

**REPORT OF PROCEEDINGS BEFORE**

**COMMITTEE ON TRANSPORT AND INFRASTRUCTURE**

**INQUIRY INTO ROAD ACCESS PRICING**

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**At Sydney on Monday 13 May 2013**

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**The Committee met at 10.15 a.m.**

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**PRESENT**

Mr C. Casuscelli (Chair)

Ms T. Mihailuk  
Mr G. M. Piper  
Mr P. L. Toole

**CHAIR:** Good morning, ladies and gentlemen. I now declare open this public hearing of the Committee on Transport and Infrastructure. This inquiry is looking into the development and implementation of a road access pricing strategy for New South Wales.

**JOHN WINSTON GARDINER**, Private Citizen, affirmed and examined:

**CHAIR:** For the Committee members, I knew Mr Gardiner in a previous life when I was working in the Transport Management Centre at the Roads and Traffic Authority. Mr Gardiner has a wealth of experience in different capacities across motorways in many States. Thank you for appearing before the Committee on Transport and Infrastructure 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 GARDINER:** Yes, I can confirm that.

**CHAIR:** Do you have any questions concerning these procedures?

**Mr GARDINER:** No.

**CHAIR:** Can you please tell us in what capacity you are appearing before the Committee today?

**Mr GARDINER:** As an independent person.

**CHAIR:** Have you provided the Committee with a submission?

**Mr GARDINER:** Yes, I have.

**CHAIR:** Do you want the submission to form part of your formal evidence?

**Mr GARDINER:** Yes.

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

**Mr GARDINER:** A brief statement perhaps. I suppose firstly I would like to commend the Committee on their scene setting in the initial announcement to the public. I thought it was very appropriate and well thought through. My background is that I have been the chief executive of four toll roads in different States in Australia; two in Sydney, the M5 and Westlink M7, and I was responsible for the construction and 18 months of operation of EastLink in Melbourne. I was also chief executive officer of Queensland Motorways in 2010 and 2011 for some seven months during the sale of that road from State ownership to the defined benefits fund and Queensland Investment Corporation. During that time I have initiated two electronic tolling systems, one in Melbourne and one in Sydney, so I have a lot of experience in relation to the technology associated with road pricing.

Another aspect of my experience that I think is relevant is that in every concession where I have been chief executive we have regularly surveyed our customers as to their needs and preferences and dislikes and likes. A brief summary of that is that people are not averse to tolls, providing that they get service. As long as they get adequate service—and generally that means as little congestion as possible and reliable travel and good attendance to accidents and incidents. Also in the back office in the customer service side of it they want people who are sympathetic to their needs and their problems when there is some issue with them paying tolls and that sort of thing and they want to be kept informed. They are the most important issues. I think I can speak a little bit for not the general public but motorists who use roads where there is some access pricing arrangement.

My papers attempt to put perspective on a number of different things. The current environment for transport reform and some of the squeaky wheel issues, or I call them fallacies actually, are issues that you will hear aired a lot particularly on drive time radio, but they are issues that really are a bit superficial and are not necessarily in my view supported strongly by the general public. The objectives of transport reform, if I could just refer you to my paper, I felt that a reasonable summary of those on page 4 was: to provide far greater equity to all travellers than currently exists; to move towards a direct relationship between cost of transport and charges for use; to adequately address the freight task—a most important issue in terms of our national economy; to

provide a financial disincentive to the use of roads during peak periods, but at the same time to ensure that peak period motorists enjoy reliability of travel; and to provide real information to all travellers in the community so that they make informed choices—if this Committee is successful in reform there is going to be a huge task in bringing the community along to change and it will not be a short-term project; and to provide a reliable mechanism for funding transport reform.

I have put forward a solution that meets these objectives, which I would have to categorise as being politically very difficult but it does produce an outcome that accords with those objectives that I have just set out. This, just in very brief summary, involves scrapping fuel excise, scrapping the existing tolls on all toll roads, replacing the fuel excise with a distance-based charge for all vehicles, preferably charged monthly. There may be some sort of honour system where maybe the odometer on the car is checked once a year when you get a green slip but the rest of the time ideally people paying monthly their registration for the car. In addition to that, applying a distance-based charge on all urban motorways, a dynamic charge that varies to assure a minimum travel speed. Essentially the idea would be that rather than saying that you are going to pay for driving on this road, we say that we will guarantee you a minimum travel speed of say 60 kilometres an hour on an 80 kilometre road but we will charge you to ensure that that actually comes about.

**CHAIR:** Can I just stop you there because you are going into the territory where we would like to ask some specific questions. Your suggestion requires a fair amount of cooperation between the Federal and State governments.

**Mr GARDINER:** Yes.

**CHAIR:** You are talking about reform at a national level where you are seeking a national motor vehicle scheme, amongst other arrangements. Without Federal Government involvement or support could your scheme be adopted by the State, for instance, a limited amount of motor vehicle registration reform and the other components that make up your scheme? Could that be a practical outcome?

**Mr GARDINER:** I think the short answer is yes. From the point of view of motorists, motorists would like to see a national scheme that is uniform throughout the whole of the country. Already the existing toll roads have huge problems with the fact that classifications in States are different, classification of vehicles is different, and the road charging and penalty arrangements are different. That is a huge problem as it is now, so a nationally coordinated scheme would be better. In terms of the State being able to implement part of the—I am calling it—"straw man" I am putting forward, that is quite feasible. If the State registration arrangements changed to a distance-based payments scheme it would be much more equitable for everybody: You pay as much as you use. As it is now lots of people who do not own cars, who use public transport a lot, cycle and the like are subsidising motorists, and that is just wrong.

**CHAIR:** Do you see as a prerequisite for implementing your specific arrangements that perhaps a harmonisation of tolls across the entire Sydney motorway network would be advantageous?

**Mr GARDINER:** It is absolutely essential. Currently tolls in Sydney and Brisbane are absolutely inequitable. Just look at the Cross City motorway, for instance, where you pay nearly \$5 for a five-minute trip—no wonder people do not use it—and the CLEM7 motorway in Brisbane is the same. The tolls on Westlink and the M5 South West motorways are roughly 17¢ per kilometre and you are paying over \$1 per kilometre on other toll roads in Sydney. There is just so much inequity there and it distorts the efficiency of the network because people will avoid the ones that are more expensive where they don't get any value for money or they get value for money only on rare occasions. So the network that has cost huge amounts of money is being used really inefficiently.

**Mr GREG PIPER:** You are suggesting that motorways should cost the same amount of cents per kilometre of tollway but would that be influenced by your previous comment about some kind of surety of service—for instance, a minimum of 60 kilometres per hour over the distance of an 80 kilometres per hour stretch? Tollways deliver different qualities, are you suggesting there would still be a variation?

**Mr GARDINER:** Yes.

**Mr GREG PIPER:** What you mentioned before was a very significant inequity issue.

**Mr GARDINER:** I suppose there are several steps to that answer. The first one I think about is just removing all the tolls and then reapplying a toll that is uniformly distance-based throughout the whole of the network. That would apply 24/7, except that during periods when the roads were approaching a congested state the toll would start to increase. Motorists would be advised of what the toll will be for the next 15-minute intervals, say, on different sections of the road. There would not be a uniform increase across the whole network; it would just apply to pinch points. The increase would be dynamic to the extent that it would ensure that there was enough diversion for the traffic to move freely and "enough diversion" in that circumstance is not huge amounts of traffic. Just think about what happens during school holidays, for instance, with our traffic network, you get significantly more free-flowing traffic.

School holiday diversion is about 3 per cent to 5 per cent—Charles, you might know better about that than I do—but that is the number that I understand. A diversion of less than 10 per cent would make all the difference to the free flow. One thing that I have missed in relation to that is that our network is an incomplete network of motorways at this stage. We have missing links—we have the M4 running into a dead-end, we have the highly congested M5 East Tunnel, which was pretty well at capacity during peak periods from day one, and the same applies in other States as well. You will not get a free flowing, efficient motorway whilst those missing links are not there. I would certainly like it on record that I am not advocating that we go and build lots and lots more motorways; I think we nearly have a complete network, but those missing links must be inserted in order to achieve a free-flowing network controlled by dynamic pricing.

**CHAIR:** I spoke about a prerequisite being the harmonisation of the toll network within the Sydney as one prerequisite.

**Mr GARDINER:** Yes.

**CHAIR:** I will run a second past you now and you can tell me whether you agree or disagree with it. In terms of making sure that your scheme is successful, the second prerequisite would be making sure that the value proposition is there for people using our roads.

**Mr GARDINER:** Yes.

**CHAIR:** The value proposition is that if I am prepared to pay more money for tolls or higher tolls they will have to guarantee me a level of service—that is, if I get on a motorway then the motorway would maintain a state of free flow.

**Mr GARDINER:** Yes.

**CHAIR:** Would you agree with that premise? If so, how would you go about maintaining a service level on motorways, especially those in Sydney?

**Mr GARDINER:** I agree with that premise and I think that is the ideal outcome. But the way in which you would get the motoring public to strongly support the outcome, if not initially but in due course, in addition to filling in those missing links that I have mentioned—a highly expensive thing to do but absolutely necessary—would be to use current and improving technology. There is a Managed Motorways program, which is being adopted by all States I understand at this stage, and it certainly is well implemented in Victoria and Queensland and New South Wales are moving in that direction as well, and a key aspect of that is ramp metering.

Ramp metering is a device whereby the on ramps to motorways are controlled by traffic lights so that where there is congestion they slow the rate at which vehicles can get onto the motorway and in that way they control the downstream volume of traffic flowing onto the motorway. In Victoria they have achieved improvements in overall traffic volumes moving at reasonable speeds on the Monash Freeway by some 15 per cent to 18 per cent. They do make a significant difference. There is also research being carried out by the University of Queensland to look at ways in which better algorithms could be developed so that you can control the upstream traffic as well as the downstream traffic, which means you have to dynamically look at a whole lot of different ramps to ensure that you maximise the volumes that are on the roads.

**CHAIR:** John, I will stop you there. So the other Committee members can understand what we are talking about here, and I hope we have not spoken too technically, let me ask you this. Motorways work best when they are in a state of free flow. The only way to maintain a state of free flow is to limit access onto a

motorway, to keep the traffic volumes down so you do not get to the point where traffic becomes stop, start, stop, start. When that happens is that efficiency breaks down and the affects spread throughout the entire road network. What John is saying—and he will correct me if I am wrong—is to maintain a motorway in a state of free flow access has to be limited through various mechanisms. One mechanism would be ramp metering where we put traffic signals on a ramp. Another mechanism could be government policy that during peak periods access on the motorway is restricted for specific periods at specific locations. Is that what we are talking about?

**Mr GARDINER:** Yes, and, of course, the dynamic tolling or road pricing as well. I might add that there is a downside to that—that is, the traffic that wants to travel at that time is forced to travel on the arterial roads or local roads. The benefit of it would be to ensure that travel on the motorways was free flowing but the downside is that there would be more rat running and the like. That is why I am really recommending that registration should be distance based so that there is across the whole State incentive for people to think very seriously about their travel and whether they need to make a trip, particularly during peak periods.

**Mr GREG PIPER:** The suggestion has been around for a long time as to how you would do that. It was suggested that maybe it was going to be a fuel levy because that would cover it in some way—it is not distance but it is related to distance and the type of vehicle being used. We are talking about State roads and private roads, but on distance based tolling you have local roads. How would you make an apportionment across the network for your private operators, for the State and for local councils?

**Mr GARDINER:** I am not advocating distance-based tolling on arterials or local roads, only on the motorway network, the some 200 kilometres of motorway that exist, freeways and toll roads.

**Mr GREG PIPER:** Can you take me back to the suggestion you were talking about before, the honour system about odometer readings?

**Mr GARDINER:** Yes.

**Mr GREG PIPER:** Where does that fit in?

**Mr GARDINER:** That would be a State—let us talk about the State registration of motor vehicles, that the current scheme be modified so that there is a distance-based charge associated with that. Somebody who leaves their car in the garage and does not use it would pay considerably less for registering their vehicle than somebody who uses the road a lot. So that would be a disincentive across the whole network, not just the motorways. In addition to that, there would be the distance-based charge on the motorways, which is technologically quite feasible to do.

**Mr GREG PIPER:** I understand that.

**Mr GARDINER:** Whereas right across the network it is much more difficult.

**Mr GREG PIPER:** You started off talking about the global type system.

**Mr GARDINER:** Yes, I am sorry if I have confused you.

**Mr PAUL TOOLE:** My question follows up on Mr Piper's question about distance-based charging. Does that impact more on those who are out of metropolitan areas from the point of view, like regional and rural communities that may be the food bowl, providing truck movements every day through the metropolitan areas? Is that then a disadvantage to commuters who do not have access to public transport as well? I am curious to know how it would work because you cannot have the same where you can park in your garage and get to and from the metropolitan areas. How do you see that working?

**Mr GARDINER:** I suppose I should clarify one point. I am not advocating that the distance-based charge be applied to rural motorways, although it could be, and that could subsequently happen at some time. Travel on the Pacific Highway, for instance, would not incur this charge and there would be the distance-based registration still cutting into people using those roads. In terms of businesses bringing produce into the city, if they use the motorways they would be incurring the distance-based additional charges. If they used the motorways during peak periods they would be paying the higher dynamic rates. Another aspect of the overall scheme that I have put forward is that there is certainly a need to consider those members of the community who are least privileged who live in outer lying suburbs and are forced to commute because that is the only work

they can get so they are commuting long distances and are severely disadvantaged by a scheme like this. There would need to be considered some support on a needs basis for those people.

**Ms TANIA MIHAILUK:** I want to touch on exactly what you just said, those who live in the Central Coast region, Campbelltown, Camden, Penrith who also rely on the motorway for a quick feed into the CBD. Just to clarify that, and I understand that you are suggesting it only for motorways. For example, somebody who lives in Camden could be paying more to use the M5 to enter the CBD than somebody living in Bankstown. Would it not be more feasible to look at an approach of where the destination is; it is about where you are heading into? We are trying to encourage people who enter into the close proximity of the CBD to at that point redirect and attempt to catch public transport. There are moves about, for example, establishing car parks along the M2 and then bus travel as people come off the motorway and then take public transport into the CBD.

This approach seems to me to encourage people to utilise motorways right into the CBD but it also penalises probably the people most in need to do so by that approach. I would have thought that if we want to make motorways as productive as possible you would want to create an incentive that at some point public transport is utilised for commuters—obviously not trucks, but commuters—but also it is about the destination. I would have thought you would want to be looking at charging in regard to not the distance but more so where you are heading to. If you are heading into the CBD that tends to become a cost if you want to try to encourage them, make it almost a disincentive in some respects. I just want your thoughts on that.

**Mr GARDINER:** And there are quite a number of points. One of them is that the number of people who are heading for the CBD on any day, commuting around Sydney, it is a very small number. If you think about it, there is no parking.

**Ms TANIA MIHAILUK:** It did not feel like it when I drove in this morning.

**Mr GARDINER:** No, but let me expand on that. In the CBD itself there is no parking available and you are paying a fortune for the limited parking that is there. You have clearways and all sorts of other disincentives during peak periods for people to be in there. Most of the trips are being made—and I am talking about 85 per cent or more of the trips—are being made to destinations other than the CBD, to other suburbs nearby maybe and certainly some of them through the CBD, particularly in Melbourne at present and to some extent in Queensland as well, just people trying to get from south to north or north to south having to go through the CBD. In the mix of traffic on the toll roads in Sydney at present the number of people who are actually commuters during peak period is quite small, about less than 30 per cent, maybe more like 20 per cent. We all expect that it is commuters who are causing this problem.

Of course the commuters are forced to travel at the times that suit their times of business. But they are not the bulk of the people on the road at that time. There are many other people who could make a choice as to whether they use the road at that time. Governments could assist by encouraging things like staggered working hours, staggered shopping hours, working from home at relatively small expense. Maybe those incentives or removal of blockages to enable that might be very worthwhile. The other aspect of this, too, is that transport reform has to go hand in hand with land use reform. The best thing that we can do for the very poor and disadvantaged is to provide places of work near where they live. This is happening in this city already. There is quite an interesting change in the demographics. I just read the other day that Ermington is now the demographic centre of Sydney. So it is starting to move east, rather than west. This is a reversal of the direction in which it was heading previously with great encouragement to the outer lying suburbs.

There are now more people living in apartments in Sydney than there are living in detached dwellings. Once again this is a change that has happened only very recently. The ideal situation is that people are strongly encouraged to use public transport, and that is why I think the distance-based registration scheme is very worthwhile and higher charges during peak periods to encourage people to consider public transport where they can. The problem is that there are so many people doing trips in Sydney at any time which public transport is simply not appropriate for them. When we talk about roads, the figure in Victoria is that 80 per cent of all trips on public transport are carried out on roads. I suspect that the number in Sydney is probably pretty similar. Certainly, buses carry the bulk of the public transport load. There are a whole lot of issues there and I have sort of wandered around your question but I think the issue is not about people heading for the CBD; it is for areas around—

**Ms TANIA MIHAILUK:** Or the airport?

**Mr GARDINER:** The airport most certainly.

**Ms TANIA MIHAILUK:** It would still impact residents living in the south-west?

**Mr GARDINER:** That is absolutely correct, and that is a big load.

**CHAIR:** It became pretty clear in a number of submissions that one theme is that we cannot build our way out of the problem; we do not have enough money to increase roads or even public transport to sufficient capacity to do what we need to do.

**Mr GARDINER:** Yes.

**CHAIR:** A number of submissions talk about demand management—that is the other end of the equation. Demand management comes in different forms. From some submissions I understand that road pricing perhaps is one of those demand management tools. Can you give us your view on road pricing as a demand management tool in relation to other demand management tools with which you may be familiar?

**Mr GARDINER:** I think it is the only demand management tool that will enable adequate free flow of traffic on motorways during peak periods. Take the Sydney Harbour Bridge, for instance, with its step tolling arrangements so that there is a higher payment to be made during peak periods than at other periods. When it was introduced it was successful. I understand there was a reduction of about 15 per cent in traffic during that time. I only heard that from hearsay. Since then there has been a lot of silence as to the effectiveness of the scheme. My suspicion, based on my experience with toll roads, is that a familiarisation issue arises in that people initially will say, "Oh, that toll is absolutely exorbitant. I wouldn't go near that road." This is the ramp-up period during the opening of new toll roads. But after a while people get used to it. They try it once or twice because they are forced to and then, subsequently, they find that it is not so painful after all and then they use it.

