to work they must drop their kids off to child care or to school and they need to do that bit of

the trip by car and then the rest of it by train or bus, they will do that. I do not know how much people consciously think about the price of these things and I do not know how elastic it is either.

CHAIR: My point is that I do not think they actually think, to be honest. Would you agree?

Mr SIOROKOS: If you have to be somewhere, you have to be somewhere. Everyone's life is so busy at the moment I guess they do not have time to do those economic trade-offs in their head. They just have to be at work or they have to be visiting a sick relative or assisting an elderly parent, whatever. They just gotta do what they gotta do.

Mr SETKIEWICZ: I think in most cases they need the flexibility to get where they need to get and in most cases the motor car is the number one choice.

CHAIR: What I am hearing from you is that you think there is little choice, given all the other factors that come into play.

Mr SIOROKOS: I think it depends on where you live and what you need to do. If you are a shift worker and you work in an industrial estate in Wetherill Park and you live in Sutherland, then the most effective way for you to get where you want to get is not to take a train to Redfern, another train to Fairfield and then a bus to Wetherill Park. It is to drive. And that is what you will do unless you have an extra three or four hours in a day to sit on public transport that may or may not be running at the time your shift starts. If you live in Summer Hill near the train line and you work in the city then you have ample choices.

Mr TIM OWEN: Sometimes I think it boils down, as an aside, to public transport. I know in London, when I was living there, a congestion charge was brought in and we as a family made a conscious decision to compare that and that. But the availability of public transport was a lot higher. But they did make conscious decisions in that sort of context. That was a stark thing of £8 a day or what does it cost me to catch a tube somewhere, that sort of effect.

Mr SETKIEWICZ: One of the conditions with the London charge was that there would be a lot of money spent on improving public transport and that was well publicised to the people in London.

Mr TIM OWEN: Which was the selling point.

Mr SIOROKOS: I will have to check this, but I recall that they spent a lot of that money up-front so they had more buses. They spent a lot on buses before or simultaneous to introducing the charge.

CHAIR: I am not sure whether it is Stockholm which introduced a cordon charge around the CBD where they simply said without thinking all that much, "Well, it's going to be easy for us to stop people coming into the city. All they have to do is make sure that the motorist pays one and a half times as much as a public transport user in the CBD." That produced some outstanding results. That is very unsophisticated. I suppose what I am talking about here is the premise which says that if you say to someone if you have a choice—I lived out at Penrith where I had limited choices; I now live in the inner-west of Sydney where I have—I know the inner-west residents do not want to hear this—multiple choices. If it was absolutely apparent to me, not necessarily to my daughters, forget about me, and the proposition was simply that if you drive a motor car it will cost you \$78 today to get into the CBD; to go by public transport it costs you \$11.50. It is so readily apparent to them and they make that decision and I know we will go with the decision.

I have had this conversation with two I thought reasonable daughters—I thought they were reasonable until they both bought motor vehicles. I think one of the issues we have as a community is that because there is such a lack of transparency in the actual cost of travel, and part of it is the problem that you spoke about which is we pay so much excise it disappears into the Commonwealth coffers and we get only part of it back. We do not necessarily think about that because at the fuel pump we do not save the percentage of what we pay for the fuel. We get only a quarter back. I suppose this is a request to your organisation. I think the true cost of travel is something that we need to have a debate about because large segments of our community still do not understand it. And where there are choices, they should have enough information to become informed and be able to make a choice. Perhaps that is something the NRMA could also take a lead on and begin a debate, saying "Folks, this is the reality out there."

We are talking about road access pricing. We are a long way from putting a strategy or a model together but at the very least we need to have a dialogue over the true cost of travel and a couple of things that we need to have a conversation about road pricing, as much as we would like it to be cost neutral. If you have a look at the pavements, they are not being repaired at the moment. We have a 2 per cent target set by RMS that is not being met. So we have more and more of our roads that get bigger and bigger potholes and they will get to the stage where they swallow vehicles. We have to have a dialogue saying we have either bad roads like Third World countries or good roads but we have to rethink the way we fund this and here are a number of options to begin the debate. Do you think that is a fair proposition?

Mr SIOROKOS: I think going back to what I said earlier, if the community is going to have this debate, then all those options needs to be laid out honestly and frankly. We had issues, for example, with the time of day tolling for the harbour bridge because in our view that was introduced at a time when Treasury needed to raise revenue and it was sold as a mechanism to manage demand but it kind of was not that.

CHAIR: I think most of us agree with you.

Mr SIOROKOS: Recently the Minister for Roads and Ports said it did not work. People are not silly. They can see through that stuff. If the community is going to be engaged in this debate there has to be some honesty and transparency and all those options and costs and benefits need to be put on the table. But I go back to a point that was made earlier. One of the things we are concerned about in this debate is that there is an undue focus on the CBD when most people who travel in Sydney do not come into the CBD and most of the travel in the CBD is by public transport. It is about three-quarters by public transport in the CBD and you flip that around for the rest of the metropolitan area.

It is about a quarter by public transport. That is understandable because public transport tends to bring everyone into the CBD. So a CBD congestion charge is separate, in our view, to a broader discussion. It raises the same issues but we are concerned to make sure that it is not confused with bigger issues about people's access in parts of Sydney and other parts of the State that are not served very well by public transport. Luckily I live near a train station. I am about a 15-minutes, sometimes even less, train ride into the city so it is easy for me, but if I did not work in the city and I worked in western Sydney or in another part of greater Sydney it would not be as easy for me.

CHAIR: For the record, we are not talking about congestion charges. It is road user access.

Mr SIOROKOS: Sure.

CHAIR: One of the things on which I would like a little further information, because the NRMA has such a position on it, is time of day tolling. Are you able to give me an alternative to time of day tolling that flattens demand to capacity on a motorway to the same effect? How do you incentivise out of peak travel? How do you get the shifts in travel behaviours without time of day tolling on a corridor?

Mr SIOROKOS: The view we have put in the past is that it needs to be—it is not just about transport. There need to be some significant changes in the way we work. Everyone sees the improvement in traffic flow during school holidays where a 5 per cent to 10 per cent reduction in traffic on the roads means quite a significant improvement. You do not need a big reduction. We are of the view that things like teleworking need to be looked at. We are of the view that things like school starting hours where possible need to be looked at.

We are of the view that big organisations, government and private sector, need to look at more flexible work hours because there are some people who have to start work at a particular time of day and they have no flexibility, but there are other people who do have some flexibility and we think perhaps government needs to look at that before introducing new fees and charges. Even with road access pricing or time of day tolling, we have a significant backlog in terms of large-scale road infrastructure that is needed. We have not built any significant freeways for some years and our population is growing. I think it will grow by about another one million over the next 20 or so years. Irrespective of what you do, unless you do increase that capacity those roads will fill up again.

Ms TANIA MIHAILUK: I think the NRMA raises some interesting facts for us to consider in excise tax, a holistic look at the taxes surrounding motorists and the use of motor vehicles. I was interested in your view on your preference for electronic management systems that you have seen on the Monash freeway in

Melbourne. You raise that in your submission. I am interested in your preference for that as opposed to the way the motorways are managed in Sydney.