I am sure the same is happening on the Sydney Harbour Bridge at present; the step tolls are becoming less effective with time. Consequently, by taking that type of arrangement governments open themselves up for abuse. At some stage a government, if the situation continues as it is now, will say, "Oh, I'm sorry, but we've got to increase the peak period step toll." There will be an outcry. "You've let us down. You've told us that this is what it was going to be. Now you've changed your mind." That is going to happen and it is quite likely that that inurement factor that I talked about would necessitate increases in excess of CPI. You could not just tag increases on to CPI for instance. That is why I think the dynamic approach, even though it is more draconian, if you like, will be more successful and more acceptable in due course to motorists.

**CHAIR:** Given your experience in other States as well as in New South Wales, you just said that the main demand management tool is road pricing. I know other States may have similar views, but if it is a most effective demand management tool, why is so little being done to make it a reality? What is the difficulty? The professions, the peak industry bodies and all of the submissions without fail have said road access pricing is the most effective demand management tool. Given that the nature of our problem, essentially, is that we cannot build our way up, demand management is the way of the future, why is so little being said about it in the public domain?

**Mr GARDINER:** This has been an ongoing view for many, many years. My take on it is that governments have found the issue unpalatable and have not really wanted to bite the bullet and tackle it. I do not know of any other reason.

**CHAIR:** What is your feeling within the peak industry bodies with which you are associated and the tollway operators for reform in this space? Are they for it, against it, or is it all too difficult for them as well? What advice would you give this Committee?

**Mr GARDINER:** If I speak for toll road operators, I would say that not all of them agree with my views. One of the significant issues is that if you scrap the tolls on the existing motorways, by definition that necessitates that there is a renegotiation with every toll road operator concessionaire in New South Wales in order to do that. Every one of those contracts would have to be renegotiated. I think governments might find that a little unpalatable as well, or government agencies. But my view is that this is what happens between governments and toll road concessionaries periodically anyway. There has just been a renegotiation for the widening of the M5 south-west motorway. The M2 went through a similar sort of thing. Queensland Motorways, of which I am on the board, has been through a total renegotiation of its concession. These things

are not necessarily that scary. They just require goodwill on both sides and understanding that a private investor needs to have some assurance that they are not going to be disadvantaged.

**Mr GREG PIPER:** I assume those private investors are owned by shareholders?

**Mr GARDINER:** Yes.

**Mr GREG PIPER:** Therefore, the primary goal is profit, which is built into the contracts as you say. But you said before also that there is significant inequity in the tolling or the charges that apply?

**Mr GARDINER:** Yes.

**Mr GREG PIPER:** So this renegotiation, rearrangement is harmonisation, which I think is the term you said before?

**Mr GARDINER:** Yes.

**Mr GREG PIPER:** I assume we would be looking at some compensation that will have to be built in for that or do you wait for the end of a contracted period? I imagine that would be a long way down the track in some cases?

**Mr GARDINER:** Yes. No, I do not envisage any compensation whatsoever. What I envisage is that the entire motorway network be brought into this distance-based charging arrangement. That network currently is in excess of 200 kilometres. There is something like a bit under 100 kilometres of toll roads in Sydney at this stage. The revenue from quite a reasonable charge—revenue from the lowest level charge of any of the toll roads at present is around 17 cents a kilometre—would generate about twice as much as the reimbursement for the toll roads. So on my calculations—and please believe me that these are back-of-the-envelope calculations; others could do them much better than me—you generate about \$1.4 billion on the scheme I have put forward.

To maintain the current cash flows of those organisations, the current return on equity, you would require about \$0.7 billion. Those numbers are rubbery because the negotiation could well take into account the fact that there is reduced risk associated with a broader network than there is with these individual roads. For instance, the Cross City Tunnel would see a lot more traffic on it as a result of a reduced toll. The Lane Cove Tunnel also would see significantly more traffic than it gets now because it is a logical route on a network.

**CHAIR:** Thank you, John. That was very informative. Thank you for your time this morning. We have a number of other questions we did not get to put to you. Would you be happy if we send those questions to you in writing and to provide a written response in due course?

**Mr GARDINER:** Yes, most certainly.

**(The witness withdrew)**

**(Short adjournment)**

**DAVID ALAN HENSHER**, Institute of Transport and Logistics Studies, University of Sydney Business School, sworn and examined:

**CHAIR:** I welcome Professor David Hensher. Thank you 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.

**Professor HENSHER:** I have.

**CHAIR:** Do you have any questions concerning these proceedings?

**Professor HENSHER:** No.

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

**Professor HENSHER:** I have—yes.

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

**Professor HENSHER:** Yes. Thank you for inviting me to present some points. I am delighted to see that this topic is current and being considered by the Parliament. I have been involved in this area now for over 30 years and, as an economist, one of the things that has frustrated me is the lack of recognition of the role that prices can play in ensuring that we not only get efficient use of our resources but an equitable and fair allocation of our resources. There is a temptation in the industry to simply build, rather than ask the fundamental question: Are we making good use of what we have already got? The decision on build must be conditioned along the answer to that other question. It is clear that we want to improve public transport and that we want to switch people out of cars. We have tried hard over the years to try to find ways in which we can change that modal split. But at the end of the day it really comes down to one issue: That we have failed, not just in New South Wales, not just in Australia but generally globally, in recognising the opportunities that pricing can play to benefit commuters and not to just penalise them.

My current interest is on identifying ways in which we can sell or get buy-in to what I call road pricing reform. I am trying to change the language so that we do not get into the emotional trap every time we discuss this of having a television media person come up and say: They are going to hit you with a congestion tax. That is bad news and as soon as you mention that, you are dead in the water and back to square one. I have spent a long time trying to change the language and will continue to do so. But before we identify the appropriate charges to bring extra revenue in for infrastructure, it is important to get the major people on side—the stakeholders of influence, the public and, dare I say, the Treasury. So we have to make sure that, whatever we do, as a starting point the great majority of motorists, if not all, are going to be no worse off with the initial reforms and Treasury is happy. If you can sort that out, you are on your way to reform.

**CHAIR:** You are doing some wonderful work and the submission you put forward gives me cause for hope in road pricing reform in New South Wales. I welcome the work you are doing in terms of some of the behaviours and communications that need to be addressed. But before we get to that, I note there are a number of submissions that have looked at registration reform as a key driver in road pricing reform. I would like your view on whether we, as a government and as a community, have established in the mind of the community the true cost of travel as a prerequisite to engaging some behavioural changes in our community to date?

**Professor HENSHER:** I do not think we have, especially when it comes to congestion, which is time. Time is money and the sad fact is that, whenever you try to explain this to individuals, they do not get it because they still think that the thing that matters at the end of the day is the cost of travel, especially the tradies and the truckies. But in fact, when you translate efficient pricing reform into improved travel times, those travel times can not only save an individual's time but they can increase the productivity of the freight sector and the tradies. Speaking on radio, I have used many examples to try to explain this. As soon as you mention the fact that you might have to charge them a little more to give them a benefit, they switch off when you say "benefit" and focus on the actual amount.

The best example I could give to highlight this point is that, if we introduced some form of road pricing reform, like a distance-based charge—and I would like to talk about registration charges as well in a minute—then there is evidence from our studies and others that, depending on the level of that charge, people can go about their business, either as commuters or people contributing to the productivity of the economy, in a much more time-efficient way. Indeed, the great advantage for the truckies and tradies is that they will have residual time available to do more work, to earn more money and that money will most likely exceed the cost of the additional use of the roads. But they do not get it. We have to be forever on a campaign to illustrate examples. I can give one example that comes back to registration charges.

We have developed a model to identify, as a starting point for buying-in, what adjustment in registration charges for car users should occur and linked in with a distance-based charge in the peak—and I am saying the peak specifically and I will explain why in a minute—in order to make most motorists financially no worse off and Treasury no worse off, if not better off, in terms of revenue net. We looked at Sydney extensively because of the good data that the Bureau of Transport Statistics collects every year on households—over 300,000 individuals a year. If you reduce registration charges—I am not talking about green slips but the actual registration charge—to about \$185 and introduce a peak charge of five cents per kilometre, when you look at the actual kilometres that people travel in the peak—people do not believe you when you say this—typically, most people in the peak will do 4,000 to 8,000 kilometres. You multiply that by five cents per kilometre and compare that with the savings in the registration charge and people say: "I can't believe it, I am actually saving money. I've never done the calculation in my life".

The important point I want to make is that we are then sending a signal that we are switching from fixed charges to use-related charges as a starting point in order to eventually, once people see the time benefits—and notice I did not mention it until now—they will start to say this is worth it. Then you can start increasing the cost per kilometre because people are going to identify the time benefits. The reason why I do not want to start that in the off-peak is because I believe most people that are car commuters and truckies would not switch to public transport under that pricing regime but would switch the time of day that they travel even with a spreading of the peak. It is important for them to understand that they will get the registration reduction but they can save money by avoiding the peak which takes pressure off the peak.

A recent survey that we have done, what we call our transport opinion poll, we do it every quarter or every six months, was trying to prove the point the NRMA have criticised me for where they said nobody who travels in the peak has a choice of time of day, they have to travel in the peak. It is not right so let's not talk about this pricing nonsense. We know from our work at least 20 per cent of people are capable, and their employer supports it, of switching out of the peak if the incentives are there. We also know in the school holidays when there is a reduction of six per cent of trips in the metropolitan area that the traffic is pretty damned good. The point I want to make is if it only takes six per cent per to make a difference 5¢ per kilometre is dead easy to achieve.

There are enough people that would opt to move out of the peak, be better off financially and in terms of travel time and would not whinge and moan because they have been forced to change time of day. Pricing is now working efficiently and that is what I think we need to do and get away from the registration hike and reduce that. The good news is that treasury people say—although not officially—this makes sense and they can see that they are not going to be worse off in terms of revenue. It is getting started. How you get started with getting buy-in with stakeholders—that is what the story is about, not how to we raise billions to fund infrastructure. That will come once you get buy-in.

**CHAIR:** People do not understand the true cost of travel because I have people coming to me in my electorate office as a local member of Parliament whingeing and bitching about how overpriced the rail tickets are and blaming people in private motor vehicles on motorways for not subsidising them enough and then we have the reverse where the motorists say those people on public transport are not paying their fair share to make my commute on the motorway any easier in the morning—I have two people, both ends, blaming each other for not contributing. How do you get past that? As a Government or as a community how do we start selling the message that you are not paying for the true cost of travel because we want you to think when you jump in the motor car or on the bus whether you need to do this travel, can you do it at other times? Do you have any advice?

**Professor HENSHER:** All transport is under-priced in metropolitan areas. The reason why we keep our public transport fares lower and have huge subsidies per trip is because of the relatively low cost of cars called the level playing field or the competitive neutrality argument. The consequences are that we are not going

to be able to do much about persuading people about the cost of public transport in terms of it being too high without going back and arguing about subsidies. We have to talk about subsidies. One of the interesting points—and public transport is more than railways, it is buses as well, although sometimes I wonder with some of the debate—is the people who use the railway system are the relatively high income people because it is radial centric and they are subsidised by the relatively poorer people through the tax system. The question is how we convince people that all public transport, all car use, is under-priced and people are not paying their way.

I think we need to focus on one or two areas where we think we can get interest and convince people. I would not focus on the low cost of public transport, I would focus on the low cost of cars and the arguments I have just put about trying to rebalance the cost of using the car as we head to a user-pays type regime. The other important thing that we must highlight is any money raised through road pricing reform, and there is plenty of evidence around the world, must be hypothecated to a reasonable amount to show people there is value for money in terms of options. From our work the critical one is that if you are seen to be spending a fair amount of that on public transport, as Ken Livingstone did in London, then I think you can get a lot more sell-in and buy-in.

Trying to broach the idea that the public transport fares are too low is a tough one until you sort some of these other issues out. You can remind people about the high subsidies that we are paying, that the whole of the community is paying, and as a non-public transport user are you happy with that. I suspect the answer is no from what you have said. But my point is that the reason why we are not going to do much about that under a competitive neutrality argument is because we have to do something about the car. Until we do that do not touch public fares is my view. Having said that people are pretty price insensitive to increases in public transport fares, so if you sneak them up a little bit at a time I suspect there will be a bit of whingeing but there will not be much impact on the modal share.

**Mr PAUL TOOLE:** There was a question asked earlier: How do you ensure that those living away from Sydney with fewer choices when it comes to options of transport are not disadvantaged?

**Professor HENSHER:** You mean non-Sydney residents, regional New South Wales? I thought about that as well because my focus on what I have just said has been mainly on the metropolitan area linked to congestion. I think road pricing reform is not simply to do with the externality cost of congestion, it is to do with more efficient pricing of the use of the roads including the replenishment of the infrastructure. In regional New South Wales the issue is not congestion, it is distance. I do believe you can provide them with a financial incentive by reducing the registration charge but maybe going to a lower distance based charge to reflect the cost of replacing the assets in terms of the money that would have otherwise been foregone by reducing registration charges. It is all part of a long-term plan to have a better match between use of the network and the money that is raised.

If there are equity issues, I think it is quite reasonable to put a cap on how much you would charge per kilometre beyond a certain number of kilometres. My calculation of the typical kilometres of a rural and regional resident suggests that even if we halved—we have to be consistent. If the registration charge is knocked down to 185, on average, in Sydney, the same should be done in the rural areas. The compensating distance-based charge will be different because it is related to usage in terms of externalities and since you do not have congestion, it will be a lower price. Given the number of kilometres they travel, I have it worked out that at 1 ¢ or 2 ¢ a kilometre, they would be better off in terms of the overall financial package than simply leaving it as it is with a higher registration charge and a no distance-based charge, and that it is for the whole day.

**Mr PAUL TOOLE:** If it was to be implemented, what technology would be required to be introduced in terms of the distance-based charge?

**Professor HENSHER:** It has to be global positioning systems [GPS]. The systems are available and in place if you want to implement them. The best place to go for evidence of that to see how it works is the State of Oregon, where they are continuing the second round of their post-pilot program with onboard monitoring of the vehicle in and out of States. It may be known that the intention in the longer term is to do away with fuel taxes and have a use-related charge based on distance travelled. The beauty of the way in which it will be collected is that the petrol stations—or the gas stations as they call them—is your distribution network.

Your vehicle still needs to be refilled. Onboard computerisation with a swipe mechanism can record the cost and that is how the money is collected, using a telco or someone to do the redistribution as we do now with other smart technology. As far as I am concerned, the technology is a non-issue. Some have raised the question of privacy with me. I always refer to the existing electronic tax system where people pay often up-front; they hand over their credit card details. New South Wales is fairly mature on that issue. We are often a world leader in the willingness to share the so-called confidential information; we do it already.

**Ms TANIA MIHAILUK:** In relation to small business when linking the payment to kilometres—Paul has touched on the impact for rural and regional residents. I do not know if a new business with deductions is being proposed, but if a tradesperson is running a small business, there will be five quotes done for each job. It is a lot of travelling around for very little incentive. With your proposal, how will those issues be managed? I can imagine the people driving around in a ute all day will be upset about this proposal.

**Professor HENSHER:** We are talking about rural and regional areas. In the metropolitan areas, it is a different story. They will benefit by having time benefits, which means they can translate that into more productive work: more quotes, hopefully more jobs. In the rural and regional areas, there is no congestion. Your point, as I understand it, is the fact that they are still going around looking for quotes; they win a few, they lose many. If you go to a distance-based charge, how does that translate in terms of a cost to that business relative to the reduction in the registration charge? It comes down to the amount of kilometres they drive.

I fully understand the point you are making. They might be at the high end of the distribution of kilometres. With buy-in, I believe there is no such thing as a utopian solution—there is give and take—and a cap would be put on the amount of kilometres that would be subject to the distance-based charge, bearing in mind knowledge of the kilometre distribution. If they are at the high end, there would be a certain amount of kilometres not subject to that, but they would still get the registration benefit. That is the way I would do it. I am an economist but I am not a purist in that sense. There are a lot of practical issues to think about. If there is buy-in, we have to be sensitive to the fact that certain segments will have different ways they should be treated.

**Mr GREG PIPER:** I return to your statements about making better use of the network and dealing with congestion. In a sense, it is a little bit like the energy issues we have in New South Wales. How do we address energy demand? Perhaps what we are not doing is facilitating the best reduction in energy savings, in energy efficiency. We were talking before about congestion and it was suggested that up to 20 per cent of people who are travelling within those periods might be able to defer or change their travel pattern. As it was alluded to, that would obviously require those people's workplaces and businesses being open to that. Has there been any discussion with any of the businesses in the industry advocacy groups or peak bodies about doing this? They would be an important part of getting that idea out there. It is a bit of a culture change.

**Professor HENSHER:** It is indeed, although it is a yes or no answer. This stuff is hot off the press. Our transport opinion poll was only released through the media last week. The full documents can be downloaded from our website. They show what I have just reported to you. We even looked at it in terms of what happens if there was a distance-based charge as well only in peak times. Some years ago, we did a study in terms of the relationship between the employer and the employee. There is a lot of ambiguity from each party as to what the other party thinks when you make an offer like this. What we found was that employers, generally, are much more willing to consider employees doing compressed work weeks or telecommuting, but many employees are too scared to ask the employer for fear they will say, "Are you trying to avoid going to work?"

We need to get out there again because we have just released this Australia-wide study to show, in fact, that there are people who are sufficiently flexible and their employer would permit it to say that this is an issue we need to think about, rather than criticise it and say, "Sorry, you have no choice you poor guys, you have to travel in peak times. We will only slug you if we introduce this." In my view, that is not valid evidence now. That is why I do not want to put a charge on the off-peak, because I believe we can generate huge benefits by having a small percentage switch out of that and avoid the distance-based charge and get a registration gain.

**Mr GREG PIPER:** The possible figure of 20 per cent was used earlier. Once again another figure that was used was 3 per cent.

**Professor HENSHER:** It was 6 per cent.

**Mr GREG PIPER:** If 6 per cent of those available—

**Professor HENSHER:** There is a translation between people's opinions. When people are asked versus when it is finally done and how they react, there will be a percentage of people who will not take it up. If we have a highly generous percentage, I will scale that back. I was using 6 per cent as an example of what we experience in school holidays because that is a firm number. Most of us say, "Wow, that is great. I wish we had school holidays all year."

**Mr GREG PIPER:** That would alleviate the demand on new infrastructure in the short and medium term. We heard earlier that a lot of the infrastructure is in place, but it is impacted by the fact that there are missing links in the network.

**Professor HENSHER:** Absolutely there are missing links. There is also my pet hobby of allowing cars to park on those roads. If I had my choice, I would have 24-hour clearways because those roads are designed to move vehicles not to park them. I know that has a strong impact on local business, but we have had a PhD student finish her work to show that that has less of an impact. Her work has been very important to show that we have overreacted in respect of the impact on local business, which we protect—in my view, unnecessarily—and it costs a huge amount to society as a consequence of losing a lane.