Mr SIOROKOS: I am not an expert on that, and I am not sure if I can give you a comprehensive answer. But the advice we have from both VicRoads and from tollway operators is that if you can manage the way people merge onto freeways, you can improve the efficiency of the flow because at the moment the merging process is what kind of slows traffic down a lot. If you can manage that by not necessarily rationing but timing when drivers get onto freeways, you can improve the flow. If it has not already done so, I would strongly urge that the Committee talk to VicRoads about that and maybe go and have a look. We went to their equivalent of the Transport Management Centre [TMC] and it seems to me that that managed motorway stuff does make their freeways flow a bit better.

Ms TANIA MIHAILUK: It is interesting that you raise that. I think, Charles, you may recall from our first hearing that being raised on a couple of occasions, links to motorways, as something that we need to look into.

CHAIR: My understanding is that the managed motorway concept is a bunch of protocols and infrastructure improvements, as well as the way that lanes are marked and information is given to the motorist that together, produce an efficient motorway network.

Mr SIOROKOS: Our view has always strongly been that, if a new motorway is being planned, those managed motorway concepts get developed into the planning processes so that you are future-proofing those motorways as much as possible. We are concerned to make sure that, if they are built, they are built so that they can be managed effectively and technology can be used effectively to ensure that the efficient life span of the motorway is extended as long as possible. That is a bit off topic but I thought I would throw that in.

CHAIR: Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions—in fact, I am sure we will send you some additional questions—in writing, replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

Mr SIOROKOS: Yes.

Mr SETKIEWICZ: Yes.

CHAIR: Thank you very much for your time today.

(The witnesses withdrew)

BRENDAN CURTIS LYON, Chief Executive Officer, Infrastructure Partnerships Australia, and

ADRIAN JOHN DWYER, Director, Policy, Infrastructure Partnerships Australia, affirmed and examined:

CHAIR: I welcome you and thank you for appearing before the Committee on Transport and Infrastructure today to give evidence. Brendan, can you please confirm that you have been provided with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr LYON: Yes, I can confirm that.

CHAIR: Do you have any questions concerning these procedures?

Mr LYON: No.

CHAIR: Adrian, can you please confirm that you have been provided with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr DWYER: Yes.

CHAIR: Do you have any questions concerning these procedures?

Mr DWYER: No, I don't.

CHAIR: I now address both of you. Have you provided the Committee with a submission and do you want the submission to form part of your formal evidence?

Mr LYON: Yes.

CHAIR: Would you like to make an opening statement before the commencement of questions?

Mr LYON: Yes. I would like to acknowledge the Transport Committee for the opportunity to appear before you today for what I think is an important inquiry. In opening, I commend the Committee for its willingness to explore difficult and complex areas of reform, such as the pricing of roads and formerly the options to maximise the value of rail lands. The Committee has correctly identified that more and better infrastructure services for the economy will require new thought about how we fund and operate it efficiently. This necessarily means an open consideration of how infrastructure is priced and that must include roads. We believe that reform of road pricing is inevitable because it is the best option available to unlock new funding for major road and rail projects and also because it offers us the opportunity to shape demand for access across the transport network.

The matter of road pricing is of singular importance for New South Wales and, as the Committee is aware, our submission restricts itself largely to the pricing on Sydney's motorway network. Every metropolitan motorist in Sydney experiences the substantial impact of gridlocked traffic, and every business wears the cost of wasted time in moving skills and materials across the economy. The simple fact is that passenger and freight network congestion is stripping more than five and a half billion dollars out of the New South Wales economy each year. To put that in context, congestion cost is the equivalent of a major motorway project or major rail project every single year.

Congestion is a factor of demand for road space outstripping the capacity that is available. While that statement is self-evident, the broader point I am making today is that, as with any other capacity constraint, there are two essential pathways for response. Firstly, providing additional road capacity; secondly, reforms to manage and shape demand more efficiently across the day. To date, transport policymakers in Australia have almost exclusively focused on supply side solutions to address congestion. While building new motorways remains fundamental, there are logical limits to a supply only response. We cannot continue to only build our way out of trouble. We therefore contend that a consideration of how a reformed, harmonised pricing system on Sydney's motorways might offer opportunities to make road pricing fairer for motorists, more efficient for the economy and how well-considered reform might also offer a breakthrough in terms of transport infrastructure funding. Our submission and my comments today focus on how we can move toward a harmonised charging

structure for Sydney's motorway network and how we might put in place the long-term foundations of a rational approach to pricing road users across Australia and across the network.

Facility-based tolling to finance, build and operate infrastructure assets is not new and has had a long history in New South Wales. Sydney's first tollway bridge was commissioned in 1802 with extensive tolling in place across colonial roads throughout the 19th century. Our somewhat more sophisticated system of cashless tolls that apply across portions of the orbital network has its pedigree in those early days of direct user-charging. Facility-based tolling has been a valuable mechanism in delivering the Sydney motorway network because it has allowed user contributions to fund delivery of the network many decades ahead of what would have been possible through Government budgets alone. But the segment-by-segment approach has also delivered an unplanned charging framework across the network where tolls are charged differently across different assets within that network.

Sydney enjoys an extensive network of tolled motorways but with around \$15 billion in investment required to complete the missing WestConnex segments and the future development of the F6 corridor likely required in the medium term, we have to look at how these projects might be funded. Past errors in strategic planning mean that these projects have a cost that is beyond the capacity of an asset-specific toll alone because the surface corridors were sold off by past governments, forcing costly tunnelling options. The concept we put forward in our 2009 paper, "Driving Reform on Sydney's Roads" and further developed in our submission to this Committee, would see a more uniform approach to tolling on current tolled and untolled sections of the network and provision for the eventual introduction of time-of-day pricing across the Sydney motorway network.

We do recognise that many of the policy reforms needed to progress rational road pricing across the broader New South Wales road network will require a national approach which is why, in our submission to the Inquiry, we noted a need for New South Wales to take a clear and decisive national leadership role. Our submission also reflects a need for transparency in the way charging for road use is structured. In particular, hypothecation, that is, the earmarking of a particular revenue stream for a particular expenditure area, will be an important discussion point to generate public support to restructure the way users pay for access to the Sydney motorway network. Tying charging to investment in transport has been a key feature of successful road pricing reforms in other places, including London's congestion charge and the German heavy vehicle charging scheme, amongst many others.

In these jurisdictions, additional revenue generated by the schemes is hypothecated to transport infrastructure investments, thereby benefitting those who pay the direct user charge. For instance, in London, revenue is reinvested in the underground system, buses and active transport as well as augmentations to the road network. We acknowledge that these types of reforms are politically challenging and functionally complex. That is why we have recommended a careful, staged approach, allowing for the completion of major road projects in Sydney's northwest and southwest and providing the time for a detailed, robust and real engagement with motorists about the options for reform.

I mentioned earlier that Sydney has experienced a long history of tolling from 1802. It will not surprise the Committee to learn that public disquiet has also been a consistent feature. A brief look at the Letters page of the *Sydney Morning Herald* in the mid nineteenth century shows that complaints about user charging are as old as the charges themselves. Tolls, from a very early model public private partnership [PPP] that was used to fund and develop the Pyrmont Bridge in 1855, attracted scorn from some, with one Mr John Pendrill lamenting: "I can remember the time when I could go from Glebe to Sydney, either walking or riding, on payment of less toll than I am now demanded." But Mr Pendrill did use the new crossing of Darling Harbour—a crossing that would not have been built without the use of user contributions.