**CHAIR:** David, quite a lot of the submissions that have been received address registration reform. You have talked about use-related registration reform, but it seems to me that all of them are premised on achieving one condition before we do what is suggested, which is that we need to re-establish the value proposition. That is, if I am going to pay money—more, less or the same—to a motorway network, once I get on there I want to be guaranteed I will get to the other end within a reasonable period of time. There is reduced travel or guaranteed service, if you like, along the motorway. Is that a pre-condition for your arrangement to be successful?

**Professor HENSHER:** The precondition is that once we get buy-in there are demonstrated time benefits on all the road networks subject to reform in pricing. The matter of tolls on existing roads is a very interesting one. I think in the longer term we are going to have to do away with them because of distance-based tolling. What I believe we need to do is to come up with some compensating package based on the forecasts of traffic, which are normally too high but we will give the toll road companies the benefit of the doubt on that one for the time being, but we will actually compensate them in that a proportion of the distance-based charge will be given to them in lieu of dropping the toll.

When you think about it, those tolls are outrageously high and yet people are still willing to pay them. I did a calculation and on the Lane Cove Tunnel it is almost a dollar a kilometre. Here I am talking about 5¢ a kilometre on the whole road network in the metropolitan area which can do the job much better. I believe the time has arrived to rethink the reform in terms of the current tolls but I know legally we have obligations with the toll roads but I would imagine, certainly with my talks with some of them, that if you can compensate them with the amount of money that they anticipate to get through the biacted toll through a distance-based charge refund, they would be interested. But it is true that that could be a constraint in the short term. But it is important to note that at the moment our whole infrastructure including the toll roads are suffering in the peak. The tolls are actually wrong as well.

**Ms TANIA MIHAILUK:** Could you elaborate on that?

**Professor HENSHER:** Economics tells me that if in fact you have severe congestion the price is too low and that you should increase it to try and clear it. In the peak on many of our toll roads you are not getting much of a time benefit and that is actually creating a very negative image in Sydney so we have got to re-evaluate the entire network in terms of an optimal price, but the toll is getting in the way at the moment because it is in place for legal reasons with the consortia.

**Mr GREG PIPER:** Earlier we heard the possibility of having some guaranteed service delivery on these toll roads. Would you agree that if you are paying a toll, or however the charge is being applied, that there should be or could be some guarantee that you can achieve a percentage speed a percentage of the time on these toll roads, so say 60 kilometres an hour would be guaranteed on a road that is set normally at 80 kilometres an hour or 80 kilometres an hour for one set at 100 kilometres an hour? Should there not be a guarantee set for this process so that road users can feel that they are getting service for money?

**Professor HENSHER:** That is very controversial in the sense that if we are talking about the current toll roads under the PPP regime, then I would have hoped that that would have been built into the contracts in

the beginning as an obligation but the trouble is that because we fix the tolls and only adjust them by CPI, there is no way you are going to guarantee that without building, building, building as in the M2, and it will not take long, by the way—two or three years—and we are back to where we are on the M2 because the tolls are such that they are not an incentive with the way they are structured. I guess the point is that even the Government has service obligations in terms of the entire road network under a performance indicator regime and I would like to think it would be much broader and it has to relate to things like improved accessibility as a whole.

I think if we put some of our infrastructure we are investing in to that test, we would not be investing in some of it at the moment, because I think at the end of the day what we are trying to do is get value for money for the taxpayer and I translate that into what I call net social benefit per dollar outlaid. If we do not do that test on any road, no matter what the level of the toll is, then I do not think you can impose a service standard just on the toll roads and say, "You guys must ensure that the travel time savings are X per cent" because I do not think they can do it, and unless you can do it, it is not a reasonable request. It will not achieve anything other than fines, I suspect.

**CHAIR:** If we were to execute a road pricing strategy that actually worked in terms of being able to manage demand but it was not quite there in terms of being able to satisfy the service expectation of someone getting on a motorway, could we sell the message that perhaps at different times of the day at specific locations we would deny someone access to a motorway so that the whole network runs more efficiently due to free flow conditions on the motorway? Could we sell that message? Is there a way to explain that and how do you think the community would react?

**Professor HENSHER:** I would not want a message that says: "You can no longer go on it—sorry, turn left." I would say that we have got our pricing hopelessly wrong on the existing infrastructure and we need to use that as a mechanism but also recognise the equity obligations we have for those who have limited choice compared with full choice. Now of course some people can switch time of day, some can switch route and some can switch into public transport and I think we have to facilitate the options in such a way that they have at least one option. I think one thing we can do to improve the flow is to use intelligent transport systems much more to make sure that people are given warnings and advice—as they do now and they seem to work but they could be a lot better—that "This road is pretty clogged; I suggest you might want to think about using another road." Until you do something about road pricing reform I do not think you will ever solve this issue and we cannot build our way out of it.

**CHAIR:** I agree and I note that several jurisdictions have implemented road ramp metering and after being built they do not switch them on because of the political aspects of it, as I understand it.

**Professor HENSHER:** I would like to add one thing that is quite disturbing and some of my colleagues were a bit surprised when I told them how much of the congestion is due to the volume of traffic and how much is due to an incident, a breakdown or an accident. I would suggest that incidents are equally high in terms of impact as congestion. So the question is: what do we do about that? How do we clear that in time? That is not a volume challenge; it is almost like you cannot even price that unless you want to fine, you know, run down old cars that are not up to standard, which is very difficult.

**Ms TANIA MIHAILUK:** Or trucks going under tunnels when they are oversized?

**Professor HENSHER:** Exactly. I think that is easier because they are oversized and they should know that.

**Ms TANIA MIHAILUK:** They are fined but they probably need a bit more.

**Professor HENSHER:** I do think the fining regime is maybe too generous for major events like that. Think of the lost time savings to the community as a result of that one incident. Road pricing reform will not solve that unfortunately but it is a really serious issue and it may come about by having better use of shoulders on roads as they do in the United Kingdom for ambulances and breakdown vehicles, which we are quite good at in some circumstances but when we build our roads we do not take that into account adequately in areas which we know are high risk in terms of accident or breakdown.

**CHAIR:** Essentially your message to us would be that while intelligence transport systems have their place, they have to be subordinate to policy and road pricing reform; it cannot be the other way around?

**Professor HENSHER:** Yes, that is right. They are an add-on condition.

**CHAIR:** In terms of what you are suggesting I think your submission said that it is going to take time to do this. This is not a stepped change. It is going to have to be gradual, with messages being sold to the community and so forth. What sort of time period are you looking at? When you say time, are we talking a decade?

**Professor HENSHER:** I would love to see a trial like they did in Sweden. Trials where you can genuinely demonstrate savings are the best way to get buy-in rather than simply asking people, "What do you think?" We are hopelessly in error when we give our opinions versus what suddenly hits us. The question is, though, how do we do a trial for a network. It is all right to do one in the central business district as they did in Stockholm and London where you can put a cordon around and say, "Okay, we have a new set of rules and we are going to see how it goes for six months". They put it to a referendum in Stockholm, which was a great example of getting buy-in—

**CHAIR:** You mean after the trial they put it to a referendum?

**Professor HENSHER:** They did, yes, and that was really important because real experience is much better than being told. What really worries me enormously in Sydney is that I do not think the central business district will generate enough benefits to prove the point and it will be an embarrassment if it fails, so it is extremely risky because I think we have to go wider than that. It is a matter of looking for an area where we could actually test some of this where although people pay the toll, like Oregon they would still only pay the normal charges but you would give them the money back so to speak but at least they would get exposed to the time savings. The question is: where in Sydney could we do that that is sufficiently closed that we could monitor it? That is the big challenge and I have not worked that out. One thing that Holland did which was fascinating—it is reverse psychology but our Treasury folks do not like it—is some money was put aside by the Government to offer people an incentive to move out of the peak by giving them some money.

The reason why the Dutch did that was because they cannot legislate price reform without going back to a referendum; they are not allowed to change that under the law so what they did was they said in a part of the Randstad, which is around Amsterdam and so on, "Through monitoring through GPS if we identify over the last three months your peak travel and you are willing to give up some of that and move to the off peak"—so it only applies to people who are currently travelling in the peak a certain amount otherwise it will be misused—"we will give you so much money for every kilometre you move out of the peak". On the pilot there was a significant reduction in peak usage. In other words, this flexibility of switching under the right incentive is definitely there. The only downside is that someone has to come up with a budget to fund that because you are paying money to benefit the system. However, if we believe in social benefit, that seems to be a good return on investment. The trouble with Treasury is that it believes in cost-benefit analysis, but everything has to be hard dollar. It is like a contradiction.

**CHAIR:** What is your view about establishing a tolling regime for the WestConnex and the F3-F2 link outside of road pricing reform now? What are the dangers for the Government?

**Professor HENSHER:** I believe that we need to set a distance-based regime. However, we need to structure the contract very carefully. It will not be a public-private partnership initially. I know that because I am involved as an adviser. It will be a government debt, and some people say that is equity, which it is—100 per cent. We will learn from the past and say, "Okay, as and when the forecast looks reasonable and minimum risk, the private sector will be invited to chip in." At the moment I believe we could at least go to a distance-based charge, but understanding that it could be contracted in such a way that it is part of a long-term road pricing reform and it is consistent with that.

It should be adjusted according to the traffic, not according to inflation. If we could get that into the contract, that would be amazing. That was a fundamental error in all the previous public-private partnership contracts. There was another one: They should have had a dedicated bus lane on every damn toll road, every kilometre, not bits and pieces. We should do that with the WestConnex—please. It is an urban revitalisation project, not a toll road, even though Roads and Maritime Services thinks it is. I honestly believe we need to look at a distance-based charge that is adjusted according to demand, not according to inflation.

**CHAIR:** If someone were to suggest that the WestConnex would provide an opportunity not only to implement a distance-based charging regime but also to trial a time-of-day overlay, would you say that was a reasonable proposition?

**Professor HENSHER:** It is a brilliant idea. I would strongly support that. We should not be charging for congestion at times of day when it does not exist. That is not to say that all of the distance-based charge is congestion related. If we are going to adjust registration it should be linked to the broader cost of owning and operating the roads. If you put that aside, and you are not going to touch registration, you should do a peak-hour charge and have a lower off-peak charge—but substantially lower. The differential on the Sydney Harbour Bridge is not enough to make a difference. I would have a high peak charge and a low off-peak charge. I might even have a shoulder price as well, because the peak is spreading. You need it three times a day, not twice.

**Mr PAUL TOOLE:** You referred to a taxi tariff model. Can you elaborate on that? How would it work?

**Professor HENSHER:** I do not think that was me. I can certainly talk about taxis in a different context. I was involved in the Victorian inquiry about short trips. I do not recall mentioning that. However, I do think we need to have a differential by time of day on trip length as happens in Melbourne as a way to force taxi drivers to do short trips.

**CHAIR:** Are you familiar with the Oregon initiative?

**Professor HENSHER:** Yes.

**CHAIR:** I hear they are doing great work.

**Professor HENSHER:** Absolutely.

**CHAIR:** What stands out in your mind?

**Professor HENSHER:** The Dutch might have jumped them had they not canned the Dutch proposal. The thing I like about the Oregon model is that they have started essentially with a clean sheet, although it is only a pilot. They have said, "Okay, we are going to introduce a distance-based charging scheme, but we are going to remove the fuel excise and other fixed charges." They did a pilot program a few years ago and that proved mainly that the technology works and that there is a good mechanism for collecting. What they did not do, because they used only a few vehicles, was determine how people would behave in response. I think they are just beginning a new process—a much larger one—to roll it out to continue to test that idea. What I like about it is that it is a wholesale switch away from a fixed-charge regime to a variable-charge regime.

The actual optimal charge, based on efficient marginal social cost pricing, is something they will experiment with because they do not yet know which charge per kilometre will make sufficient difference. I think that has to be location specific. However, it is critical that whenever you do that you should not lock it and not by inflation. If you do, you are doomed. It truly is a variable dynamic charge. They will adjust it not by the hour but over a period of time when they observe the backup of traffic. That is really important because what you must not do is create uncertainty in the minds of people about the price every time they travel. They will ask, "What is the price today?" It is bit like the hot lanes in California where they do a review of the price of using them every few weeks so they do not get an imbalance in the amount of traffic.

They have the price so jolly high that pictures of the hot lanes show hardly anyone using them. That is as problematic as over-use. Oregon is the space to watch. I think they are doing the best work at the moment in terms of being active. If we can replicate what Oregon is doing it will be wonderful. There is a critical thing about timelines. It is a dilemma. How long will it take to convince people that this is worth doing? If you have a trial, you speed it up. If you do not, you have a bit of a dilemma because it is the political will that will make it happen. I honestly support a trial if you can find the right location. However, at the moment I do not know where in Sydney we could close up a system and trial it.

**CHAIR:** I am being presumptuous in saying this, but I do so because I think the media has a role to play in the public space in terms of facilitating a dialogue. I am reminded of George Paciullo's inquiry into random breath testing. I am not presumptuous enough to suggest that he and I are on the same level with regard

to talent—he has much more than I have. Random Breath testing was a political hot potato at the time and the community was unconvinced. He held an inquiry and today we look back and wonder how we could not have done it. It strikes me that road pricing reform is similar in that if we do nothing we will look back in a decade and wonder what we were thinking. In terms of selling the message to the community, what should the Government be doing tomorrow to establish a dialogue? What role does the media have to play in this?

**Professor HENSHER:** The media has a huge role to play and it must get the language right and stop misinterpreting people like me, which will be a challenge. You need only one or two areas where you can demonstrate some time benefits by adjusting the mix of prices and registration and having a distance-based regime. We have to continually use those examples to demonstrate the benefits. I would especially like to focus on the trucking sector because there are huge productivity gains in that area. More than 60 per cent of their lost time is due to congestion. That is a huge cost impost on society. If you want a Federal Government to buy in—and it believes productivity is the only way to measure this stuff—it is through that mechanism. Even though commuters will be more productive at work if they do not have to put up with traffic, that is a harder sell. We should be focusing on the sector where the time benefits can be translated into real productivity gains. If we do that we will be on a winner.

**Mr GREG PIPER:** There would be 100,000 trucks stuck in traffic.

**Professor HENSHER:** We do not want that.

**Mr GREG PIPER:** That is what I am saying. That is a huge cost. If they can be kept rolling, that will be a massive tangible saving.

**Professor HENSHER:** Absolutely. Sixty per cent of the variation in the cost per kilometre of people travelling in all different parts of Sydney is due to congestion.

**CHAIR:** One figure that is bandied about all the time is the avoidable cost of traffic congestion, and it is projected that it will be terrible by 2020. It is an indictment.

**Mr GREG PIPER:** There are other hidden costs that probably are not as obvious, such as the fact that vehicles caught in traffic use more fuel.

**Professor HENSHER:** Yes.

**Mr GREG PIPER:** There is also more pollution. You keep referring to the Lane Cove tunnel and the M2. There is slower traffic and less efficient use of engines and it therefore has a greater impact on local residents as well.

**Professor HENSHER:** Absolutely. There is a high correlation and if you can solve one you have solved the other. Some have often said in the past that it may be easier to sell a CO<sub>2</sub> emission charge per kilometre because it is correlated with congestion. It is a matter of picking the one that the community can be more convinced about. However, I have one last plea: If you can persuade the media to stop talking about a congestion tax, I would be very happy.

**CHAIR:** I absolutely concur: no more congestion tax.

**Professor HENSHER:** Thank you very much, you have made my day.

**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 your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Professor HENSHER:** Yes.

**(The witness withdrew)**

**CRAIG JOHN WOOLDRIDGE**, National President, Australian Institute of Traffic Planning and Management, before the Committee via teleconference:

**CHAIR:** I now welcome Mr Craig Wooldridge, representing the Australian Institute of Traffic Planning and Management, speaking to us via telephone. Thank you for appearing before the Committee on Transport and Infrastructure today to give evidence. To set the scene for you, this hearing is being heard in the Waratah Room of Parliament House New South Wales. Committee members and staff are in the room. Hansard is also present and recording proceedings for a transcript. If the Hansard reporter has any difficulty in hearing certain things we may ask you to repeat what you have said so that the transcript is accurate.

After the hearing the transcript will be sent to you for correction. Because you are not providing evidence to the Committee within New South Wales you are not required to take an oath or make an affirmation. Whilst I am sure that you will not make any adverse reflections about others, I request that you focus on issues raised by the terms of reference and avoid naming individuals. 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 WOOLDRIDGE:** Yes, I have.

**CHAIR:** Do you have any questions concerning these procedures?

**Mr WOOLDRIDGE:** No, I am fine with that.

**CHAIR:** Can you tell us in what capacity you are appearing before the Committee today?

**Mr WOOLDRIDGE:** I am the National President of the Australian Institute of Traffic Planning and Management.

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

**Mr WOOLDRIDGE:** Yes, we have, and that is part of our formal evidence.

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

**Mr WOOLDRIDGE:** Yes, I would. Firstly, thanks for the opportunity to make a submission and appear at the hearing as well by phone. Just a bit of a background: The Australian Institute of Traffic Planning and Management, known as AITPM, is a peak professional body for traffic and transport practitioners with around 850 members around Australia. We see road pricing as a significant item on the transport agenda and one that cannot be dismissed purely because it is not politically palatable—and I think New South Wales set the bar quite high by having this hearing. As we have seen with electricity and water models, user-pay models based on the amount of use can be very effective in managing demand, and transport is getting to that stage where demand management is quite critical.

We are mindful that transport pricing will be complex and consumers' information education will be critical. Political cooperation and maturity across the three tiers of government will also be required to manage transport across the entire network to benefit the nation and just to keep the fund equitably. Some States have a form of road pricing and road parking levies in specific areas and also toll roads, and these can continue to be utilised in the short to medium term to manage demand. The rates for these obviously can be moved upwards as required to manage demand in that short-term period.

Broader pricing, such as by distance, by time of day and road travelled, will need a significant amount of planning and across-government agreements will be required as well. Additionally, the implementation of ongoing recurrent costs needs to be carefully assessed to ensure there are positive benefits and ongoing costs are manageable. Overseas schemes—there have been mixed blessings over there. Costs to implement are quite high, but also you have got to manage the recurrent costs as well. So significant improvements will be required to public transport before road pricing is implemented to ensure that the public have viable travel choices, and a fair bit of work does need to be done in Australia for that.

Additionally, the pricing system for public transport should also form part of the review process. The existing system where middle city residents pay the least for travel when they can afford to pay more clearly discriminates against those living in the urban fringe who must travel long distances where employment is not suitable outside the city areas. Ideally, a national approach should be taken to ensure that we have a sustainable long-term approach to managing transport across Australia. In conclusion, New South Wales should be commended for raising road pricing as an issue and the Australian Institute of Traffic Planning and Management would like to continue to be part of that dialogue in future reviews. That is basically a bit of an overview of where we are.

**CHAIR:** Thank you. A lot of the submissions spoke about similar themes. We have a number of specific questions to ask you. I think I know what your response will be to this question: What are your thoughts on the current state of road pricing in New South Wales specifically but Australia generally?

**Mr WOOLDRIDGE:** Overall we do not really price roads. We have some pricing with tolls and the central business district levies, which I think will be fine for the short term, but as we are seeing in cities like Sydney and Melbourne now where there are significant congestion issues it is not really moderating demand to a large degree and it also gets back to the investment in the whole-of-transport requirements as well.

**CHAIR:** When we talk about road pricing generally there are a couple of premises that I think most submissions relied on in painting a vision for the future. The first premise is that there is a requirement that the community has an understanding of the true cost of travel before any road pricing reform can be undertaken successfully. What is your view on that?

**Mr WOOLDRIDGE:** That is correct. I do not think people actually see the cost of their travel at the moment. They pay their fuel levy through the bowser and generally fill up their car and do not think too much about it. It is the same with car registration fees as well; they do not really add up the total cost of travel. The automobile clubs around Australia publish from time to time the average weekly cost of running a car but it is not like your phone bill where you see the bill coming in once a month and think, "Should I moderate my use?" It is the same with even a power or electricity bill; you are not seeing your direct usage because they are sort of indirect costs.

**CHAIR:** So you see it essentially as a utility like the others and the demand management tools that are used for the other utilities could be applied to the road network?

**Mr WOOLDRIDGE:** Definitely. I think at the moment it is quite challenging because only in fairly recent times have we started to see demand management for water and electricity and it would be fair to say that consumers are still coming to grips with that, so that needs a bit of time to evolve, and road pricing would come after that.

**CHAIR:** You talked about the need to act cooperatively on road user pricing at Federal and State levels and I think there was reference to removing existing taxes and levies such as the fuel excise. If you are not able to do that in the short to medium term simply because cooperation between governments is not mature enough, can we introduce a successful road pricing access scheme without Federal cooperation?

**Mr WOOLDRIDGE:** It is still an option but I think it would be more broadly accepted if we could remove all those other taxes and people had purely a user-pay system. I think that is a lot more palatable to people otherwise if they see another charge or tax being put on top of them the public backlash would be quite high and it would not be overly well accepted.

**CHAIR:** In your submission you referred to equitable charging—distance, time of day and location specific charging. That is probably one of the most idealistic arrangements that the submissions highlighted. What sort of technology would we use to make it happen?

**Mr WOOLDRIDGE:** Most countries around the world would go to a GPS system. At the moment most cars do not have GPS within them but as we move forward once we start to get to the cooperative intelligent transport systems all cars at some point in the future will have GPS and that is probably about the time you start to move to road pricing. If you tried to retrofit cars now it would be a horribly expensive process and the costs would be very high and obviously may impede the implementation of road pricing.

**CHAIR:** The technology you are speaking about is currently available. Are you aware of any jurisdiction in the world today that does road access pricing based on those three criteria?

**Mr WOOLDRIDGE:** Probably the most advanced is the Netherlands but they took their pricing scheme back. The global financial crisis put a dent in there and also public support was a bit difficult in the current economic climate as well. There are various forms out there that can be researched. I do not have all of them with me at the moment but there are countries doing different forms of collection. London has a cordon count and other countries are trying different systems.

**Mr PAUL TOOLE:** Part of your submission indicated that local government would be involved in possibly monitoring and reporting back on the roads and that would give them the opportunity to gain contracts for maintenance for particular sections of road. How would you go about selling this? Do you think local government would be hesitant to take that on because they could see it as a cost-shifting proposal?

**Mr WOOLDRIDGE:** They could. That is why local government has to be part of the review process, so it cannot just be seen as a State Government initiative. If we have local government, State Government and Federal Government working together—probably the two most important at the moment would be local government and State Government—on a cooperative model they would develop the system together and it should have a much better outcome than if local government is a fringe player on the side. It has to play an active part and be an equal partner in the process.

**Mr PAUL TOOLE:** It is really just a dialogue that you are suggesting at this point in time to take them on the journey if we went down that path?

**Mr WOOLDRIDGE:** Definitely. In my experience, where you try to work together from day one you get a far better outcome. Local government is keen to work with the State Government.

**Mr PAUL TOOLE:** In relation to introducing road access pricing you also spoke about increasing the price of public transport at the same time. Obviously, politically that is not always the most popular choice to be making. Do you have any thoughts on that?

**Mr WOOLDRIDGE:** I am not suggesting we increase the price of public transport for people in the outer zones but certainly the ones in the inner zones who pay a fairly small amount towards the system. Generally if you did increase the price for inner areas those people would continue to use public transport and can certainly afford to pay more, in most cases, and that would be fed back into the public transport system to provide a better service.

**Ms TANIA MIHAILUK:** Are you referring to location?

**Mr WOOLDRIDGE:** Yes.

**Ms TANIA MIHAILUK:** I think you are the first witness today who has introduced that model. A number of witnesses have referred to the distance model but you are the first to discuss location specifically. Could you elaborate on that?

**Mr WOOLDRIDGE:** In terms of public transport?

**Ms TANIA MIHAILUK:** No, in terms of road access pricing.

**Mr WOOLDRIDGE:** Generally with road access pricing you would be paying by distance, time of day and type of road travelled. Again, we have to be fairly careful with those people on the urban fringe area. Some countries do have subsidies for those people so that you have an equitable system. Generally where you start from is that the average person would be paying the same amount of tax with road pricing as they would with all the other levies in place and as you move forward you can change the pricing mechanism on certain roads to manage the traffic flows as congestion builds. That seems to be quite an equitable system. Obviously the public needs to be brought along for that but we need to bear in mind that Melbourne and Sydney in particular are very large cities now and we cannot just build our way out of the problem. Building roads will still be part of the equation but managing how we regulate that demand will be critical as we go forward.

**CHAIR:** You are saying that road pricing is a demand management tool. Other than road access pricing what tools are you aware of or familiar with that we could use to effect the same outcome?

**Mr WOOLDRIDGE:** That is probably the most effective one because you are covering the whole network. Roads already in place such as toll roads can have secondary dis-benefits of moving traffic onto roads that you do not really want traffic to travel on, particularly when we are in hard economic times where people value their money more than time. There are also cordon areas in London where if you travel through a core of the central business district you can be charged a higher fee. That has reduced traffic by about 30 per cent in their central business district area. The Singapore model again has fairly high pricing by time of day so if you travel in a peak period you pay a higher price. That has dropped demand in the key central business district by about 30 per cent as well. So there are demonstrated models out there that do work but we need to make sure they are applicable to Australia as well. London is a city of 13 million people and the ratepayer base funds all those facilities. Implementation and recurrent are far higher than any Australian city. Sydney has about four million people so there is quite a different ratepayer base.

**CHAIR:** Would you agree that motorways are most efficient when they are kept in a state of free flow?

**Mr WOOLDRIDGE:** That is correct, yes.

**CHAIR:** To do that you sometimes need to inhibit access to the motorway to ensure that the volumes do not get to the point where the free flow breaks down. Do you agree with that?

**Mr WOOLDRIDGE:** That is correct.

**CHAIR:** Based on that premise, what do you think the community view would be if we were to say that at certain times at certain locations, to maintain the overall efficiency of the motorway and the road network, we would need to deny people access to the motorway? What is your view in terms of selling the message and having the technology to implement that?

**Mr WOOLDRIDGE:** I think denying it full stop would be problematic and that would have significant impacts on the rest of the network. The preferred solution is the managed freeways concept, where you are basically regulating the amount of cars coming onto the freeway, which then does not impede the flow on the freeway as much it would otherwise with the free flowing effects. Melbourne certainly had some great results with that, as did other cities around the world. New Zealand has also gone down that path. Certainly I think most Australian capital cities are looking at that at the moment. That is certainly a starting point to regulate the flow, but again you have to be fairly careful about how that impacts on your local street network as well. I think denying access will have significant problems, particularly where your on and off ramps are significant distances apart. If the on and off ramps are fairly close together there is probably some options to rationalise those ramps maybe permanently as well. The overall access to the freeway network needs to be reviewed in total.

**CHAIR:** Do you know of any place in Australia where ramp metering is implemented?

**Mr WOOLDRIDGE:** Melbourne is probably the leader at this stage. In Western Australia we are using some of their knowledge in that area at the moment.

**CHAIR:** Is the Melbourne ramp meter actually turned on? I know it has been installed but I had information at a previous session that while it has been put in and is ready to go it has not yet been switched on.

**Mr WOOLDRIDGE:** There are areas that are switched on. Certainly it has been quite effective. There have been some good lessons learnt there as well. The more we implement that technology the more we learn from that as well.

**CHAIR:** Would you be able to provide the locations of those sites where ramp metering is being implemented?

**Mr WOOLDRIDGE:** Okay, we can do that.

**CHAIR:** You made some specific references to public transport. I am a great advocate of public transport. What can we do in the road pricing space to encourage mode shift from private commuter to public transport?

**Mr WOOLDRIDGE:** I think as we discussed earlier, if people can actually see the total cost of their travel on a monthly basis they will be able to work out what that cost is compared to public transport. At the moment they are not seeing those indirect prices. All they are probably seeing is their parking cost. Some would see their petrol cost but not everyone. They are not seeing the total cost of their travel. We are not saying public transport is for everyone. Obviously some people need their car for service type industries, but some people can also go onto public transport. It needs to be a whole-of-transport approach but people need to see the cost of all of their options and weigh up what is best for them. That may change for the whole of their life as well. If they have got kids going to school, et cetera, it might be quite different to when their kids have left home or if they do not have kids.

**CHAIR:** You are advocating that the flow-on effect of road access pricing reform will essentially be to reform public transport pricing?

**Mr WOOLDRIDGE:** Certainly. I think part of that is the education that goes with that as well so that people actually makes those assessments. If you look at the electricity industry where they have basically been trying to drive more efficient prices in the household, that has worked very well. So if you can take a similar approach to the transport system I think we will be in a good place.

**CHAIR:** Your submission, like others, spoke about staged implementation. In terms of the Sydney experience, when you talk about staged implementation what do you see as the necessary series of steps to get to the ideal end state where everyone is paying fair and equitable pricing for road access?

**Mr WOOLDRIDGE:** For the time being you have got your parking levy in a number of the CBD areas in Sydney. You have also got toll roads. It is a given that they are going to continue for the time being. Relatively, road pricing would probably take the best part of probably five to 10 years to do the planning work and make sure the technology is available and is affordable as well. I think we need to manage that interim step. Whether Sydney needs to go for more toll roads to manage that over the short term needs to be explored, but we need to be very careful and make sure we model each of the options available and see what the impacts are. If we just go down and say that we are going to toll another road, we may not understand the full consequences of that treatment. Whatever we do we need to explore in detail. It is also not just a matter of building one model; we need validation models that crosscheck those assumptions. As we have seen on the east coast of Australia in recent years, some of the modelling predictions have not been all that flash with the private models out there. We do need to do some work there.

**CHAIR:** I think in Sydney we have four or five motorway operators at the moment, not counting government. Do you think that harmonisation of the tolled motorways in Sydney would be a prerequisite for any road pricing reform?

**Mr WOOLDRIDGE:** I think you can probably work with those operators, but I suppose fundamentally they will still need to have the same rate of return for their investment over the course of their contract. As long as they are still getting their rates of return and you have still got the performance indicators out there, I think you can work with that one. It would obviously take a fair bit of time to go through that and make sure that contractually you have got your variations in place and all parties are comfortable. But we have to realise that we have got operators out there that are out there for quite a number of years to come. We need to be mindful that they have made an investment, they expect a return on that investment and government needs to work with them.

**CHAIR:** What thoughts can you share with us about the applicability of road access pricing to non-metropolitan and non-urban areas of New South Wales?

**Mr WOOLDRIDGE:** That is really the more challenging part. The pricing mechanisms for the fringe urban areas plus also the regional areas need to be quite different to the urban model. In the urban model we are trying to manage congestion and get people to understand the total cost of travel, whereas really in the outer areas and the regional areas it is about connectivity and access to their local areas and so that would need to be a lower base. But as part of the review process you would need to explore what models are already out there in

other countries and make sure that we have something that is applicable to those people in country areas to make sure we have a fair system for everyone.

**CHAIR:** Thanks very much for your time today via telephone. 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. Would you be happy to provide a written reply to any further questions?

**Mr WOOLDRIDGE:** Yes, that will be fine.

**CHAIR:** Thank you. Have a good day.

**(The witness withdrew)**

**(Luncheon adjournment)**

**JODIE BROADBENT**, Manager, Australian Trucking Association (NSW) sworn and examined:

**SARAH HARBER**, Economic Policy Advisor, Australian Trucking Association (NSW), affirmed and examined:

**CHAIR:** I welcome Ms Jodie Broadbent and Ms Sarah Harber, representing the Australian Trucking Association (NSW), to this inquiry of the Committee on Transport and Infrastructure into road access pricing. Can you 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?

**Ms BROADBENT:** Yes, I have.

**Ms HARBER:** Yes, I have.

**CHAIR:** Do you have any questions concerning those procedures?

**Ms BROADBENT:** No.

**Ms HARBER:** No.

**CHAIR:** Have you provided the Committee with a submission?

**Ms BROADBENT:** Yes, we have.

**CHAIR:** Do you want the submission to form part of the formal evidence?

**Ms BROADBENT:** Yes.

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

**Ms BROADBENT:** Yes. Thank you for inviting me to speak today on behalf of members of the Australian Trucking Association (NSW). The Australian Trucking Association (NSW) is the peak industry body representing truck operators in New South Wales. Its members include some of the nation's largest transport companies and businesses with leading expertise in truck technology. As a member of the national Australian Trucking Association, the Australian Trucking Association (NSW) also provides a strong voice for its members on federal issues. While this inquiry is set to examine the intricacies of road pricing in New South Wales, the current national review of the Heavy Vehicle Charging and Investment Reform [HVCI] has noted that the largest benefits to the community are produced from improvements in the supply side functions—that is, how roads are provided and maintained.

Road pricing reforms generally will have limited benefits if improvements in road agency functions are not delivered. This inquiry is not about pricing road freight so that it becomes more attractive for rail. We have always seen road and rail freight as complementary, using the most efficient means possible, rather than penalising one to benefit the other. Only 10 per cent to 15 per cent is contestable between road and rail, and penalising heavy vehicles to try and encourage freight onto rail is a deadweight loss due to excessive costs which then become inflationary. Each method of freight transport has its merits and we would happily debate this in another forum.

The heavy vehicle industry currently pays heavy vehicle charges based on a complex charging system that disperses expenditure to be recovered over the national trucking fleet according to a heavy vehicle combination's impact on infrastructure. Given that the current charging system for heavy vehicles already captures this impact on infrastructure according to the type of combination such as a B-triple, any charges additionally imposed on heavy vehicles would therefore overcharge the industry considerably. New South Wales appears to misunderstand the benefits of allowing high productivity freight vehicles, which other States have embraced.

When examining congestion charging, heavy vehicles should not be included in those charges as it is widely known that heavy vehicles do not cause congestion and are therefore financially penalised by this

charging regime. Considering "choice pricing" for heavy vehicle operators, where the charge is based on time of day travel, penalises businesses that are required to achieve specific delivery times. The delivery timeslots most drivers are required to achieve are dictated by curfews that limit night movements and depot operating hours, which means deliveries need to occur between usual depot operating hours of 7.00 a.m. to 12.00 p.m. Any such consideration to this form of charging needs to exclude heavy vehicles from its cost base. In order for productivity to increase, institutional performance of road agencies must improve. I now table the PricewaterhouseCoopers [PwC] report titled "A future strategy for road supply and charging in Australia".

#### **Document tabled.**

This independent report, which was provided to the national Australian Trucking Association, highlights the following issues: a strong need for road agency reform; current constraints on industry, including first and last mile access issues; restriction on the use of high productivity vehicles; poor investment decisions by agencies; and no external review of local government road access decisions. The result of these constraints means that while the freight task is set to double by 2030, instead of high productivity freight vehicles being used to transport road freight, we will see more trucks on our roads, leading to greater exposure for other road users, higher emissions and more road wear.

If our industry were not concerned about road safety and the environment, we would be quite pleased with this outcome of more heavy vehicles on our roads; however, the Australian Trucking Association (NSW) and its members care deeply about improving road safety in Australia, meaning we also support the adoption and use of high productivity freight vehicles, which are more modern and provide advanced safety outcomes. High productivity freight vehicles must be encouraged as the new generation of workhorse vehicles for the road freight industry. The PWC report provides a number of short-, medium- and long-term recommendations for heavy vehicle charging reform and supply-side reform. We urge the Committee to take these recommendations into account when considering future development of road access pricing for New South Wales.

The report will also provide guidance to the Committee regarding reform of Roads and Maritime Services and Transport for NSW to ensure they provide transparent accountability to the community and better outcomes in asset investment decisions. Some of the short-term PWC recommendations include identifying a three-tier freight network, which would target investment reporting and funding on the basis of the level of service provided. Tier 1 would focus on primary land freight corridors. Tier 2 would identify significant last-mile, higher mass limit connections and tier 3 would cover the remaining road freight network. In its report the PWC also recommends that State and local government road owners should report investment and maintenance on each tier of the road freight network.

Comparing these costs to established benchmarks and to the associated level of access with the investment would improve the accountability of road agency spending. Additionally, PWC recommends that funding for roads should be allocated through a transparent formula that reflects the heavy vehicle share of road costs, heavy vehicle use and access upgrades required for T1 and T2 roads. There is also an appetite to increase the data accuracy of inputs and audit road agency expenditure inputs, which are presently unaudited figures provided by road agencies.

The Australian Trucking Association (NSW) supports these short-term recommendations and believes that more radical changes like the introduction of mass distance location pricing should only be considered when the short-term recommendations are delivered and working. Our members have consistently advised the heavy vehicle charging and investment reform team that mass distance location charging would not be accepted due to the high setup and maintenance costs that would be levied on our industry, and a lack of trust in the technology and resource availability. Indeed, current technology is unable to measure dynamic mass in this area.

Local governments obtain their road funding through grants provided by State governments. Heavy vehicle users pay high registration fees to State governments, and this money should be allocated towards road infrastructure capital and maintenance works. It is unfair to assume that local government communities pay their rates to have heavy vehicles on their roads. This is simply untrue: 75 per cent of local rural roads and 50 per cent of local arterial roads are excluded from the heavy vehicle cost base, meaning that many roads are provided as community service obligations by the Government. This comes into consideration for road access pricing as it is prohibitive to charge users the true cost of rural roads. Effectively, this would mean applying a toll of, say, \$100 to access a section of rural road. Imagine the uproar.