This point remains as true in 2013 as it did in 1855. Delivering road infrastructure demands a careful consideration of the role and shape of user charging. In 2013, with enormous infrastructure requirements and surging demand, we need to look beyond the model of tolling that we used in 1855. We need to look to how a network approach might provide levers to manage the network, spread demand and help to fund the massive backlog required to complete the WestConnex, modernise our 19th century rail system and ease the substantial burdens that exist over the State's motorists, taxpayers and businesses.

In summary, Sydney's motorway network is on a pathway to terminal capacity. Beyond the delivery of known missing links and upgrades, simply bolting on new lanes to meet growing demand is unlikely to deliver substantial solutions over the medium term. That is why today's hearings and the report that this Committee

eventually delivers to Government are important because they should initiate a debate in the community about the objectives for reform and the role that pricings should pay. Of course, these sorts of approaches have been discussed many, many times without material progress. We understand that the community will have concerns and that is legitimate. It has been said that the only people who enjoy change are babies with wet nappies but with congestion that is now chronic, with massive and unfunded investments required to evolve our 19th century railway and road network to fit future use and with a motoring and commuting public who are looking for substantially better outcomes from government, now is the time to engage the public on this issue.

To look without fear at the options that are available. That is why the principal recommendation of our submission is the development of a detailed options paper by Transport for New South Wales. This way we could lay out the options, the case for change, and the impact on motorists across Sydney. As with any change, there will ultimately be winners and losers, but we need to be honest about the problem, we need to be honest about the costs, and we need to be transparent about the policy options that do exist to properly and fairly balance demand and fund investment over the years ahead. As a State, we cannot continue to pretend that we can deliver substantially better outcomes if we continue to do the same things over and over again. I thank the Committee very much for this opportunity and look forward to any questions, as does my colleague, Adrian Dwyer.

CHAIR: Thank you, Brendan. In the broader sense of a road access pricing strategy, given the limitation of what the State can and cannot do, do you think that something could be achieved in New South Wales, that we can come up with a network tolling strategy, regime, model, protocol—whatever you want to call it—on top of the current State-based charges, on top of the current fuel excise, or do you think that at the most basic level there has to be reform of either the State-based charges or the fuel excise, or both at the same time?

Mr LYON: It is a very good question. I alluded to this both in the comments and in the submission we made. Clearly Australia, as a nation, needs to engage on this issue of a very rough and declining return from its very simple two-part tariff in terms of charging for road accessing pricing. We have published a large piece of work, and we will publish again shortly an update which is looking at this issue of how you balance supply and demand and investment across the broader network. New South Wales needs to take a leadership role in that discussion, but the opportunities that arise from the Sydney orbital motorway network should be viewed as a complementary but different process, and I think we should be viewing it in terms of the investment in the Sydney motorway network, in the Sydney rail network and looking at it as a discrete issue in terms of the Sydney base and in advance of a later reform to the national road pricing scheme.

CHAIR: If I interpret you correctly, you are suggesting harmonisation before a total reform of the user base?

Mr LYON: Yes. We are recommending that there be an options paper developed by Infrastructure NSW. It looks at the opportunities from a network toll in terms of funding and demand management. While it is a complementary process to a broader reform of the fuel excise and State-based registration and taxes, we think this options paper should be delivered separately and delivered with a firm view to funding the long-term infrastructure requirement and the efficient operation of the transport network.

CHAIR: You think that should be developed in time to influence the arrangements on the WestConnex or the F3-M2 link?

Mr LYON: Yes. In our recommendations to this Committee, we have recommended that as an immediate outcome in terms of a reference to Transport for New South Wales. Monsters really only live in the dark. The more transparency there is, the more you can take the public into your confidence as policy makers about the challenges you are facing in funding infrastructure, the more that you can generate debate about the options that exist, the much greater opportunity exists to drive consensus and implement reform.

CHAIR: From where you sit, what is your assessment of the real interests from the private motorway operators now to be engaged in the process that you have just described?

Mr LYON: It is a very good question. In 2009 when we published the driving reform on Sydney's roads paper, we hosted a meeting in our office which was all of the equity owners of the Sydney motorway network, all of the operators, some officials from the New South Wales Government and senior officials from Infrastructure Australia. There was a general consensus across all of the owners and public sector regulators that

network tolling is an efficient, desirable outcome. The challenges that would exist in terms of the different contract types and so forth could be resolved through a process, and that appetite is not the constraint. Political leadership will be the constraint because it is a substantial change to what people are used to, and there will be winners and losers. It is not a technical constraint. It is not an appetite constraint from those who have property rights or concession rights across the motorway network or indeed from the regulators. It fairly and squarely is a policy issue for government to resolve, to champion and to take forward.

CHAIR: How would you respond to the people who are considering network tolling who imply that perhaps part of the network tolling arrangement would extend to parts of the motorway network that are not currently tolled?

Mr LYON: We would expressly say that the currently untolled sections of the motorway network would need to be tolled as part of the network reform, and there would also be the obvious complexity of M5 cashback and other distortions that exist along the motorway at the moment. As I say, there will be winners and losers, but there is no point entrenching distortions that already exist because they have existed over a period of time.

CHAIR: If Infrastructure Partnerships Australia was doing it, what would be the main message that it would be driving to the community? At the moment we know that a demand management strategy manifested through roads access pricing would have a number of different objectives—the funding, the demand management component and others. Do you think that having so many messages in terms of these objectives will confuse and confound? Is there a simple way of doing it? What would your view be in terms of what would be the prime—

Mr LYON: If I was implementing it from Infrastructure Partnerships Australia, I would have the enormous benefit of not having to go to the electorate for my job and that would make it a lot simpler.

CHAIR: You should be a politician.

Mr LYON: I think that the public in New South Wales are mature in their understanding of infrastructure. There is a broad acceptance that continuing to pretend that we can fix the transport system by doing what we are doing without raising taxes, without rationalising assets, without boosting revenues into government—people understand that the State does have borrowing constraints, the State has broader service delivery obligations it has to meet. I think the public will consider well-considered reform, as long as they feel like they have been consulted and there is a careful and up-front consideration of the trade-offs, the wins, the losses and a clear articulation of how revenues are going to be dealt with.

I very much get the sense that the public in New South Wales feel that their infrastructure is not up to standard, that their transport experience is not up to standard, and I think that people are worried about the economy, they are worried about congestion. They are worried about all of these things, so there is a very good case that is waiting to be made to the public about why we do need to change the way we approach infrastructure, why we need to change the way that we approach broader public administration so we can minimise inefficient costs and we can maximise the flexibility of the budget to invest in hospitals, schools, rail lines and other infrastructure that people rightly expect.

CHAIR: You correctly pointed out there are not too many politicians lining up to sell the message at the moment. Given the fact that there are a number of challenges beginning with dialogue let alone getting involved in the content and detail, other than government, what other organisations have a role to play in at least beginning the public dialogue and contributing to the dialogue?