How the heavy vehicle industry is presently charged provides an insight for the Committee on issues to do with charging and dealing with road agencies and supply-side reform. We recommend the Committee avail itself of the heavy vehicle charging and investment reform process, both to add their findings from this hearing and to learn more about what is happening at a national level. Implementing a new charging system that impacts heavy vehicles may overlap, or indeed duplicate, the work currently being undertaken in this area. I now invite questions to be addressed to me and my colleague, Sarah Harber.

**CHAIR:** So we can create a framework for our questions, can you briefly advise the Committee where the national reform is at right now with mass distance location charging for road pricing as it affects the freight industry at a national level?

**Ms BROADBENT:** The heavy vehicle charging and investment reform body has developed three options that it will develop into a Regulatory Impact Statement. That is due to be presented towards the end of the year. They have not extended that, have they?

**Ms HARBER:** No, it is the end of the year.

**CHAIR:** I imagine there has been a significant or substantial consultation period with the industry and the peak industry body groups in doing this?

**Ms BROADBENT:** That is correct.

**CHAIR:** So they are the three options they are determining right now. As far as time frame, can you give the Committee an idea as to what you see happening given where we are today?

**Ms HARBER:** It is a huge task the heavy vehicle charging and investment team is undertaking. It is not just road pricing, it is supply-side reform as well. The Regulatory Impact Statement is due to be out by the end of this year but the heavy vehicle charging and investment team is not confident it will be. It is predicting by 2015 the Regulatory Impact Statement will be out. That is because they need more consultation with industry, and, because the issues are so large, they need the consultants to have proper time to examine it.

**CHAIR:** Is it proposed that it be trialled in some way or will there be consensus across the board that it is going to be one hit across the nation as opposed to perhaps trialling within a State or across multiple States?

**Ms HARBER:** That is how they are looking at the moment but the PWC report, which they were presented with a couple months ago, is suggesting a transition phase—not just a big bang approach, more transition, which is what PWC recommends. They are now rethinking are they going to implement the options?

**Ms BROADBENT:** The three options that are being presented, one includes a fuel charging mechanism. Heavy vehicles tend to use more fuel if they are heavier and longer and if they are travelling a further distance than one that is lighter, travelling a short distance and not as heavy. That is the option our industry would prefer. We are aware we have been able to graph as to where it is affected onto roads. It follows that very well. We have a graph—is it in this document?

**Ms HARBER:** It is in the submission.

**Ms BROADBENT:** In our submission we have a graph that shows fuel use against road wear and they track very nicely together.

**CHAIR:** One of the issues that comes to my mind having heard that is that if you have private tollway operators and you have motorways in urban areas and you have freight using those, if you go onto that model how would you get the money back to the toll operators for the use of that motorway for the movement of freight?

**Ms BROADBENT:** I think it would be expected that our industry would pay the tolls anyway, because we already do. We already are paying tolls and paying for our use of the road network through registration and fuel excise.

**CHAIR:** In your submission you recommend that community service obligations will be necessary to support rural and regional communities. Can you expand on what this may involve?

**Ms HARBER:** It is quite a huge issue with HVCI—they have not really examined community service obligations, but even with a new pricing regime you cannot ignore that community service obligations will still exist. We just need the Committee to be aware of that and maybe even consider how in New South Wales they would be implementing that and fitting it in with any new pricing regime. We do not have the answers on that, I am afraid.

**CHAIR:** It is good because, to be honest—and this is for the benefit of Committee members as well—I was led to believe that reform in the heavy vehicle area in terms of road pricing was far more advanced than what you are telling me.

**Ms BROADBENT:** I think they would like it to be.

**Ms HARBER:** They would like it to be.

**CHAIR:** I think everyone is talking positively about it but they are overstating the progress which has been made to date. To be honest, I was not thinking of focussing on the freight component because I thought they were so well advanced that we would be duplicating work. But from some of the recent stuff I have seen, that may not necessarily be the case. We may need to consider the freight question as part of the road pricing framework that we develop for other areas as well. You recommend that legitimate reasons be provided to demonstrate the need for new types of charging over the current system. In your view is the current system adequate? Can it just be fiddled at the edges? Are you talking about a fundamental rethink?

**Ms HARBER:** I think the supply side reform needs to come first. There are a lot of things that road agencies can do to improve their performance and they have been identified in the PWC report, Infrastructure Australia reports to COAG and our own anecdotal responses from members about their experience with road agencies. There is a lot of stuff that can be done on the supply side before any change to charges should even be considered and I think more benefit will be done that way and that is what Infrastructure Australia and the PWC report find.

**CHAIR:** If you exclude freight for a moment and just look at road pricing as a general thing that affects commuters, trades people and road-based public transport, there is a question of the public's perception of the liability created in terms of maintenance of roads, congestion management and the like, and there is a lot of communication that has to happen to get people thinking about road access pricing just for them as an individual who drives a motor car. What sort of perception is there today about the trucking industry in terms of road pricing and the problems that they create? Do you have as big of a sell to the community as the non-freight industry has in convincing people that road access pricing is a worthwhile reform?

**Ms BROADBENT:** I think we have a harder sell to the community purely on the fact that we have trucks. The community has a very negative perception of the heavy vehicle industry and our whole sector based on a few cowboys who do the wrong thing. So obviously if they see a truck next to them they think they should be paying more, which in fact we do. For example, to register a B-double combination, which is a prime mover, a shorter semitrailer and then a standard size semitrailer, you are looking at about \$14,500. So I cannot imagine your local car person agreeing that that would be unreasonable. Based on the model that is currently used, that well and truly recovers the wear that is impacted by heavy vehicles. We also pay a road excise as well. Only a small amount of that is able to be claimed as a rebate. Other industries that have access to claiming that rebate are able to claim the full amount. We are not; we only get about 12.5¢ a litre back. So it is quite a small amount in consideration.

**Mr GREG PIPER:** Just on that \$14,500 to register a B-double, can you tell me how that was ever derived? Where did that figure come from? It seems to be some attempt to hypothecate some of the charges back to roads or a portion of the depreciation and the impact on the assets back to the industry.

**Ms BROADBENT:** Ms Harber and I both have access to the model that the National Transport Commission uses to determine those numbers. I will let her explain some of the very detailed figures that go into that, but something that David Simon, our national chairman, identified at the National Press Club recently was that some of those inputs included costs for bicycle paths, which is not something that heavy vehicles use. We are only supposed to be paying for our impact on roads. We do not use bicycle paths. I will let Ms Harber explain the actual inputs that go into it.

**Ms HARBER:** The registration charge, which is reflected in the fuel charge as well, so what a heavy vehicle pays as a registration charge will be allocated to the fuel charge as well. As with a combination, the NTC will expect to get a certain amount. So for a B-double they get about \$30,000 a year and that is including the fuel. The inputs that go into calculating what the registration charge and the fuel excise should be depends on ESA, which is the impact of a heavy vehicle, PCU, which is the length of the vehicle.

**Ms BROADBENT:** That works out how many cars.

**Ms HARBER:** The VKT, which is how much a combination travels on the road, so how much of the freight task it takes, so it is quite complex. It is a huge model but it is complex. If we can make the inputs to that more accurate it will increase the accuracy of how much the charges should be for each combination and how much the fuel excise should be each year as well. So getting those data inputs improved is a huge improvement.

**CHAIR:** In your submission you state that the Committee should examine how to moderate between actual costs and equitable but fair charges for road users. I think the implication there is that if we were to work out the actual costs on the road network by, say, a truck, that may be excessive, that you are bringing in this component called "equitable but fair" as opposed to "actual". Am I reading that correctly?

**Ms HARBER:** It is to do with the different marginal costs of repairing a different type of road. You have freeway roads which have low marginal costs to repair and maintain, and then you have local roads which have higher marginal costs to maintain. If you charged a truck the actual impact it would have on a local road it would be higher than if it was on a freeway. So if you are wanting to charge people for access to local roads, for the actual, it would be huge. It could be prohibitive, and that is before taking into account that quite a few roads are taking out the heavy vehicle cost base because they are community service obligation roads.

**CHAIR:** What I am hearing is that you want accuracy in determining what the actual impacts are and that must be reflected in the road user charge. Is that what I am hearing?

**Ms HARBER:** Yes, but you have to consider the communities in local areas and regional areas and remote areas. If you are going to charge people 50 times more to transport freight from a local area than from an urban area, what is the impact that will have on the community in that area? It is about the community effects.

**CHAIR:** You state in your submission that the impact of light vehicles on road wear is currently being examined as well. Can you outline who is undertaking this and what it involves?

**Ms HARBER:** That is the National Transport Commission and I will state firstly that it would not affect how much light vehicles will pay. That will remain the same but it is just how much heavy vehicles share is of that impact. They are undertaking that now and there is another review which is of the short-term model which industry uses now which is called the pay-go model and they are reviewing that but it is a possibility and that is to do with the ESAs again, which is the impact of trucks, heavy vehicles and even motorbikes.

**CHAIR:** How much freight is shipped by rail as opposed to road?

**Ms BROADBENT:** The draft New South Wales freight and ports strategy said that out of 80 million tonnes of freight, 92 per cent of that was moved by road. I am assuming the balance would be rail and by ship. I am not sure what the break-up would be there.

**Mr GREG PIPER:** If you had 81 million tonnes transported?

**Ms BROADBENT:** Yes, that is total freight. So 92 per cent of that is moved by road. That was quoted in the draft NSW freight and ports strategy.

**CHAIR:** Do you see road pricing reform as addressing inequity in the cost of moving freight by road versus rail?

**Ms BROADBENT:** As we said earlier, only 10 per cent to 15 per cent is actually contestable between the two. We see both as complementary modes of transport. Some freight needs to be moved a lot quicker than what rail can provide. Food products, for example, are generally not shipped by rail unless they are in refrigerated containers. There are also issues with congestion on the rail networks as well that lead people to

think that road is a more efficient way of moving freight. Again, I think that is probably a debate we could have in another area.

**CHAIR:** Some of the submissions state that the impact of freight movements on the road could be lessened through rescheduling movements, for example. Is the window for doing that exaggerated or not?

**Ms BROADBENT:** Yes.

**CHAIR:** What is your view on this? Can it be done? Let me give you an example. During the Olympic Games people had a close look at how the city is serviced as an example. I know that it is not a freight terminal but it is a city and there are significant freight movements in and out of the city. They were able to accommodate some shift in drop-off, pick-up times and stuff like that. Was that highly unique and special, or could the same sort of things be accommodated in any future arrangement in terms of how we manage freight movements on the road network?

**Ms BROADBENT:** I think in relation to the Olympic Games a specific Act was enacted to accommodate some of those changes. At the moment we still have issues with local residents complaining about the noise of trucks to the point where even garbage trucks now cannot go and get their rubbish until everybody is awake, which I find quite amusing because I know my children are far noisier than a truck and they wake up at all hours of the night. I think people get a little bit aggravated by trucks just going about and trying to do their job when it would actually be quite beneficial to be able to do that.

The other issue we have in trying to move curfews and time schedules is that depots often are not open at 2 o'clock in the morning. That would require a whole shift of people going to work at different times of the day and night to be able to accommodate the movement of freight at those hours. That would basically be adjusting some of the peak times. So you might have a peak at 5 o'clock in the morning and then you have another peak at half past seven and then you have another one at half past nine. It may become very difficult to do that, just saying, "Well, you can deliver freight at this particular time." You still need to be able to ensure that David Jones or the coffee shop can accept those deliveries at those particular times.

**CHAIR:** Yes. Is anyone seeing whether opportunities exist as opposed to these just being ideas?

**Ms BROADBENT:** That would be a question for the department. I am not sure about that at the moment.

**Mr PAUL TOOLE:** I would like to know a little more about the PayGo system. How does that actually work? Can you give me a little information on that?

**Ms HARBUR:** Yes, sure. It is a seven-year recovery system. Each year, heavy vehicle expenditure is fed in from each State and goes into the PayGo model. That is a total cost base to be recovered. I think this year it is going to be \$2.7 billion or \$3.7 billion to be recovered. That is allocated over the heavy vehicle industry through various parameters. As we have stated in the submission, the data that goes into that is not accurate and needs improving. Currently, the NTC is looking at improving the data that is going into that and is working with industry to improve that as well and to get States to improve their audit processes.

**Mr PAUL TOOLE:** In your opinion, would it be a system for light vehicles as well?

**Ms HARBUR:** Definitely. I think Australia has one of the most advanced heavy vehicle charges systems in the world for getting impact right. It is allocated from VKT, ESA impacts and PCU, which is how much space it takes up. They are quite precise impacts that are being measured here and if it was to be implemented on light vehicles I think it would be a system that could be easily used. But it is a backward-looking system now. If you were looking at a forward investment system that HVCI is looking at, you would not be able to really use PayGo because it is an historic expenditure recovery system.

**Mr PAUL TOOLE:** Obviously, the industry would be keen to have a national road pricing system being set up rather than an individual State system?

**Ms HARBUR:** Definitely.

**Mr PAUL TOOLE:** Especially in your industry?

**Ms BROADBENT:** Absolutely. There has been evidence previously when the price for the A-trailer on B-doubles, which is the shorter trailer, was becoming cost prohibitive to actually register, and people were moving away from that. They would go back to just having semitrailers, which means more trucks on our road. Then one State started to say, "Well, we'll charge a lesser price because we don't agree with the NTC model." So everybody started having depots in that particular State and then States like New South Wales lose out on registration funding because everybody has moved their trucks to a different State.

**Mr PAUL TOOLE:** Is that Victoria?

**Ms BROADBENT:** No, I cannot say. You will have to guess.

**CHAIR:** If we leave it to the Feds to do anything in this space, it will take an awful long time. One idea we are playing with is that perhaps a State should take the lead in road pricing reform. But that actually works against the interests of, say, the freight industry because you actually want national coordination and policy to be applied.

**Ms BROADBENT:** Yes.

**CHAIR:** I am asking a question to which I think I know the answer. Having New South Wales going forward with some State-based road pricing reforms is not going to work for you, is it?

**Ms BROADBENT:** Exactly. We would recommend that perhaps New South Wales work closely with the HVCI and become the first State to implement some of the recommendations that our PWC report puts forward. Or go it alone, do your own thing, but exclude heavy vehicles from that charging. Keep it as you currently have so that it does not interfere with what is currently being done and look at how you charge light vehicles instead.

**CHAIR:** If we implemented a State-level scheme, pending the Feds getting their act together and doing something, as long as it did not cost the trucking operators any more, we could almost make it an off-limits area for the time being?

**Ms BROADBENT:** Yes.

**CHAIR:** As long as the new pricing mechanism does not disadvantage the freight industry, you would be happy to go along with it simply as an implementation for the rest of the road users and then at some point the national reform process can be implemented. We just need to ensure that whatever framework we create will actually work in some way?

**Ms BROADBENT:** I think so. That would be fair.

**Ms HARBER:** Yes. But having the partial market is the issue. It is really hard with light and heavy vehicles because they are charged so differently. It is private and commercial use as well on the same roads.

**CHAIR:** I was hoping you had all this worked out before we got to the topic of heavy vehicles.

**Ms HARBER:** We tried to provide some of the answers with the PWC reports.

**CHAIR:** You spoke about first and last mile issues?

**Ms BROADBENT:** Yes.

**CHAIR:** Can you elaborate on those?

**Ms BROADBENT:** The first and last mile access is actually a phrase that grates on our industry. We can seek access from a State Government to its roads for higher productivity vehicles, which usually is granted, provided the infrastructure can cope with the combination. However, we will get to a local government stage and they either do not have the resources in the engineering sector to understand the vehicle being put forward or they have a significant fear about how their community will react, not understanding that a higher productivity vehicle can remove a lot of trucks off the road. I have some figures here I can quote for you in a

moment. They do not understand so they just say no. They may say no because their cousin's sister said, "I don't like trucks" but that decision is not able to be challenged externally. The only way it can be reviewed is internally by the local government and they rely on the people who made the decision to give them the advice and say, "No, we don't like big trucks because, you know, they're big" or "They're just big." It makes it very difficult.

**CHAIR:** They are noisy.

**Mr GREG PIPER:** And they rip up their roads.

**Ms BROADBENT:** Exactly, and they do not understand.

**Mr GREG PIPER:** They cannot turn; they break our culverts and our drainage systems.

**Ms BROADBENT:** Yes, exactly.

**Mr GREG PIPER:** All these things that promulgate it.

**Ms BROADBENT:** As I said before, the draft New South Wales Freight and Port Strategy stated that out of 81 million tonnes of freight, 92 per cent is moved entirely by road. That is about 74.5 million tonnes. If we were to use a semitrailer to move that freight—you all know what a semitrailer is—it would take about three million trips. If we were to use the B-double, which is the shorter trailer with the longer trailer behind, it would take 1.9 million trips. So just by using a higher productivity vehicle we have saved over one million trucks on our road, and that would include a saving of around 1.7 billion litres in fuel.

**CHAIR:** Wow.

**Ms BROADBENT:** Yes, is it a big amount. We try to tell that to local councils and they do not quite understand.

**CHAIR:** They do not get it.

**Ms BROADBENT:** They tend to base their decisions on fear, which is a real shame.

**Mr GREG PIPER:** My next question is not really relevant to this inquiry, but there have been discussions about B-triples. Where are we moving with them in New South Wales?

**Ms BROADBENT:** I think SCOTI made a decision on Friday.

**Ms HARBER:** In the HVCI reform there was discussion of a B-triple trial happening possibly in 2014-15. I think New South Wales would be working with Victoria to do that, but that was pushed back, obviously. It was supposed to be trialled this year and it was pushed back and it has been pushed back again. We are hoping it will be in 2014-15, but there is no concrete trial starting.

**Mr GREG PIPER:** Obviously, this document is fairly high powered; the PWC is a very credible organisation?

**Ms BROADBENT:** Yes.

**Mr GREG PIPER:** How is this going to be used? What is the forum for this?

**CHAIR:** It is for us?

**Ms BROADBENT:** Yes. We did it especially for you. It is to try to educate governments and bureaucracies about how investment reform for road charging can be improved and to look at things outside of the box. I think before the report was done there was quite a fixated view that mass distance location charging would be the answer and that document clearly shows that it is probably not. There are other things that need to be done as well to address some of the issues.

**Mr GREG PIPER:** I am sure it is a great advocacy document. Clearly, its genesis was way before this inquiry was envisaged. I was wondering whether or not there was some other forum that this might have been part of.

**Ms BROADBENT:** The document was created independently. It was done on behalf of the Australian Trucking Association [ATA]. We had some input but they came independently to their conclusions. It was a difficult task.

**Mr GREG PIPER:** I understand what you are saying. I understood it might have been a particular program.

**Ms HARBER:** It was for the Heavy Vehicle Charging and Investment Reform project [HVCI] as well because there was a steamroller effect, that they wanted Mass Distance Location charging [MDL]. It was created for that and to lead the ATA as to where future policy should go. It has fed into the report.

**Mr GREG PIPER:** This should get some readership in the New South Wales arena, in Government, outside of us. It might have some bearing on what we are looking at and we will find it of interest.