Mr LYON: If you look back through some of the major reforms, the 1980s and 1990s that ended up being the national competition process, the formal institutions of government are very important in terms of clearing the path, in terms of providing options; things like the deregulation of capital markets. The Reserve Bank, the Treasury and so forth took very well-developed positions why there was a case for change and need for reform. Organisations like my own, the NRMA and others have important roles to play in terms of public education and proceedings like today, but getting to first base on road pricing reform, which we see as a very long-term process, requires a formal home within government that is able to put together a well-respected, independent and rational piece of work about what the different options are.

That is the genesis of our process recommendation to the Committee, that Transport for NSW that is in charge of the State's transport network provide a detailed modelled options paper that is publically available that looks at the case for change, looks at some of the opportunities, some of the pricing models and so forth. Getting it to first base, getting that sort of information base behind the debate will then allow it to move forward in a rational way where people understand the trade-offs that might be made under different models, but until we reach that point, we will continue to see fits and starts in terms of debate about rationalising transport pricing.

Mr DWYER: Mr Chairman, on the issue that there are a number of different objectives that was mentioned, the international jurisdictions that have been successful and continue to enjoy public support are London, Switzerland, Germany, Stockholm. Those ones have been very clear and up-front about the objectives of those schemes. One that has not been as successful is the Manchester scheme that never made it to implementation because there were conflicting objectives before the proposal was put forward, so I think there is an important role for this Committee in deliberating those objectives and being clear that there are competing objectives and about a process for defining what we want from any reform.

CHAIR: I did research and other members of the Committee did research for this inquiry, and I am encouraged that there is no shortage of material explaining all the benefits, trying to create a framework around the nature of the problem and what other jurisdictions have done. I have not read anywhere that says that road access pricing is not an effective demand management tool. They all say the same thing, which is it is one of the most effective if not the most effective tool for doing a number of things, such as ensuring there is a modal shift, flattening out demand on limited capacity, all that stuff. In a professional world, there seems to be consensus.

Mr TIM OWEN: As long as it is articulated transparently: This is what you get for your money. That is the issue.

CHAIR: My question is, since there are mountains of material making the case, it does not seem to have found its way to the minds of the people that matter. It certainly has not been a catalyst for public debate. Could you give me your views?

Mr LYON: I think that is a reflection of a range of things, but most particularly it is a reflection that congestion has not become a major economic issue until the past 10 or 20 years. Before that, we had substantial capacity and we had less demand across the road network. As demand for passenger mobility and population continue to grow, as we reach the logical limits to what we can build in terms of new capacity, particularly in and out of the central business district, I think that is why it is becoming a more pointed issue of public policy. I heard you ask an earlier witness to the inquiry about what other models there are to influence demand.

If pricing is taken away, there are either very blunt physical constraints on who can access the network, so ramp metering, telling people who have odd or even numbers in their number plates which days they can drive. Those sorts of things by definition are not an efficient way to allocate capacity across the network. That is why in our 2009 paper we recommended fully dynamic pricing. I remind the Committee again that Infrastructure Partnerships Australia does not have to be elected by the public, but the model we had put forward had a floating price based on capacity across the network, thereby ensuring that you had maximum allocating sufficiency within your network.

Mr TIM OWEN: A previous witness talked a little about time-of-day charging that indicated that it really did not have a great effect in terms of traffic flow management and numbers management. What are your thoughts?

Mr DWYER: On the Sydney Harbour Bridge and Harbour Tunnel example, it did have an effect initially. There is about a 3 per cent shift in traffic from outside of the peak to the off-peak periods, although limited impact on overall demand. What has happened over time is that people revert to their normal behaviour and those price differences inflate away over time. Looking at the London example, when it was started in 2003, it was a £5 toll. In 2006 it became an £8 toll and now it is £10. If that had been an on inflationary price path it would just be £6.35 now. There is a clear reaction from policy makers to still ensure that the price signals are relevant. That did not happen so much with the Sydney example. The other thing is that one of the last witnesses mentioned that you only need a 5 to 10 per cent reduction in the amount of traffic to virtually eliminate systemic congestion, so a 3 per cent shift on the Sydney Harbour Bridge is quite a long way towards the target unit of 6 per cent or more.

Mr LYON: And with a very modest price point.

Mr DWYER: Indeed.

CHAIR: Brendan you made a statement earlier that scared me.

Mr LYON: I apologise, Mr Chairman.

CHAIR: It only scared me because I want to get things done as opposed to waiting two decades before I see results. The implication was that this process that we are involved in in terms of selling the road access pricing to our community at the end of the day and also coming up with an outcome at the end of the process may take an awful long time. How much time were you talking about in terms of what you see as a reform process?

Mr LYON: We have recommended in our submission that implementation be in 2020. We recommended that date because the major investments that are being undertaken in terms of the north-west and south-west rail connections will be complete around about that time, so you are beginning a process of rationally pricing the network once people have got alternative modes in place. It is important that you hasten slowly in some of these reforms, otherwise you can risk having options ruled out before they are properly understood. At the same time, we are facing a very acute challenge in terms of the economic cost of congestion in Sydney.

If the Committee's recommendation was to task Infrastructure NSW over a period of 12 or 24 months to run a formal and public process of consultation and releasing research into different options we would be able to see a transparent, open process that takes some of the sensationalism out of it and that would remove the risk of there being newspaper headlines about the secret plans of the Government or anybody else to hit households with additional fees. Instead it would allow for a properly based discussion as we have seen recently in New Zealand where a local authority was very honest about what needed to be afforded, what the finances of the public jurisdiction were and the different options to maximise revenue and get those projects delivered.

Mr DWYER: In Auckland the Government has put out an options paper which clearly delineates what the investment tasks are and what revenue options there are to meet them. It also looks at congestion charging and a similar form of network tolling to the proposal in our 2009 paper. What it does is clearly set out the challenges and the options for meeting those challenges and opens it up for the public to have a discussion about what combinations of options they would like to pursue.

Mr LYON: One of the challenges we have seen perhaps over the past 10 or 15 years Australia-wide—I am not referring specifically to any government or opposition—is a hesitance from some policymakers to be blatantly honest about the size, scale and complexity of funding the capital program. I think the more that we can be upfront with the public that this stuff needs to be paid for, either through a tax transfer system, which is relatively inefficient, or through a direct user system in the context of energy in terms of water and transport and others, the better we will serve the public debate.

People have to manage their own finances and in their hearts they know they cannot spend more than they earn and that they cannot borrow beyond their capacity to repay, so stepping them through the process of understanding that a government budget is just like a complex version of a household or business budget would serve the debate well. There is often misunderstanding of what a public-private partnership [PPP] is, that it is a funding mechanism or a financing mechanism or a delivery model, and it can be all three of those depending on the project it is applied to. The more sophistication we can get into the public mind about the challenge, cost, options and opportunities, the better served both the public interest and the public policy debate will be.

CHAIR: Previous submissions have said that given WestConnex's location and the fact that it services some parallel routes and there is reasonably good public transport in the inner west of Sydney, for example, it would provide an ideal opportunity to trial a pilot of an arrangement or several arrangements, whatever the case may be. Can you comment on that?

Mr LYON: WestConnex is of an unprecedented scale for an urban road project not just in Sydney but in Australia. We need to have all options on the table. I was very disappointed to see the Federal Government put some unfortunate conditions around its contingent grant to the WestConnex project whereby it offered \$1.8 billion of a circa \$15 billion project but ruled out tolling across any existing section. That is the sort of policy position we need to get away from because if we are going to get these big motorways built, particularly the motorways where we have either not protected the corridor in the past or we have sold it off later on, we

need to have all funding options on the table just to get these things done. WestConnex in particular is a critical project because of its connectivity—it completes the east-west coordinates—and because of its impact on the freight task. Because it is going to be the next major motorway to be undertaken it provides an ideal opportunity to start looking at how broader reform across the network might ameliorate some of the cost pressures we are going to face in funding that project.

Mr DWYER: The reform proposal that we have talked about and the timetable in our submission—moving away from just the WestConnex project—look at how you could deliver these kinds of road pricing reforms in a staged way that meets additions to the network. So there may be in a broader sense a way to look at tolling reform that is staged to be delivered in conjunction with those kinds of investments.

CHAIR: We are aware there is significant reform within the heavy vehicle industry in terms of road access pricing and the like, though we received some confusing advice about where they are at now. Given your understanding of where that reform is right now, is what we are doing in terms of light vehicles complementary to that? Is it going to create confusion? Should it be staged in a particular way?

Mr LYON: I think it would be folly for New South Wales to delay rationalising pricing across the orbital and east-west coordinates capital city motorway network while waiting on the potential for a long-term national reform. The two are not mutually exclusive. National reform to passenger vehicles needs to be at a per-kilometre based time-distance location scheme. We have published work on this before. I will let Mr Dwyer talk about the Heavy Vehicle Charging and Investment [HVCI] program in a moment. Dealing with Sydney's own transport funding and demand imbalance requires some thinking in the immediate to medium term about how we deal with it otherwise we are going to see a continued loss of amenity and, most particularly, a continued decline in productivity as those transport challenges become more and more acute.

Mr DWYER: I think there is an opportunity for reforms in New South Wales and nationally to be complementary. The Heavy Vehicle Charging and Investment process is ongoing and I think there is an opportunity for New South Wales to continue a leading role in that. There is an ongoing debate at the moment about moving heavy vehicle charging towards a forward looking investment framework. One of our recommendations to the Committee was to press government to take a leading role in that process.

CHAIR: What are your views about the link between road access user pricing and public transport pricing?

Mr LYON: It is a difficult and complex issue but effectively we need to be looking at urban transport networks as parts of a whole and we need to be modally agnostic and realise that when we change the pricing on the road system it will have a flow-on impact in terms of demand for the passenger transport system. We should not be scared of that; it is in fact the entire point of trying to rationalise pricing with a demand point within it. The issue of pricing public transport is a very complex one, inherently political, and one where the capacity and service of the existing fleet and infrastructure comes into play. Nonetheless, I think the more we can have cost-reflective pricing, certainly in terms of road transport, and a better way of recovering costs across the public transport sector the better off the State's finances and capacity to deliver infrastructure will be.

Mr PAUL TOOLE: You said earlier there are possibly winners and losers. Can you elaborate?

Mr LYON: The way the Sydney motorway network has developed means that necessarily people who live in the north-west of Sydney will pay multiple facility-based charges on a journey to the city whereas motorists in the south-west of Sydney will not suffer the same degree of pricing and there will be a cashback that is funded by the State to recoup the tolls, which was a 1995 commitment by an incoming government. If you move to rationalise pricing across the network, people who are currently subsidised by other users and subsidised by the taxpayers will have those benefits removed and will pay a long-run marginal cost for their access to the network whereas people in the north-west, for instance, will be comparatively better off because they will be moving to a rationalised distance-based charging scheme.

It is more a matter of removing the cross-subsidies that exist and that will impact some motorists. But ultimately this Committee should be focused very much on public benefit and the public interest, and that will be well served by decongesting the roads in a way that is equitable and fair, and increasing the capacity of the State to be able to fund its very substantial backlog of project requirements.

Mr DWYER: I thought I might give you an example of the winners and losers in the existing system. If you look at two similar journeys, motorists travelling the 74-kilometre return journey along the southern orbital corridor from the region near the south-west growth centre towards the central business district currently pay \$6 in tolls. That is due to cashbacks, the untolled M5 East and Southern Cross Drive and the single direction toll on the Eastern Distributor. That equates to around 6 kilometres, or 8 per cent, of the journey being tolled. By contrast, motorists travelling the 70-kilometre return journey on the northern corridor region from the north-west growth centre to the CBD pay between \$27.62 and \$29 in tolls for their return journey, which is 51 kilometres worth of tolls, or 73 per cent of their journey. So there are a number of existing winners and losers.

Mr GREG PIPER: I have a question in relation to the benefits of road access pricing into the regions. Mr Owen raised this earlier in relation to Newcastle, but there is also Wollongong-Illawarra to the south and the Lower Hunter in particular and Newcastle.

Mr LYON: It is probably more likely in the non-capital but major cities in New South Wales that you would look to reform road pricing as part of a broader national reform where you are able to give back the fuel excise and inefficient flat taxes at a State level such as registration and licensing and so forth. If you moved to a rationalised model of pricing across the entirety of the road network where people are charged based on the amount of road space they consume, the time of day they use it and where that road is located you would begin to pick up those areas. I do not see the imposition of tolling on currently free roads in Newcastle, Wollongong and so forth as a likely outcome or even a necessary one. I think the link between utilisation and investment outside Sydney and Melbourne and possibly Brisbane is likely to need to be picked up in a much broader reform.

CHAIR: This is one of my pet subjects and I apologise if you have heard it before: Is part of the challenge before us the fact that a traveller, whether on public transport or private, has no concept of the true cost of travel? Is that an issue for us in this debate?

Mr LYON: Without doubt. The whole process of trying to move to a rationalised toll or to a broader reform of the road user market in Australia is about making people's cost of use visible to them. The reason you may decide to price congested peak periods higher is so that you provide a price signal to people about the additional cost that their choice to use the road at that particular time is imposing on other motorists, on businesses and indeed across the community. Making costs visible to people and making options visible to them are important foundation stones in any sort of reform. We have to continue to articulate the case and ensure the public debate becomes more sophisticated and is able to share in the problem that transport policymakers and bureaucrats are grappling with, which is a massive imbalance between supply and demand for transport infrastructure.

CHAIR: Thank you for appearing before the Committee. The Committee may wish to send you some additional questions in writing the replies to which will form part of your evidence and be made public. Are you happy to provide a written reply to any further questions?

Mr LYON: We would.

Mr DWYER: Yes.

(The witnesses withdrew)

LESLIE ROBERT WIELINGA, Director General, Transport for NSW, and

TIM REARDON, Deputy Director General, Policy and Regulation, Transport for NSW, sworn and examined:

CHAIR: I welcome Mr Les Wielinga, the Director General of Transport for NSW and Mr Tim Reardon, the Deputy Director General, Policy and Regulation, Transport for NSW. Thank you very much for appearing before the Committee on Transport and Infrastructure today to give evidence. Can you please confirm that you have been provided with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr WIELINGA: I have.

Mr REARDON: I have, yes.

CHAIR: Would both of you or either of you like to make an opening statement before the commencement of questions?

Mr WIELINGA: No. We are ready for questions.