**CHAIR:** It is an area the Committee is looking at but has not spent a lot of time on. The submissions have not talked about the freight issue. One of the things you said earlier was surprising. You said that the technology is not quite there yet for some of the things that have been proposed. I was led to believe—and I note the person who led me to believe this will appear at a future hearing date and I will have a question for him—but I thought technology at the moment, in terms of mass distance location charging, had evolved to the point where technology is no longer a question; it is all about policy. Could you elaborate on that because you had some reservations earlier.

**Ms BROADBENT:** The technology can capture the location and the distance but dynamic mass is difficult to capture. As a vehicle moves, it bounces up and down so that any pressure that is put on the load cells that determine the mass, adjust all the time. You know yourself that if you go over a bumpy road in your car that things move around and the car feels lighter in the steering. Those things happen in dynamic mass, so it is not an easy thing to capture.

**Mr GREG PIPER:** Is this picture referencing the question that Charles is talking about now? It is a diagram on page 31. I have not read the text of it. It is a diagram of vehicle telematics, storing and seeing information, including In-Vehicle Units [IU], on-board mass measurements which is, I think, where Charles was going.

**Ms BROADBENT:** The on-board mass measurement at this stage can be measured while the vehicle is static. When a vehicle is loaded, they can calculate what the mass is. That is currently done and has been done for quite a long time with vehicles that are accredited to the national heavy vehicle accreditation scheme for mass management. But as far as measuring a mass and its impact on roads every two seconds, that is not feasible at the moment.

**Ms HARBER:** It is also important how telematics is certified in Australia. Are you aware of the Intelligent Access Program [IAP]?

**Ms BROADBENT:** It is an in-vehicle unit that is certified by the Transport Certification of Australia. It costs money. The operator pays a user licence fee to access the unit. They are not able to access the data unless they apply for it, because it is not legal. That information is sent back to Roads and Maritime Services as an enforcement tool for them, for making sure they stay on the right route.

**CHAIR:** We are a long way away from the scenario where you jump in a truck and are heading off and dynamically, if there has been a change in the weight limit on a particular bridge, it feeds back in real time and says you cannot cross that bridge any more but you have to go somewhere else. We are not there yet?

**Ms BROADBENT:** No.

**Ms HARBER:** Calculating the unit cost for that would be an immense task.

**CHAIR:** We have Navman now with dynamic traffic information on it.

**Ms HARBER:** If there were no charges, that would be fine.

**Ms BROADBENT:** We have done submissions to the Hon. Duncan Gay in relation to IAP and that form of telematics. There are plenty of companies, such as Toll, which is one of our members—Toll uses its own in-house telematic system but it is not approved by Transport Certification Australia [TCA], even though it already meets the standards. Having that unit certified costs a lot of money, although I believe that TCA are doing some work in that area to address the high cost of that.

**CHAIR:** Thank you for preparing that report. I will read it, I have read the whole lot and more reading is good. I 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 your evidence and be made public. Would you be happy to provide a written reply to further questions?

**Ms BROADBENT:** Yes.

**CHAIR:** Thank you for being here today.

**Ms BROADBENT:** Thank you for having us.

**(The witnesses withdrew)**

**JIM DONOVAN**, Secretary, Action for Public Transport (NSW), affirmed, and

**GUY TRANTER**, Member, Action for Public Transport (NSW), sworn and examined:

**CHAIR:** Thank you for appearing before the Committee on Transport and Infrastructure to give evidence. Will you confirm 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 DONOVAN:** Yes.

**CHAIR:** Do you have any questions concerning the procedures?

**Mr DONOVAN:** No.

**CHAIR:** Will you confirm 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 TRANTER:** Yes.

**CHAIR:** Do you have any questions about these procedures?

**Mr TRANTER:** No.

**CHAIR:** Have you provided the Committee with a submission?

**Mr DONOVAN:** Yes, we have.

**CHAIR:** Do you want that submission to form part of your formal evidence?

**Mr DONOVAN:** I have a copy of it here, Mr Chairman.

**CHAIR:** Is it okay if we use it as part of the evidence?

**Mr DONOVAN:** By all means. There is a minor correction to be made.

**CHAIR:** Minor or major? If it is minor we will not worry.

**Mr DONOVAN:** It alters the meaning.

**Mr TRANTER:** One word.

**Mr DONOVAN:** The paragraph headed "Land costs".

**CHAIR:** What page is it?

**Mr DONOVAN:** On the first page. My pagination is different to yours.

**CHAIR:** I have it.

**Mr DONOVAN:** "These are explicit where land is resumed for a new road project" but where it reads "now" it should read "not". I have a question, Mr Chair: We generally publish the submissions we send in on our web site—there are hundreds of them there. We would appreciate permission to publish it there as we have not done so thus far because the Committee has the intellectual rights.

**CHAIR:** I will seek advice concerning that. The reason that we ask people that make submissions to the inquiry not to publish them is they are not the subject of parliamentary privilege if they do so. We try and maintain that. We publish it on our website. You could provide a link to our web site. The advice normally is if you want to publish something you can publish excerpts or a summary of it so it is not the actual submission itself.

**Mr TRANTER:** Paraphrase for example?

**CHAIR:** Yes. If you do it that way the submission is covered by parliamentary privilege and no one can use it for legal action because you have said something to upset someone. It protects you.

**Mr DONOVAN:** I have some points to speak to. I have five or six copies to pass around.

**CHAIR:** Pass it around by all means. Would you like to make an opening statement or refer to the brief points?

**Mr DONOVAN:** I will speak to the brief points, if I may. Point number five, section 90 of the constitution; you would be well aware of that. Section 92 of the constitution has made a tremendous difference to rural freight—the Hughes and Vale case and the end of the tonne mile tax—and from our point of view with rural freight we are strongly in favour of railways. I was appalled to hear, while sitting here five minutes ago, that high efficiency vehicles have taken millions of trucks off the road because they are using larger trucks. They may have taken a few off the road but they have taken trains off the rails. A lot of the bigger trucks, and I am particularly thinking of B-triples, take the sort of load that trains carry. The trial of B-triples will I understand go from Campbellfield to Campbelltown and there is a railway paralleling that all the way with several trains a day and I would not speak of them in as rosy terms as you were hearing from the last witnesses. We are very concerned about that.

There are two wings to road access pricing. There is the rural one with freight that you will hear about from Professor Laird if he is a witness. You have his submission. The main thing we are talking about today is the urban context where the issue is congestion. We have things back to front at present. For example the Cross City Tunnel toll discourages people from driving through the tunnel and instead makes them drive through the city and that is exactly what you do not want to do. If you are going to bring in cordon pricing for the city one thing you have to do is get rid of the Cross City Tunnel toll because it would go against it.

**CHAIR:** By way of explanation: It is not just about the congestion issue in terms of managing congestion and using road access pricing as a demand management tool, it is also about raising enough revenue to reinvest in roads in terms of maintenance and development. It is not just the question of congestion, it is broader.

**Mr DONOVAN:** That brings me to another point, the point of hypothecation. The Australian Trucking Association (NSW)'s submission says it wants any charges raised to be hypothecated to roads. I ask whether the betting taxes are hypothecated to supporting the horses at Randwick.

**Mr TRANTER:** Beer taxes, for example.

**Mr DONOVAN:** Do they go to support the hotel industry? You cannot say hypothecation should happen. I would like to see it go into general revenue and naturally we would prefer to see public transport built rather than fixing the roads.

**CHAIR:** How would you answer a question from the community along the lines of: Fixing roads is fixing public transport because a significant part of the public transport task is undertaken by buses on roads, if you do not improve roads how do you fix up public transport?

**Mr DONOVAN:** I think part of it would have to be a massive public education campaign. Possibly not amounting to propaganda but something that explains in painstaking detail what the road access charge is trying to accomplish and what the benefits are for the public and doing this absolutely transparently so you cannot have that other side of the House or the NRMA, or somebody like that, jumping in at the last minute and saying it should not happen. Last week, the President of the NRMA was quoted in the *North Shore Times*. They had a survey of their members—all things public transport. It turns out that the most complaint they got was that there is not enough parking around Chatswood station.

Blind Freddy can see that the last thing Chatswood needs is more cars, but here is the NRMA president saying, "We should have more parking facilities at Chatswood station", and the Minister for Transport said she would look into it. I hope she was just being polite. For many years now it has been the case that if you are making a quick trip into Chatswood, you might as well do it on the train. By the time you get your car into the

car park, then walk from the car park to the shop and back again, the train is quicker. You can park near Roseville station or something. I cannot imagine why people want to drive into Chatswood.

**CHAIR:** You made a comment earlier about better educating our community in respect of making it aware of public transport options, where the money that has been raised through tolls and the like is being spent. I agree with you: we have done a poor job in educating the community about the true cost of travel. Whether you are a public transport user or a private individual sitting in a private car using a motorway, in your view, do those people understand the true cost of travel or do we have a significant challenge before us?

**Mr DONOVAN:** One thing I think Bruce Searle from NRMA said to me years ago was, "All transport is subsidised". I guess he is right. We should be making this clear to people. Another time, I was at a public meeting addressed by the then Lord Mayor of Parramatta. He said he wanted all people to be able to get into their cars and drive into the city. What would happen if they did that?

**Mr TRANTER:** Can I add a little bit at this point? At the moment, the public transport charging is pretty much you pay for your journey, whereas the cost of the car and rego, et cetera, is fixed. So from that point of view it is a different basis of decision-making. Obviously a lot of people will simply have to have a car and they know they have to outlay costs for that car. It is an optional decision for people who live in the inner city. It is interesting that once they have outlaid money on a car, that then—I do not know if "distort" is the right word—will push their decision as to what form of transport to use in favour of the fact that the car has already had the money spent on it, and the marginal cost of any trip is that much less.

**CHAIR:** Jim, your comment earlier that all travel is subsidised is spot-on. I have examples of people who come into my electorate office—and I am sure Paul's and Greg's as well—who are public transport users who say that the private motorist is not paying their fair share, and then the private motorists come in and say that the public transport users are not paying their fair share. The reality is that they are both being subsidised. If we move to a road pricing arrangement of the future, as a goal, do we not want less subsidies and more that the user pays for the privilege they derive from using a transport network, regardless of whether it is a road or public transport?

**Mr DONOVAN:** You corrected me a minute ago, but I still think congestion is an issue. If you look at the submission from Professor Hensher from the University of Sydney, he says that reducing traffic by 6 per cent would be enough to get rid of the worst of congestion. That is all you are trying to do. In the same submission he gives the example of a plumber. Apparently he was speaking on radio and said there should be road pricing of some sort. People rang in, one of whom was a plumber who asked how would paying more to travel help him. It would help the plumber because plumbers on the other side of town would not be bidding for jobs near where your plumber is based.

I hired a plumber a few months ago and he came in from Pitt Town. I worked it out the other night and the shortest trip from Pitt Town to our job would have been 48 kilometres. Now, that is ridiculous. That should not be happening. He should be doing jobs out at Windsor or somewhere, and I should have been using a plumber closer in, but there was no cost pressure to make that happen. I do not think the plumber who rang in criticising Professor Hensher has anything to worry about. The next point, Mr Chairman, number 8, is the draft Long Term Transport Master Plan. I happen to know a little about the master plan. I had a seat in one of the four advisory committees. Its objectives are contradictory. That is from the outset; it got worse later on.

The sort of thing I am thinking of is that one of the objectives in the master plan is to support our larger centres and the other objective is to build roads into those centres. If you build roads into dense centres, people take cars into them and with all the space that cars take up with parking and of course while they are on the road, you simply do not have as dense a centre. I find those two policies contradictory. They also produced desire lines for travel in the transport master plan and said that X people want to go from here to over there. Well, you have to be careful about that because if there are any large centres, you will find that the public transport corridors go through those centres and serve them, whereas motorways skirt around them and that feeds quite a different market. I think the transport master plan should have made that distinction.

**CHAIR:** It is interesting. You spoke about the public transport corridor and then you spoke about the motorway as almost being two different things.

**Mr DONOVAN:** They are. They go to different places. For instance, look at the city of Parramatta. How many motorways go through it? None of them.

**CHAIR:** There is a thing called the M4 that, last time I looked, went through the city of Parramatta.

**Mr DONOVAN:** No, it does not. It does not go through the centre.

**Mr TRANTER:** The city as in the local government area, but not the centre of the city.

**Mr GREG PIPER:** Not the central business district, but it does have off ramps.

**Mr DONOVAN:** It has got off ramps.

**CHAIR:** But you do not want motorways going into the centre of the central business district, do you?

**Mr DONOVAN:** No, you do not.

**CHAIR:** I am trying to put myself in your position to understand where you are coming from. You have two reasonably large central business districts called Parramatta and Sydney, and part of that corridor is serviced by a motorway; all of that corridor is serviced by the western rail line and, once we build WestConnex, we will have a transport corridor that has a motorway, arterial roads and a rail line. To me, that is a transport corridor. The fact that it is a motorway does not mean much. You are speaking as if a motorway does not form part of the transport corridor.

**Mr DONOVAN:** Only the other day the New South Wales people were criticising the Prime Minister. She and Mr Albanese want the WestConnex to go into the city and be toll free. New South Wales people want neither of those things. They want WestConnex to dodge to the south at the last minute and head towards the airport. It is a different thing. Mind you, I do not even think it should do that. Do not draw me on the subject of WestConnex; you will regret it.

**CHAIR:** WestConnex is my favourite project. I will not draw you into it otherwise we will be all afternoon.

**Mr GREG PIPER:** It seems to me that from reading these points, Jim, there is a lot of commonality between what we are looking at and what we are suggesting we want to move to, which is actual kilometre pricing on road journeys. Are you alluding to that in here?

**Mr DONOVAN:** In number 13 I sketched out a list of possible places you could put a toll meter.

**Mr GREG PIPER:** I was looking at number 9, "Now would be a very good time to start pricing road access". I think you are looking at the fact that there will be a Liberal-Nationals Coalition for the next 25 years, but you are looking at the political environment as being supportive of making some major strategic change?

**Mr DONOVAN:** I think it would be politically much easier to do it now than nine months before an election which looks like being close.

**Mr GREG PIPER:** That is what I was getting at. You are supporting that. As I say, I think is what this Committee is looking at the possibility of doing.

**CHAIR:** Are you suggesting a harmonisation of tolls across those possible toll locations?

**Mr DONOVAN:** If those tolls were there, you would not have plumbers bidding for jobs 50 kilometres away; they would try to get them five kilometres away. That is the list I sketched up in the five minutes of looking at the map. I left the west substantially alone because I think the politics are such that people out there reckon they have to drive. The eastern part of Sydney I define as those places east of Lidcombe and there is quite a lot of it. Sydney is made up of harbours, rivers and things, and bridges are very suitable places in the case of Sydney to put tolling points on and people understand tolling points.

**CHAIR:** Your toll possibility list is very interesting. How would you sell the message to the community of just increasing the number of tolling points?

**Mr DONOVAN:** No. 10, "a huge campaign of public education will be needed" and, as I said 10 minutes ago, specifying the objectives very carefully and explaining why pricing is the best way. And you tell the public that if you can get the traffic down by 6 per cent or some figure like that, they will not have these stop-start journeys all the time. However, they will be making fewer journeys and they will have to be a bit more selective about picking destinations that are nearer to them. I remember hearing on overnight radio some guy rang in and said that he drove from Campbelltown to Newcastle every morning for work. What a dreadful thing to do. Look how much traffic he is causing—80 kilometres worth; no, it is more than that, isn't it—150?

**Mr TRANTER:** It is 200 at least.

**Mr DONOVAN:** It is 200.

**Mr GREG PIPER:** His quality of life would not be real good, either.

**Mr DONOVAN:** At No. 12 there is a reference to a paper published by Professor Hensher which says that Sydney motorists are prepared to pay to reduce congestion and support public transport so you draw on that. Professor Hensher's submission to this inquiry has a lot of very helpful comments about exactly how and what sort of measures you should introduce, which I commend to you.

**Mr GREG PIPER:** This morning Professor Hensher talked about a trial of distance-based tolling. I will not go back over everything he said.

**Mr DONOVAN:** He was here in person, was he?

**Mr GREG PIPER:** Yes.

**Mr DONOVAN:** He has put in quite a long submission.

**Mr GREG PIPER:** Yes. He articulated it very well for the Committee this morning. He has a particular desire to come up with a trial of distance-based tolling and he spoke of the difficulty in applying it. He could see it in a defined area, and gave the example of a European model in The Netherlands. But he would like to do it here with the obvious benefits to users through a raft of measures such as reducing vehicle registration costs—correct me if I am wrong—harmonising tolls and actually reducing them because he said there was a huge variation in toll rates across the city depending on the operator. Even some of the time tolling is not sensible in what it is trying to achieve and he would like to see these harmonised and have a distance-based charge placed on vehicle movements generally, more for the metropolitan area but certainly into the regions to try to achieve some of these things.

**Mr DONOVAN:** The M7 alone has distance-based tolling and if you keep going on the M7 and use the M2 you pay for that as well and then after that you can pay for the Lane Cove Tunnel if you like.

**Mr GREG PIPER:** And it has been pointed out that on the Lane Cove Tunnel you pay a dollar per kilometre or something like that?

**Mr DONOVAN:** It is fairly severe, yes.

**Mr GREG PIPER:** Whereas with other examples he brought it down to—

**Mr DONOVAN:** On the M7 it is \$8 for 40 kilometres or something.

**Mr GREG PIPER:** So there is a huge inequity in the way in which it is done. Whether or not that is for the benefit of the toll road operator or whether or not it is for the benefit of controlling congestion, which as you rightly pointed out is an important part of what we are looking at?

**Mr DONOVAN:** Yes. You might end up deciding to charge less per kilometre in the western suburbs than east of Lidcombe and that is consistent with what the M7 does at present—you might. Heavy vehicles are an interesting one. I have always been bemused by the heavy vehicle advocates like the Trucking Association. They say how wonderfully efficient their trucks are, "Please can we have a few more roads built for them to drive on?" If the costs were taken into account they would not be so marvellously efficient. The interesting thing about the Aberdeen Bridge is I think the Aberdeen Bridge was duplicated a few years ago and the new one has a

higher weight limit than the old one and that means you can take your truck across it but you cannot take the same truck back and of course this interrupts a lot of the plans of a lot of heavy vehicle users and they regard that as something to be fixed.

I think we have discussed No. 15. No. 16 is "tolls on all motorways with no cash back". That is more or less what I was saying but I wanted them on a few bridges around the eastern half of Sydney as well. As to Professor Laird, I would press for full cost recovery from road freight. You have the road freight operators saying they are more efficient than rail but they pay very little of the costs of the roads they are using. If they had to pay for that they might change their tune a bit. I have mentioned hypothecation at No. 18.

**CHAIR:** Could you elaborate on why you think it is fallacious putting money derived from the use of an asset back into that asset? I do not see the fallaciousness about that?

**Mr DONOVAN:** The first thing is that Government has only one bank account and it is a bit difficult to say that the money he put in got spent there; really, it went into the account and maybe a similar amount got spent for something. That takes away some of the meaning of being hypothecated but there is the example of betting taxes; they do not support the gambling industry and alcohol taxes do not go to build bigger and better pubs.

**CHAIR:** Do you remember the 3 x 3 levy?

**Mr DONOVAN:** Yes.

**CHAIR:** Wasn't one of the success factors in the 3 x 3 levy that if you paid money it went to produce a specific outcome? Wasn't that part of the success of that particular levy?

**Mr DONOVAN:** Question to public education and, as I say, propaganda.

**CHAIR:** Okay. If I were to suggest to you that for any road pricing scheme to be successful—based on overseas experiences and other jurisdictions have done this a little bit ahead of our time—being able to say to the community, "The dollar that we raise from your use of the road will be put back into the maintenance, development and enhancement of the road network that you will use tomorrow", all the evidence suggests that is a powerful selling point to the community. Are you saying otherwise?

**Mr DONOVAN:** I am saying otherwise and Professor Hensher's research said so. I have given you the URI in No. 12.

**Mr TRANTER:** If you were to alternatively say that part of the money you pay for the use of that road will go to maintenance of that road or whatever but part will also go to, say, construction of a public transport link which some of the people currently using that road will choose leaving improving conditions on that road for you, that would also be an argument that would appeal to users.

**Mr GREG PIPER:** You are arguing against full hypothecation?

**Mr DONOVAN:** Yes, certainly.

**Mr GREG PIPER:** You would argue that some of it should go back such as the 3 x 3 that was raised; all the funds that came out of fuel levies and other charges associated with transport did not all go back to roads, only a certain amount of it but you acknowledge that obviously some has to go back?

**Mr DONOVAN:** The simple fact in recent years is that so much has been going into roads recently, I think \$2.5 billion a year for new roads around Sydney alone, that sort of money, it is not difficult to put up some sort of demonstration that 3¢ per litre for three years went there too.

**CHAIR:** I am actually intrigued by this mindset in our State that public transport is at odds with the development of roads and that roads and public transport are enemies of one another; that a dollar spent on roads is a dollar less spent on public transport when the reality is that the major part of the public transport task happens on our roads. I am intrigued that we still have this mindset that puts them at odds and I am more concerned that politicians seem to have this mindset. When people in my electorate come to me whinging and bitching about traffic congestion and the fact that they cannot get to their railway station on the bus, which is

always running late because there is traffic congestion and a lack of spending on enhancements, traffic signals and the like, I say to them time and again that it is the transport network and roads are a part of the transport network.

**Mr DONOVAN:** Yes.

**CHAIR:** The roads do most of the heavy lifting in terms of the transport burden yet we continually say that we need to push roads aside and invest more money into public transport. Buses do not run on footpaths; they run on roads.

**Mr DONOVAN:** The thing with spending money on roads around the city is that it does not get you anywhere. In the country making a road stronger for bigger trucks might make a difference. However, putting extra lanes on roads around the city does not get you very far. Roads and Maritime Services says there is three seconds between vehicles. If you have three seconds between vehicles, and there are only 3,600 seconds in an hour, that is 1,200 vehicles an hour in a new lane. If you are lucky, that might involve 1,500 people an hour using a new lane. That makes no difference to the carrying effort compared with the railway. The latest we are getting from the Minister about the toy trains on the North West Rail Link is that they can carry 1,300 passengers each.

**CHAIR:** If we rewrite history and roll back 15 years and we did not make a decision about the M4 or any of the other motorways built in the last 30-odd years, can you imagine what Sydney would be like today?

**Mr DONOVAN:** If we had not taken over more space for busways there would be big trouble. It would be quicker to ride a bike to work than to drive a car.

**CHAIR:** One of the submissions says that if the Government were to duplicate capacity across the city it would shift only 10 per cent of the transport task off roads.

**Mr DONOVAN:** That is correct.

**CHAIR:** That is clearly much more than the State's capacity over the next century.

**Mr DONOVAN:** That is correct.

**CHAIR:** I do not understand the issue. What are you arguing?

**Mr DONOVAN:** I am arguing that spending more money on roads around the city is not an effective way of shifting people. I refer to point No. 19. I was disappointed in the NRMA's submission. It included a leaflet printed for something else some time ago that has suggestions about how to reduce the demand on roads and if everybody did it there would be less traffic and less congestion. I do not know what they want out of that. I suppose you could put up—

**Mr GREG PIPER:** Before we move on to that, Professor Hensher referred to it this morning, but not in relation to the NRMA submission. He said that it was a valid area to explore.

**Mr DONOVAN:** Yes.

**Mr GREG PIPER:** I am referring to the opportunity to move people out of peak work times. I am not sure what the NRMA submission stated, but Professor Hensher supported that.

**Mr DONOVAN:** What moves them out of peak time is congestion. That is my point No. 21. Professor Blunden—who is dead now—wrote a paper in 1983 demonstrating that congestion had a positive value. If there were no congestion everybody would drive to get to work one minute before start time and we would need a massive amount of road. If there is congestion, it forces them to spread their trips. They do not like it, but it forces them to do it. I have provided a uniform resource identifier for Blunden's paper if you would like to read it. I refer members to point No. 20.

The Victorian Acting Auditor-General tabled a paper last month entitled "Managing Traffic Congestion". It states that if the Government is serious about it, it should specify exactly what it is going to do and how it will decide whether it is successful. He thinks that is not happening. He sees projects being

announced arbitrarily and billions of dollars being committed as a result. That is what he recommends Victoria should do. However, only last week the Napthine Government announced that it will start a tollway linking the Eastern Freeway to the Tullamarine Freeway. It has promised hundreds of millions of dollars to start the tollway without providing a business case. I noticed on the way in this morning that The Greens Federal member for Melbourne, Adam Bandt, said that the railway should happen first, and I agree.

**CHAIR:** Just remind me, how do people get to a railway station?

**Mr DONOVAN:** I live 600 metres away from a station and I walk there. Some people drive and a few people take buses. Some people drive a long way. I was told a number of years ago in the context of the North West Rail Link that a survey of numberplates around stations like Warrawee and Wairoonga found that people from Cherrybrook were parking there.

**Mr TRANTER:** I have read recently—but I would be hard pressed to dig up the reference—that additional parking spaces at railway stations is one of the least cost-effective ways of getting additional public transport trips. If you can provide a bus service to bring people to the station, it costs less than building extra parking spaces.

**CHAIR:** So you have to free up local arterial roads to make it more efficient and reliable for people on buses to get to railway stations. You cannot do that unless you get rid of all the through traffic, but you cannot do that until you build the motorways. Does that make sense?

**Mr DONOVAN:** It is a question of city planning. Sydney is now so large that it is impossible to get across it in an hour. We should be subdivided into regions. The Government has given plenty of thought to that. Planners should do as much as possible to make people spend the entire day in one of the regions. By that I mean—

**Mr GREG PIPER:** Parramatta.

**Mr DONOVAN:** Parramatta is the centre of a region.

**Mr GREG PIPER:** Yes.

**Mr DONOVAN:** Hurstville is the centre of a region.

**Mr GREG PIPER:** People have said more recently that consolidating around Parramatta has taken the burden off the need to commute to the central business district.

**Mr DONOVAN:** Residential accommodation has emerged in the city in the past 10 years and that has reduced the number of people who need to come into the city to work. That is happening all over the place. Our analyst for Action for Public Transport said that there were four Cs: centres, meaning the centres of regions such as Hurstville, Hornsby, Bankstown and so on; and corridors, meaning high-speed corridors connecting those centres with high-speed trains that stop only every five kilometres. I am missing two Cs.

**Mr TRANTER:** I do not remember reading the paper.

**Mr DONOVAN:** There would also be feeder buses within each region going to the centre and back. There would be densities falling away from the centres and the high-speed corridors. He somehow made that four Cs. That was his vision of a city. That is all very well, but the trouble is that for almost my entire life the only answer that developers have heard is "Yes." Governments are reluctant to put too much pressure on them and as a result a lot of people need a car to get anywhere, even in their own region. Someone who lives near Bankstown and who wants to go to the centre must drive because there is no bus service.

**CHAIR:** One of the submissions addresses that point and states that if we really want sufficient funding to increase public transport infrastructure to what are now deemed to be acceptable levels in terms of accessibility, reliability and quality of service, we simply need high-density living along transport corridors. That is the reality of it.

**Mr DONOVAN:** We are getting there.

**CHAIR:** Are you criticising developers for wanting the same outcome as the Government?

**Mr DONOVAN:** No, I am criticising industrial parks such as Wetherill Park and Ingleburn. The first industrial park was at North Ryde. I know that there is a railway service now, but there was nothing when it was established. How were people supposed to get there? There has been very little pressure; there is no effort to set up these centres so that they provide jobs for people living in the region.

**CHAIR:** I will take that as a criticism because I thought that that was not necessarily the case. I have seen the metropolitan development plans and they refer to centres of employment and how transport corridors must be developed to make them happen. My reading of the NSW Long Term Transport Master Plan suggests that it specifically addresses land use planning aspects and deals with exactly those issues. I am hoping that we are addressing the points you have raised.

**Mr DONOVAN:** It would be wonderful if that happened. However, I have seen very little sign of that.

**CHAIR:** I grant you that planning and execution are two different things.

**Mr DONOVAN:** Yes, they are. I refer members to points Nos 20 and 22. A Ross Gittins article in the *Sydney Morning Herald* last week states that the way to reduce traffic congestion and increase the capacity of city transport systems is to start charging for the use of roads and use the revenue to expand public transport. You do not have to bother about Gittins in your education campaign because he already gets it. I dealt with point No. 24 few minutes ago. Todd Litman, a Canadian, has produced a paper entitled "Congestion Costing Critique: Critical Evaluation of the 'Urban Mobility Report'". He states that current methodologies—he is referring to the United States or possibly Canada—exaggerate the cost of congestion. He does not think it is that bad. It might be worthwhile looking at that paper. Finally, I refer members to a Grattan Institute paper entitled "Productive Cities: Opportunity in a changing economy". It commends road-use pricing. Mr Tranter might like to say something about that.

**Mr TRANTER:** No, I am sorry.

**CHAIR:** I will look those things up because I am very interested in the subject. Could I ask you, because time is getting short now, and it was raised in one of the other submissions, without a proper road access pricing arrangement where road access is properly priced, how can you properly price public transport?

**Mr DONOVAN:** It depends. I think some people still think public transport should be free.

**CHAIR:** Whether it is free or not—I am not arguing whether it be or otherwise—if you do not have a handle on what is appropriate road access pricing how could you possibly price public transport to get the most shifts that you may want to achieve in the short, medium and longer term?

**Mr DONOVAN:** As the Victorian Auditor-General says, you should be monitoring what happens when you bring your pricing in, comparing what happens with the projections that were made a few years before to see whether you have done any good with your pricing.

**CHAIR:** So, it is just trial and error you are suggesting?

**Mr DONOVAN:** The Auditor-General does not condense it into one sentence; he has got quite a lot to say. Actually, he has not got a lot to say, he has only got about one page covering the points I have mentioned.

**CHAIR:** Essentially, what I am saying is how do you ensure that the dynamics in terms of the difference between public transport and the private commuter on a motorway, that the pricing signals are consistent with what you are trying to achieve? For example, in one jurisdiction I understand that they actually came to the conclusion that if you wanted to get people onto public transport you made sure that someone using a private motor vehicle paid one and a half times as much as a person using public transport and you got the most shift, simply out of such a blunt instrument as that. What I am suggesting is that without having any idea of what the true price should be charged for road access how in heaven's name could you price public transport? It is just a great mess at the moment.

**Mr DONOVAN:** It certainly is a great mess. The north western railway, for instance, there has been no business case made, and even if there had been it would have been thrown on its head when they re-wrote the thing from double-deck trains to a shuttle line between Chatswood and—

**CHAIR:** Do not get me started on that; that is not for this committee. I promised the transport Minister I would not talk about that. But there are reasons for that and I do not claim to be an expert in that regard. I thank you very much for your time this afternoon, it has been very informative. 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. Would you be happy to provide a written reply to any further questions?

**Mr DONOVAN:** Yes.

**Mr TRANTER:** What would the deadline for that written reply be?

**CHAIR:** Two weeks after you receive them.

**(The witnesses withdrew)**

**(The hearing continued in camera)**

**DAVID STUART-WATT**, Presidents, Roads Australia, affirmed and examined:

**CHAIR:** Thank you for appearing before the Committee on Transport and Infrastructure to give evidence today. Can you 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 STUART-WATT:** I have.

**CHAIR:** Do you have any questions concerning these procedures?

**Mr STUART-WATT:** No, I do not.

**CHAIR:** Have you provided the Committee with a submission?

**Mr STUART-WATT:** I have provided a Roads Australia submission. There should also be a copy, which I believe you all have, a Running on Empty document that was prepared by Roads Australia and the Transport Reform Network.

**CHAIR:** I confirm we have those. Do you want those submissions to form part of your formal evidence?

**Mr STUART-WATT:** I do, thank you.

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

**Mr STUART-WATT:** If you do not mind, I have distributed a short overhead to allow you to follow what I am talking about. I want to remind everyone what Roads Australia is. On the first slide there, we are a peak body for the roads sector in Australia. We have nearly 100 members, including State road and transport agencies. We contribute to policy development by working in collaboration. We are not a lobby group. We are not a motorists association; we are a peak body for the industry. There are five issues that I thought I would cover today because I know your time is brief and I am happy to be involved in questions.

Those five things are: the pricing signals, the heavy vehicle pricing work that is going on at the moment, a comprehensive national review of road funding, which we believe we need to get to, the importance of community buy-in and then maybe a few suggestions on how New South Wales can assist in that process. In terms of current pricing signals, we believe that the current price levied on road users to access the network is way too low. Even in the transport master plan in New South Wales the Government estimates that it recovers less than 70 per cent of its expenditure on roads and related services from user charges, but in reality the gap is much wider, given the underspending that is occurring in the roads and transport sector and particularly on things like road maintenance. So there is a large gap between what users pay and what is required and what is needed.

We have found that the average road user is not aware of that gap, and the gap between what they pay and what it costs to maintain and renew and invest in the network. The majority of the fuel tax revenue, as you know, does not return to roads and transport. I think a lot of community members do not understand that. They think that the full tax they pay goes to roads. We see there is a strong case to review and consider roads as a utility, just like water or electricity and to make road users more financially accountable for the upkeep and renewal and operation of the network but also to provide a connection between the actual use and charges, just like the use between water and charges and electricity and charges.

I want to mention heavy vehicle pricing because it is something that has been worked on now for quite a number of years and is in the final stages of development by the COAG reform committee. Roads Australia very much supports heavy vehicle pricing and the COAG driven charging reform process. We sit on the transport consultative forum for heavy vehicle charging. Implicit in that process is the underlying philosophy that the road freight industry should pay a fee that is proportionate to the impact they have on infrastructure and the damage they do. Another important aspect is money follows the truck. With a pricing mechanism, the truck carries the money with it and the funding goes back to the roads that it impacts, which we believe is a good philosophy.

So like everyone across the industry, Roads Australia is waiting with anticipation the outcomes of that work and we are very keen to see that approved by COAG and implemented. We believe those outcomes will have an impact on future policy decisions on the broader network and on broader road user charging. If COAG can implement broad road user charging for heavy vehicles 4.5 tonnes and up, we see that as a fantastic first step to introduce road pricing into the community. But rather than pre-empt those findings, we would like to see that process concluded to its finale, a successful finale, and we encourage this Committee to put forward your views as well for that reform group under COAG. I think it needs a final boost to get the decision over the line.

**CHAIR:** In terms of the overall process and the next step and the completion of the process until a firm outcome is agreed and implemented, what sort of time period do you have in mind?

**Mr STUART-WATT:** It has been running for five to six years already. COAG forecast a seven-year process for implementation and we are into year six, coming up to year six now. So if the original timeline is met, then 2014 is the day for implementation. All the consultation has been done. All the evidence has been submitted and the reform committee now is considering all of that evidence, options and technology, although the technology is not an issue. The issue now is, dare I say it in this room, the political will to make the decision to get it going. I think COAG needs all the support it can get from the various State governments because it is a big decision, but it is the right decision for the future. It is particularly the right decision for New South Wales because if money follows the truck, given this is the State that has the most freight transport use on its road network, then New South Wales will benefit from the money coming back to the network that gets the most use.

**CHAIR:** Are you saying that the case for road pricing for the freight industry is as compelling as it is for light vehicles?

**Mr STUART-WATT:** When the original papers were put to COAG and the Productivity Commission looked at heavy and light vehicles, the case for heavy vehicles was seen as great at the time and more complete. I am talking about five to six years ago now. Also, the industry was more prepared and ready for such a change because it already does get charged based on an assessment scheme of impact on the network. It was much easier for COAG to make a decision at the time to go for heavy vehicles rather than the whole network. But in that decision there was a decision made to look at light vehicles at a later date. So the door is open for light vehicles, for this Committee as well. But the heavy vehicle decision will be an important first decision for Australia. We in industry are worried that if that decision falls over, it may put back the debate on broader transport reform and funding reform for many years.

**CHAIR:** A decision on heavy vehicles by its very nature has to be a more nationally driven question?

**Mr STUART-WATT:** It is national.

**CHAIR:** Road pricing reform, for example, for light vehicles actually could fall within a particular jurisdiction and still have an impact. Is that how you see it?

**Mr STUART-WATT:** I agree. It is important. A national approach is important and for the future it is important. Therefore, we would encourage this Committee to work with the Commonwealth and local government and the other States. But in terms of leadership, pilot schemes and getting things started, in many respects in all of these types of reforms a jurisdiction needs to take the lead. So one thing that Roads Australia would encourage is for this Committee and the New South Wales Government to think of itself and put itself in a leadership role. If you look at many of the other reform processes that have happened in transport in Australia in the past five or seven years, one State has put up its hand and volunteered to lead the reform process. I think that works in Australia, in the Commonwealth that we have.

**Mr GREG PIPER:** Where do the views of Roads Australia fit in, say, with some of your member groups, such as the Australian Trucking Association in New South Wales? Is everybody on board? That is not how I interpret the submissions we received earlier from ATA. I might have misunderstood some of it, but what I hear from you is a very strong case to have national harmonisation—although I assume that ATA would also want that. Certainly, it did not seem to think that heavy vehicles should be further included in a rollout at this stage.

**Mr STUART-WATT:** We have worked through our policies with our members and also through the Transport Reform Network with a broader group of industry representatives, including road freight associations.