CHAIR: We will start off in a broader sense. In a broader sense do you believe that road access pricing reform has the potential to address demand management in terms of the congestion that we experience over the road network—demand management in the sense of ensuring that some modal shift between the roads and public transport occurs—and also that there is adequate funding for transport network maintenance and enhancement?

Mr WIELINGA: Let us start with the definition of road access pricing. Could you tell me whether you are talking about just tolling or are you talking about the costs in the broad sense for giving people access to transport systems?

CHAIR: In the first sense I talk about road access pricing as related to access on the road network. We will come to the transport pricing later on. At the moment all I am talking about is the pricing that we charge people for accessing our major roads.

Mr WIELINGA: I think earlier in the hearing you have taken evidence from a number of people and you have said yourself there is a lot of evidence from around the world about the potential for these particular policy drivers to produce those sorts of outcomes. I think that answers the question. Road pricing in this State does not include a policy driver for congestion pricing; it is not government policy to do that and it is not government policy to use those sorts of drivers to moderate demand on the system in New South Wales.

CHAIR: There is a wealth of material out there that you could go to right now and it talks about road access pricing as being one of the most effective demand management tools that a jurisdiction could have. Do you disagree with that mountain of evidence?

Mr WIELINGA: No, I do not. What I am doing is I am coming at it from the same angle that the OECD comes from; it says that you have got to tailor your transport response to congestion to suit the circumstances; it is a multifaceted process: it includes new infrastructure, getting more out of the existing system, supplementary policies—all of those range of things that you have to look at in order to get the right sort of transport congestion outcome for the city that you are in, and it has got to be tailored to those circumstances. If you are going to do that properly it has got to start at a level of a proper consideration of what the demand is: what sort of city have we got?

You cannot compare 12 million people in the centre of Paris, seven-storey buildings, a walking-type city, a bus-type city with what we have got in Sydney; they are different circumstances and you have got to tailor the response to suit that. What is the demand? What is the community's choice for different transport modes? What are they choosing at the moment? What modes do they want to travel on? What is the actual demand over a period of time between our major centres and where are people going to and from work, et cetera, and what are they choosing to use? Then, just as importantly, the capacity of the existing system? If you do not have capacity in all aspects of the transport system you cannot start manipulating policy to start moving

people around to different parts of the system without first addressing that. That is what sensible transport planning does.

CHAIR: So a simple question would be: Is road access pricing a tool for effective demand management on our road network?

Mr WIELINGA: It is used around the world for that purpose. Is it right for Sydney at this stage? I do not think it is.

CHAIR: Is any work being done by the department in road access pricing at all?

Mr WIELINGA: The work that we do is in relation to the individual tollway projects that came up. I mentioned a little while ago that most of our modelling work at the moment is focusing on the demand, that is, the demand that is coming from our land-use strategies. If you get development, for example, around 800 metres to a kilometre around a major railway station we know that we get high public transport usage because we have a get-catch public transport type mode. So encouraging land-use development along those lines is going to be good for Sydney, to leverage off the existing infrastructure that we have got. But in order to respond to that we have got to do some of the things that the Government is doing at the moment. We have got to start investing in infrastructure: we need the South-West Rail Link; we need north-west rail; we need the new October timetable that is coming this October where we put additional services in.

We have got to focus on extra services on the network; we have got to focus on maintaining reliability while we are doing that and we have to tailor those services to the customers' needs—where they are travelling to and from. We have got to focus a bit more on total travel time than we have in the past. You have got to get more out of what you have got now. This Government has got objectives about getting people onto public transport; you have got to initially provide that capacity for them in response to the demand, and we have got to first fix the under-investment problem that has occurred.

CHAIR: So where does the funding come to fix the under-investment if it is not from a reform of road access pricing? Because at the moment what I am being told is that fuel excise, which is going to the Federal Government, three-quarters of it that is generated within New South Wales does not come back. Pavements in New South Wales are falling behind target, so it is a question of money. Where is the money going to come from?

Mr WIELINGA: I am glad you have asked that. That gets back to what I started with, which is the definition of road access pricing. Why do you need funds for transport systems? You need to provide charges or a mechanism for funds for a couple of reasons. The first of those is that you have got to provide the resources you need to produce the assets. Secondly, as those assets are used and they are utilised and wear out, they have got to be maintained and looked after and preserved. So you have got to create a relationship between who is using those assets and the collection of funds.

You are aware that it is a major COAG agenda federally at the moment looking at mass by distance pricing for trucks to replace the pay-go system; it is being done collectively to try and get a harmonisation around the country to do that. There are issues with the collection of funds from fuel excise at the moment because as diesels and that become more efficient it is a diminishing revenue return, and that has got to be addressed. But the fundamental principle is we need to understand where the vehicles that are doing the damage are going and collect appropriately, and that is what the mass by distance pricing is intended to do.

The second aspect of it, and I think this sort of gets to your question, is there is an impact on people using the road network: there is congestion, there are emissions, there are separation effects—all of those sorts of things that have got to be addressed. How do you deal with it? How do you deal with the cost of that? The example I would like to give you on that is the way fares are calculated by IPART for public transport. I think one of your terms of reference is to have a look at the relationship between road access pricing and public transport pricing.

When IPART, for example, looks at the pricing for train fares it makes a key decision; it says what amount of that fare should be paid by the direct users of the system and what part of that fare should be paid for by the broader community because of the broader benefits of that service that is being provided—for example, people on trains has a congestion benefit on the road network—and, based on the efficient cost of that transport delivery, IPART at the moment, based on their calculations, recommend about 30:70. There is a strong link

between those two. At the end of the day, if you are going to grow the network you have got to look at who is utilising the resource and create a strong relationship, and most economists and the Federal agenda at the moment is very much focused on achieving that.

CHAIR: The Transport for NSW Master Plan makes over 300 references to demand; I think it makes three references to demand management, a couple of references to road access or road user charging, whatever term they use, in relation to that; it talks about a capital under-investment in transport infrastructure; and I think, from memory, there are a couple of instances where they talk about the pavement—the targets that are not being met. At the moment, road access pricing is a way of addressing the funding shortfall for both capital investment and also for enhancement and maintenance of the road network. In fact, it goes broader than that because it is looking at the funding base that could also generate funds for reinvestment for public transport. If the department is not looking at road access pricing as a potential place of reform for generating the funds that you need to do some of the things that you spoke about, what else is it looking at?

Mr WIELINGA: We are. Where we are working with the Commonwealth Government in looking at the way people are charged to go to the network. Right now people pay a registration fee for their motor vehicle and that gives them the right to take that motor vehicle on the network. They pay a licence fee. There are transfer costs associated with it, there is weight taxes on some vehicles for the payment of that network and some of that comes directly to the road network, some of it goes into Consolidated Revenue. It is not just about consideration of tolls, it is about a consideration of those fees and how they are charged, and can you get a relationship between people utilising these networks and the fees that they are charged?

CHAIR: All of the submissions the Committee has received actually saw road access pricing as looking at reform not only of the State based taxes, including registration, stamp duty and the like, but also some of the Commonwealth charges imposed through fuel excise, for example. When this Committee talks about road access in this Committee we are looking the reform of the entire funding base that could be utilised for investment and put back into transport in terms of road access. Every other submission took it under that definition as well. Does that make it clearer to you?

Mr WIELINGA: It does for me, yes.

CHAIR: I apologise for the confusion. The Committee is looking at broad-based reform. In fact, some earlier submissions spoke about achieving some reform without reform to the fuel excise; that perhaps the State needs to lead the way. The first thing would be perhaps the harmonisation of tolls on the Sydney road network as a first step to greater reform later on. Do you know if the department is doing any work on looking at options such as registration reform, as well as fuel excise and the other charges?

Mr WIELINGA: That sort of policy development is a continual development. We have to do it because not only do we want to look at changing circumstances like what is happening with vehicles and technology and what options are available to us, but also we are heavily involved in the Federal agenda as I said earlier. We have got a policy unit under Tim where we look at issues like that because every year we work with Independent Pricing and Regulatory Tribunal and others to look at how things should change, whether it is CPI increases or otherwise, and we need to be able to do that modelling to be able to make recommendations to government. Yes, the work is continuing.

CHAIR: You are actually doing some work as it is defined in this Committee in terms of road access pricing? Is that what you are saying?

Mr WIELINGA: Yes, in the terms that I am talking about, charging people to go out on networks generally. Are we doing any work around congestion pricing? No, we are not. It is simply not government policy.

Mr GREG PIPER: Your reference to the forms of charges people pay now such as registration, licence fees and things like that, do you agree that that is not necessarily equitable for many people? For example, they might have a \$12,000 second-hand car in their garage that they drive to church on Sunday yet they are paying roughly the same amount of registration as their neighbour who might be doing 30,000 kilometres, and much of those kilometres might be discretionary as well and not necessarily locked in. How do we address that equity issue?

Mr WIELINGA: I agree. It is the technology to know how people are using the network itself, that is the fundamental difficulty that has got to be overcome. Two Holdens or two Fords, one is owned by a grandmother and probably does 1,000 kilometres a year and the other owned by a salesman who does 300,000 kilometres a year. They both pay the same registration fees. That is an inequity but you need to be able to put in place a process to deal with that. The additional ingredient you need to be able to vary that is the actual firm knowledge of the kilometres that are travelled. That technology is being worked on at the moment.

There are examples of it around the world, for example, Germany can track trucks on the network with tag readers and all of those sorts of things. They charge them for the distance that is being used. You can put black boxes in the truck with GPS locators to know where they are and on what roads. Believe me, we would like to fix this problem because when you have a look at the location of New South Wales in regard to the Eastern Seaboard we are the middle State. All the trucks get registered in Victoria and Queensland where there is cheaper registration but 80 per cent of their travel is in this State. We are doing all of the enforcement and compliance activity for the Eastern Seaboard so we have got those costs. There are inequities like that that need to be fixed in time. Mass by distance pricing by trucks is the ultimate answer.

CHAIR: A number of submissions spoke about the lack of fairness and equity in the way we toll on the existing motorway network in Sydney. Do you believe that is the case? If so, do you believe that a harmonisation of tolls to ensure fairness and equity is a practical proposition?

Mr WIELINGA: We are talking theory at the moment.

CHAIR: Absolutely.

Mr WIELINGA: The tolls that are determined on those motorways were a minimum toll that needed to be put on in order to get them built much earlier than they would otherwise have been. That is different to putting on a toll to try to regulate traffic flow. They are entirely different. We have got what we have got. We have got seven or eight different deals out there at the moment. We are progressively going through those contracts. Some of them are being expanded and some are finished, like the M4. A lot would have to be done to overcome that particular issue. The theory of equitable tolling and time of day tolling, as you have said in earlier briefings, there are many articles around the world that can tell you the benefits of that otherwise, but it is not government policy in this State.

CHAIR: Does the construction of the WestConnex provide us with an opportunity to trial some things and to engage the public in a debate about a future for road access pricing that actually addresses some of the known funding problems that we have for our public transport?

Mr WIELINGA: The details of the proposed tolling regime will need to be put in the environmental impact statement; I have no doubt about that. I would imagine that that would raise some community discussion about tolling at the time but whether that extends to a broader network look, I do not believe it will.

CHAIR: Last Monday the Committee was told that the problem in Sydney is that congestion is at a historical high on many of our major road transport routes. We have not had the problem that we have today and that should be the catalyst for significant reform that we have not seen to date. Do you agree with that statement?

Mr WIELINGA: Let me go back to the big picture about congestion. Everyone talks about congestion on the road network that is there at the moment. The figure that is recorded by the Australian Bureau of Statistics is actually avoidable congestion. That means congestion that you can get rid of where the cost of doing it is less than the benefit that you actually achieve from it. All cities have got some congestion but a lot of it can be got rid of. People forget that there is also congestion on the rail system and also the bus network. During those high peak hours you have full trains and it has got to be dealt with as a comprehensive package. You cannot just deal with one and not the other, and that is why I said earlier, the importance of that investment in infrastructure and services and expanding those services on existing networks, the importance of getting more out of existing systems with pinch-point strategies and clearway strategies and all of those sorts of things really become critical to open up other options in the future.

CHAIR: What other demand management initiatives is your department currently undertaking?

Mr WIELINGA: There is the parking policy for Sydney at the moment. There is a parking space levy that you are aware of. We are looking at the managed motorway systems and they will play quite a critical role. We have been working with the two other States on the Eastern Seaboard in that regard. We do have some proposals to make that work and, as you are probably aware, I know you are, they are fairly sophisticated strategies. When you have got very heavy traffic on the road network for a motorway, for example, when you start getting over about 1,800 vehicles per lane, vehicles start getting very close together and the flow becomes unstable because there are not gaps for people to move into and out of lanes. Instead of having 1,800 per hour the capacity actually drops off quite dramatically because of that instability and you are getting less vehicles through there per hour. The managed motorway system is a smart way to regulate flows onto the motorways so you avoid that instability and at the end of the day everyone gets a better run just by regulating the flow. There are a lot of things like that that can and should be done.

CHAIR: Previous submissions spoke about the managed motorways concept, is that what you are referring to?

Mr WIELINGA: Yes.

CHAIR: That concept also comes with some less than attractive messages for our community. For example, a managed motorway concept really only works if you are better able to balance demand with capacity.

Mr WIELINGA: It does.

CHAIR: Balancing demand with capacity sometimes means that you restrict access to the motorway to make sure that that ratio is at an optimum.

Mr WIELINGA: Yes, but I make a critical point about that instability. If you just allow everyone to turn up at the same time you get the instability; instead of 1,800 vehicles per lane you are down to 1,300 or 1,400. If you manage the motorway correctly you can keep 1,800 per lane going through, a better total count.

Mr GREG PIPER: Over a longer period obviously?

Mr WIELINGA: Yes.

CHAIR: To be able to do that you have to restrict the number of vehicles accessing the motorway at particular locations at particular times? The message to our community will be, for a more efficient motorway, a more efficient transport network, we will have to regulate flow which means that you may not be able to get on to the motorway at a particular time and you will be restricted from doing so.

Mr WIELINGA: You are right, Chair. As the demand grows—and it is growing over time—capacity has to increase or we need smarter ways of managing the network. There are no other ways to do it.

CHAIR: Have we begun the dialogue with our community because there are going to be some unpalatable messages? Regardless of whether we go for road access pricing there are things we need to do to the road network that will require understanding by our community.