I think all of those associations saw that the long-term future needs to have a connection between road use and charging. The use of the funding and how it is implemented—

**Mr GREG PIPER:** Road use including per kilometre distance charge?

**Mr STUART-WATT:** Per kilometre charging. I think most industry groups understand that is the future. What a lot of groups are not agreeing on is what use may be made of the funds, the process used to get there, the timetable, whether you start with light or heavy vehicles. A lot of those questions are in debate. The bus industry would suggest, "We're happy for this to go ahead as long as the money is invested in bus networks." The rail industry supports it. Part of the Transport Reform Network would like to see more of the money go into rail networks. A lot of industry sees the future and understands the future and is compelled by the future. It is the steps to get there and then how funds are raised and used, but that is a question for government.

In terms of a national review of funding, there are a couple of issues there. We believe the whole funding system is broken. We believe, as I said earlier, it has to be a national conversation, although it is important for a jurisdiction to take leadership and we support that. Any discussion about pricing signals in New South Wales or any other State—whether it is time-of-day, distance or type of road—cannot be divorced from the broader funding issues and particularly the fuel tax issue. From all our discussions with communities, if you talk about a new charge or a new tax on top of what is there, that is when the resistance builds. We believe it has to be part of a broader reform exercise.

It is important that pilot schemes be looked at, because the community needs to be thinking about how one moves towards a final outcome for Australia, for a State. One of the reasons the Council of Australian Governments [COAG] went with heavy vehicles is because it was a first step to a future state, and pilot schemes are important, as long as the future vision is outlined and it is clear where we are going. The times when you lose communities are the times when they do not understand the policy, what the vision is and what we are moving towards.

**CHAIR:** A previous submission spoke about a trial that was conducted in Stockholm. The outcomes were presented to the public and then went to referendum. It was also suggested earlier that perhaps the WestConnex could provide a site for both the introduction of distance-based charging with a time-of-day overlay as a trial on that corridor, to prove the effectiveness or otherwise of that particular road pricing regime. Do you think the WestConnex would provide a suitable site for trialling those concepts?

**Mr STUART-WATT:** I think any concept that involves introducing time-of-day toll pricing to start the process of sending signals is important. Whether you do it on a current motorway or a motorway being built—and that might be more palatable to the community—I think it is positive and important for the community to start understanding those pricing signals.

**CHAIR:** If we were to try and promote the idea that WestConnex is an ideal example of that, would you have an idea of the factors that would come into play? One that comes to my mind is that there are readily available parallel choices for people not wishing to use WestConnex, as well as others. Is that the best example that we could allude to in trialling these concepts?

**Mr STUART-WATT:** The future of road pricing is the whole network. If we are talking about time-of-day tolling on motorways, the history in Sydney has been that there needs to be an alternative, suitable free route for toll motorways. That has been the policy of your Government for some time. I would suggest that, if you are going to use a motorway as an example, you would want to comply with your own policy in making sure there is an alternative free route. The other important thing was the community buy-in that we have just been talking about. One of the things we see as critical and one of the greatest impediments to transport pricing reform, is adequate information to the community and therefore, changing the attitudes of the community, in particular, transport users.

Many users already believe they pay enough. Every time they hear about pricing or taxing they just see it as tax on top because unfortunately that has been the history in Australia, we add taxes, rather than change taxes too much. They feel that they pay enough in fuel prices. Public transport users feel they pay enough in ticket prices and yet we know there are huge subsidies there. So, often the sensible debate can be held down in a community through calls to radio stations, or emotive information out there about more taxes and more charges. There has got to be a clear vision and an explanation and information going to the community. One of the

reasons we prepared this document, *Running On Empty*, is that it was a document that we specifically wrote in community, everyday language, to make sure people could start getting information.

We think it is important for your Government and for this Committee to start thinking about how we bring the community with us. There are some great examples. In the United Kingdom recently they did a number of studies on charging, motorway tolling and pricing and were surprised at the acceptance the community had to increased charges, as long as they saw that the money was going to improve the assets that it was intended to improve. In other words, the money was hypothecated to the assets. New South Wales has some of the best examples of this in the world. In the eighties the Sydney community accepted tolling on the premise that motorways were delivered early and that there would be an alternative free route.

New South Wales also introduced the three-by-three fuel levy charge, again with community support. The community supported it at the time on the understanding that the money would be hypothecated back to improving their roads. There are some very good examples of where information is given to the community and the community understands what is trying to be achieved. Where it is demonstrated that additional funds will be controlled and spent where they should be spent, then there are good examples of where the community provides support and you can take the community with you.

**CHAIR:** If I were to be critical of, not only our administration but of previous administrations, we have singularly been unsuccessful in making people aware of the true cost of travel. That has always been and continues to be a major drama. Can you advise the Committee of some ways of addressing that particular issue? What do we need to do to the community to say: When you jump in a motor car or you buy a public transport ticket, this is the true cost of travel. You need to be aware of the fact that it is subsidised, of the extent to which a subsidy is in place. The community must be aware because we need behaviours to be changed in the future. Do you have any thoughts on how we address that question?

**Mr STUART-WATT:** The one thing you do not do is put out technical documents and create death by press release. This kind of document is a large document. We have one-page facts sheets, again in community language, available. We have a hashtag, a website and a Facebook site. Ironically, I think more people have read our material on Facebook and provided comments back to us on Twitter than through any other mechanism. These days you need to use the social media that is available to you; you need to write material in community language—short, sharp facts and information for the community—and just build the level of knowledge in the community. I am surprised at the conversations we are having on Twitter with members of the public and community groups. It is interesting that you can build that following and understanding in the community.

We have a very intelligent community and sometimes we take it for granted. It is important that we understand that the community has a high level of intelligence and often a thirst for information. Good information is important. The other thing is leadership. If Government Ministers, members of Parliament, are seen to be out there, talking about these issues and building up the level of knowledge, we can take our community with us. Community is critical. In terms of how New South Wales can help, we have talked about this. I think taking leadership as part of the national reform process is important. We saw Queensland recently take the leadership on national heavy vehicle regulation on behalf of the whole of Australia. That has now gone through and been adopted in all parliaments in Australia.

It is important for a State such as New South Wales, if this Committee and this Government decides to step up and take a leadership role for the country. There are a lot of States and a lot of bodies talking about the whole funding and pricing reform process. The investigation into distance-based charging in the Transport Master Plan that the Government has committed to looking at, is critical. It is an important first step. The Government got lots of good feedback on that concept. I saw little misinformation in the community or on talk-back radio trying to kill the idea. People said it made sense that the motorway network in Sydney should be fair. And the concept of "fair", in community language, went down well with the community. Pilot schemes and pilot projects are important. We support the concept of something like time-of-day charging to start sending pricing signals. That is important and probably, for this city, the easiest pilot scheme.

**CHAIR:** The transport master plan you referred to has over 300 references to "demand" and four references to "demand management." It concerns me a little bit that what I consider to be one of the most effective demand management tools, road pricing, got so little detail in the master plan?

**Mr STUART-WATT:** There is one section.

**CHAIR:** There is one section, you are right. When you start expanding that section to include some of the broader issues of road access pricing, for instance time of day as well as a road access pricing scheme, it becomes smaller. One section becomes a paragraph and then it disappears altogether. What surprised me was that I do not know of many other effective tools for demand management like road access pricing. Am I misreading or do you have another tool for demand management that we should consider?

**Mr STUART-WATT:** This city uses quite a number of tools for demand management such as parking management in the central business district in particular. The Government has surcharges on parking, limits on parking schemes and developments in key suburban centres like Parramatta, Hurstville and Chatswood have limits on the parking that can be provided. Parking is a good tool. It has probably been over-done in this city and there are limits to what can be achieved. The central business district is a classic example: A lot has been done in parking and yet we still have enormous access to the city by private car. There are a number of other measures and a lot of them are implemented in Sydney and we still find ourselves where we are. In terms of your point it is what is the next step rather than are there other measures.

A lot of the measures have been used, which is the issue. The final point is the concept of leading the public debate in transport reform. I am sure you have read it but our key mandate, in terms of what we would like to achieve, is on the second last page of the transport reform document. The "Outcome" is: a truly integrated efficient land use transport system that delivers for all Australians. We know it is a big vision but this concept of providing sustainable funding solutions, reducing urban congestion, improving accessibility, safety and efficiency of public transport and providing greater transparency are planks agreed to and supported by 20 associations and a number of members of the transport reform network and as key issues. It is important that we are seeing a much broader group of key industry bodies supporting the concept of transport reform, funding reform and pricing on our transport network.

**CHAIR:** In a narrative that we build for engaging and communicating with our community is there a need to have a value proposition ready to engage with them? We are going to be asking them in the interests of fairness and equity to pay perhaps a little more money on parts of the tolled motorway network and to pay tolls on parts that are presently not tolled. In terms of a value proposition, if I am going to spend some money to gain access to a motorway there has to be a level of service associated with the money I am paying as a toll, such as keeping motorways more or less in a state of free-flow.

To do that requires extraordinary traffic control measures such as limiting access to motorways to keep them in a state of free flow. Do you think the community could be sold that message: To benefit you as a motorway user and broader road network user it may mean denying access at certain points of the motorway network at specific locations for predetermined times. Do you think that is something we could sell in the context of Sydney's traffic congestion problems?

**Mr STUART-WATT:** It would be a big ask. Your first point is critical; the concept of selling benefits. If you look at the examples of the United Kingdom, Sydney in the 80s and the 3x3 fuel levy the benefits were the main selling point and the main discussion point to the community. Yes, there is a little charge but here are the benefits. Yes, you are going to be paying by time of day but this is why and these are the benefits. In terms of commitments and promises you need to understand what investments you need to make. There are some examples from the United States of hot lanes on their motorways. They have gone through five iterations of these hot lanes trying to provide that free flow access you are talking about.

It is interesting that they have gotten down to almost by-the-minute changes in charging to achieve that free flow but it is not on the whole motorway, it is on a section of the motorway. They are starting to provide more access to those lanes for high occupancy vehicles and others. There are things that have been done successfully in the world but it does require you to have the infrastructure in the first place. Unfortunately we do not have the incredibly wide motorways that they do in parts of America.

**Mr GREG PIPER:** It is not viable to use as a trial. You would want to look at the models that exist. You spoke of the United States but I imagine there are other models that you have looked at closely?

**Mr STUART-WATT:** There are quite a number of good examples across the world that you could look at in terms of trialling and piloting. There are cities where they have restricted access through traffic restrictions or pricing restrictions but in every case they have identified the benefits and they have provided lots

of information. The technology is available to provide information it just means investing in that technology to provide information to road users about what is happening on the road network.

**Mr GREG PIPER:** In those other examples is there a difference in the road culture in those countries compared to Australia? There is a cultural difference in the way people use roads but how do the people of Sweden or the Netherlands respond to these types of things? In Australia we have this cultural attitude that we paid for the bloody road, we have paid our taxes and by the way that car in front of me can piss off because that is my bit of road. We have a problem with the way we see the roads and a feeling of ownership of the roads. Do you think those examples can be easily transposed to Australia? I am a little concerned about the cultural difference of the Australian road users.

**Mr STUART-WATT:** I know what you are saying. "Easily" is probably the wrong word. Very few things translate easily but if they are planned and managed well you can translate. Ironically, although the American network is far different to our network, the American network was essentially free, built through taxes, and there was a reasonable amount of resistance to the concept of charging and tolling of that modern network, particularly existing motorways in America, which is similar to Australia. The Americans are just as patriotic and parochial as Australians about their road networks and right of access and yet it is interesting that the Federal and State governments have convinced their communities they need to make a change.

In terms of funding in Australia if you look at the graph I notice the Federal Government is forecasting an increase in road user fuel taxes for 2013-14 and yet for the last three years it has been either flat or declining. Fuel tax is declining in America and as a consequence the capital available to them is shrinking. They have made that very transparent to their community and their community understands that there are going to be shortages of capital investment for their road network going forward and they need to do something else.

**Mr GREG PIPER:** I have heard this spoken about in general public discussions and the media during the last week or so, very scant discussion about it, but it is obviously going to have to be discussed a lot more?

**Mr STUART-WATT:** It has started to happen here. The total revenue fuel tax has flattened. In 2012-13 it has dipped. There is a projection that it will go up again but our thought is that it will continue to go down. In terms of building the case for the community that is a good place to start: Most of your fuel taxes have not gone into roads and not only that the amount of money being collected is decreasing. In Oregon State they have a problem because many members of their community have taken up the concept of electric and hybrid vehicles, so the State taxes are declining dramatically.

**Mr GREG PIPER:** In that period they have had a cultural shift away from the larger car to the smaller car, even if it is using fossil fuel.

**Mr STUART-WATT:** We can see from our own car industry here it has obviously happened because our carmakers are in trouble with their big six cylinder vehicles. Building the case and providing the evidence in community language helps make that start. I agree you cannot translate examples from around the world and plonk them on to our network; we have to adapt them and make sure they fit and take the community with us.

**CHAIR:** You talk about road access pricing but we are also talking about public transport pricing reform concurrent with road access pricing: What are your views?

**Mr STUART-WATT:** It is important that the community understands it is all about transport overall. There is an absolute balance between public transport and private transport in this city, particularly rail and road. Bus, of course, is absolutely tied up into the road transport. Any impact on one has a dramatic impact on the other mode. If there was a downgrading of the capacity of our rail network, our road network would stop. If there was a downgrading of the capacity of our road network, then our rail network would be in big trouble. This city relies on both, absolutely, and the balance between the two is a very, very fine balance. Our view is that there needs to be a vision and a plan of taking both forward. I have heard the Minister for Transport say it is important to make sure we are making decisions in parallel and together for the whole transport network, and we agree. In London, the decision of Transport for London was to invest heavily in buses at the same time they introduced pricing on the London network. I cannot remember the detail of the numbers, but there was a dramatic increase in bus passengers.

**CHAIR:** From day one or was it staged? Can you remember how it was implemented?

**Mr STUART-WATT:** It was within a very short period of time—weeks. Although they invested a lot of money in buses, they were still caught out because of the transfer. It is important to understand the correlation between the two and the impact on the two, and make sure we take forward any major policy decisions in parallel. I know a lot of people do not agree, but I notice that in the paper one day they talk about the high price of public transport in New South Wales and Australia, and the next day they are talking about the low price of public transport in New South Wales and Australia. The answer is, if you travel around the world, we have a very low price in New South Wales—very low price.

**CHAIR:** I am going to ask you a really cheeky question. Can you draw any parallel between this inquiry and the George Paciullo inquiry into random breath testing?

**Mr STUART-WATT:** That it is going to be a landmark decision. The good thing is that the Committee—

**Mr PAUL TOOLE:** Did you set him up on that answer?

**CHAIR:** No. Did I say anything to you? Everything is above board.

**Mr STUART-WATT:** No, he did not mention it to me. The issue is that people look back on that decision now with awe, and, at the time—I was here at the time—

**CHAIR:** That is why I ask you.

**Mr STUART-WATT:** —the Minister had a shocking time and was under enormous pressure and withstood that, and the Government withstood it. In the end, the community just looks at back at awe with the decision that was made and what a fantastic decision it was for the country. Take heart, as a committee. Those big decisions often make a major difference to the way the country moves forward.

**Mr GREG PIPER:** Everybody knows what random breath testing is, but they do not necessarily remember who George Paciullo is.

**Mr STUART-WATT:** His name—

**Mr GREG PIPER:** He is not well known.

**Mr STUART-WATT:** We just had the anniversary. He is remembered fondly.

**Mr GREG PIPER:** They will not know who he is down at the local pub. They will know what random breath testing is.

**CHAIR:** This inquiry has limited resources and limited access to other specialist resources to try to put the case for it. The outcome of the inquiry could be general in terms of proposing a series of actions and talking about principles, it could make a series of recommendations to the Minister that is specific to Sydney in respect of what we are trying to do here with a specific model that would be put forward as a preferred one, given the experience of the Committee. Given your experience in government and bureaucracy, and given your understanding of the present state of the land, which one of those two options do you think would get more traction?

**Mr STUART-WATT:** I cannot say what I would do because I am not in a position to do anything, but my view would be that you would want to do both. As I said earlier, Roads Australia would like to see the vision outline in respect of where you are going and then some specific examples and steps on how to get there. The community can look at a vision, get an idea, but they will have no idea how to get from now to there unless the steps are outlined for them. I would suggest that the work of this Committee has more chance of being implemented if you have got a path to get there, even if it is only the first two or three steps.

**CHAIR:** Do you think that the first step could be harmonisation of tolls across the existing motorway network?

**Mr STUART-WATT:** It is in the Transport Master Plan; I have read it. It would be a fantastic thing if that could happen. The issue you have is that it is a collection of government and private motorways. My only

advice would be to make sure it can happen before you announce it will be your first step. My own advice now is that it may be better to start with steps that are within the government's control. If there is agreement from the private motorway operators to move forward, fantastic, it will be a great first outcome for Sydney. If it is going to take some time to negotiate, you may want your first step to be something that is totally within the Government's control.

**CHAIR:** Would you recommend a forum for that occur? If we had the goodwill of all the operators to come in and start talking about it as a necessary first step, what forum would you propose to facilitate that?

**Mr STUART-WATT:** The good thing today is that there is not as a diverse group out there as there was 10 years ago because a certain entity has bought half the motorways in Sydney. I would have thought it could be a very small group that would sit down and talk about the future and what could be done. Talking cannot hurt. I would be surprised if there could not be some form of agreement. I am not sure whether the Government is already doing it—it probably is—but some form of discussion process and a timetable to get there is what I would have thought could happen. That would be your first step, if it could be agreed. If it looks like it is going to take a long time and you want an earlier first step, choose something within the Government's control.

**CHAIR:** Previous submissions have spoken about significant registration reform: moving registration to a user-related registration concept. Do you have any views on that?

**Mr STUART-WATT:** Our paper suggests that if we are going to move to a user charge, road pricing, then all current charges need to come into the mould. If you are going to provide leadership from a State base, I guess what you can do is make a decision on the charges that the State imposes on motorists and, if so, how you would bring those in as a pilot arrangement.

**Mr PAUL TOOLE:** I congratulate David. It is one of the better presentations that I have listened to. The presentation is practical, it is laid out simply. Congratulations.

**Mr STUART-WATT:** Thank you.

**Mr GREG PIPER:** It has been very punchy, very valuable. Thank you.

**CHAIR:** Thank you for your time. I will finish off by saying that we may have some additional questions for you. Would you be happy to take those on notice and respond back to us and it would then form part of the evidence before this Committee?

**Mr STUART-WATT:** Absolutely. If there are any references in our material that you would like to get access to, do not hesitate to contact us. We would be happy to provide that.

**CHAIR:** Thank you very much.

**(The witness withdraw)**

**(The Committee adjourned at 4.26 p.m.)**