Mr WIELINGA: We sort of laid out this picture, I thought very comprehensively, in the Long Term Transport Master Plan. As we develop the detailed mode programs for rail, road and all that sort of thing people are going to see the change and what those capacity improvements are but they are also going to see that we have to continue the investment in response to the demand. Everyone would like to see a strong relationship between investment in transport and the sort of facilities and infrastructure that are being produced. In an ideal world what resources you have got you would use to fund the asset maintenance, you would provide the services—the train, bus operation and the road network type services—and make sure that that is adequately and appropriately funded, and then you would address the growth program.

You would use what you can to get as much as you can out of the growth program. If more is needed, you could get into a position where you start putting cases to the community. They are things like the WestConnex project where government is saying that we will need the help of a toll to deliver that project. I think it is probably better that you try and do it with specific project initiatives to show the community the advantage of those particular circumstances, but they will have to come up on a case-by-case basis.

CHAIR: Do you agree that WestConnex might provide us an opportunity to pilot some of those things that we have not traditionally done?

Mr WIELINGA: I agree with you that there needs to be consultation with the community around the project itself. Whether or not that will extend out to broader network type stuff, like I said, I don't think it will.

CHAIR: Do you think without a sophisticated and broad agenda for road access pricing reform that we will ever be able to change the Federal Government's attitude towards New South Wales in that it only returns 25 per cent of the fuel excise? Are we doing anything that is going to change any Federal Government's mind to return more of the dollars back into New South Wales that motorists contribute?

Mr WIELINGA: The stronger the direct link between, as I said, the access charges for the network and the actual utilisation of the resource, the more likely that problem is to overcome. But that is not how fuel excise is distributed at the moment—it goes into consolidated revenue. It comes to the State via consolidated revenue and the registration charges and the vehicle weight tax and all of that we put directly into those systems.

CHAIR: It was one of the ambitions of this Committee that if we put something forward that dealt with fuel excise reform, and had a strategy as to how we would do it, that would at least begin the dialogue—if one has not already started—about how fuel excise is distributed through the States.

Mr WIELINGA: It would be a fundamental look at how access charges are constructed for everybody—from the person in the small, private vehicle right up to road trains in far western New South Wales. You would have to have a look at how those access charges are determined based on their resource usage, what they are charged and all those sorts of things. Right now fuel excise is seen as a simple thing to collect but as time goes on technology improves and that sort of thing; it is actually a diminishing return. Some of the very large vehicles have very efficient drive systems in them with a lot of axles and they use a lot less diesel per tonne of load than a normal semitrailer would. It is not a good relationship from that point of view between resource usage and fuel excise but it is easy to collect.

Mr TIM OWEN: Is there strong coordination between Victoria, Queensland and New South Wales in this process in terms of looking at a collective eastern seaboard approach to this or a group going to the Federal Government about how best we do this?

Mr WIELINGA: There are plenty of meetings to talk about it— it gets a bit rough around the State of Origin time. There is a good understanding of the issues between us but it would be difficult, for example, for Victoria to give up the registration fees it is collecting now and give some to New South Wales because Victorian registered trucks are using our network. When the mass-by-distance charging comes eventually there will probably need to be some redistribution of funds to provide for that. I do not know any State Government that lets money fly over the border.

Mr TIM OWEN: From my understanding there is a general recognition of this by the three major capital cities. But is there a general agreement about a consolidated way in which we should look at road access pricing or broadening the transport piece in an approach to the Federal Government?

Mr WIELINGA: Yes, there is. This starts with an understanding of what the community wants out of its transport system and what it is prepared to pay for, and that has a very large political dimension to it. We can get a pretty good idea of what they are thinking and what they are prepared to do and all that sort of thing. There is generally a high level of maturity and understanding in the community about what the issues we are dealing with are. They want more investment in their transport systems but the truth is they do not want to pay any more money for it. There is a task to do to convince them why it is important. There is a task to do to get them to understand the economic benefits for the community, the access-equity benefits that come out of transport systems, all of those sorts of things but it is going to take some time.

CHAIR: My reading of the situation, with the limited knowledge that I have, is that we have failed to deliver a value proposition to people paying tolls on our motorways, with a couple of exceptions—the M7 is a good example. The major part of the community thinks the M7 is fair and they are getting good service. The value propositions for the other motorways are abysmal; we have a poor history of doing that. Until we deliver a real value proposition to the community they are not going to be predisposed to be paying more regardless of the objectives and methods that you are going to ascribe to it. But how do we improve the value proposition? For

example, how do we say to a M4 user that sitting on the M4 eastbound in the morning peak for 27 minutes, on average, is worth paying anything at all in the future?

Mr WIELINGA: I guess you present options to them but this is a matter for government policy to have a look at. As I said, there is plenty of research around the world that tells you the benefit of travel time. You have got economists everywhere that will put a time value of money on people's time when they are sitting in a motor car and all that sort of thing. At the end of the day it is what the community is prepared to do and what they are prepared to accept in these particular circumstances. There is a big jump between theoretical economic calculations and practical outcomes you have to achieve for the community.

We need to start with this extra investment that we are putting into new services and into infrastructure and all of those sorts of things. We have to get that right. We have to get our ducks in a row in getting more out of the existing system. I absolutely agree and support that is what we have got to do first. We have got to get that right. We have to reform our public services, which we are doing at the moment, to make them efficient and to deliver appropriately so we have got extra resources to put into front-line services, and right now that is the main game.

CHAIR: It seems to me that the demand management side of the equation is something that could be done before finding \$30 billion or \$40 billion to increase capacity across our transport network. Do you see that differently?

Mr WIELINGA: Mr Chair, I am going to be a little bit rude at the moment. What I am going to say is if you are going to solve transport and congestion issues it has got to be a multifaceted package. If somebody comes up to me and says, "Why don't you do this?" or someone else says, "Why don't you do that?" That is not the answer. There is no silver bullet. The answer is a thought out package of transport initiatives over a period of time to fix up what we have got in the city, and we can do that.

CHAIR: If I am hearing you correctly, the broader access package than road access pricing is transport pricing?

Mr WIELINGA: Yes.

CHAIR: So it goes bigger than just roads?

Mr WIELINGA: Well the COAG agenda at the moment will get there in time.

CHAIR: But this has been before the Council of Australian Governments for quite a long time, has it not?

Mr WIELINGA: Yes, it has.

CHAIR: Is it going anywhere?

Mr WIELINGA: The policy development work is being done by NTC and others at the moment. With the PAYGO system a previous acting Secretary of the Treasury, Michael Lambert, is looking after HVCI at the moment and looking at exactly this issue.

CHAIR: Given your understanding of where the process is at the moment do you think it will achieve an outcome without a State taking a lead on this particular issue?

Mr WIELINGA: I am a director general of a department.

CHAIR: If it is an inappropriate question you do not have to answer.

Mr WIELINGA: It is a decision rightly made by Ministers around the country as to where it goes. They will decide where this is going to go.

CHAIR: Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of the evidence and be made public. Would you be happy to provide a written reply to any further questions?

Mr WIELINGA: Yes.

Mr REARDON: Yes.

(The witnesses withdrew)

(The Committee adjourned at 3.40 p.m.)