

**Submission
No 101**

INQUIRY INTO ROAD TOLLING

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The Hon G Donnelly MLC
Chair
General Purpose Standing Committee No.2
NSW Legislative Council
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Donnelly,

Inquiry into road tolling

Please accept this submission to the General Purpose Standing Committee No.2 on behalf of Blacktown Council.

Introduction

Western Sydney is Australia's third largest economy, and the region is experiencing more rapid population growth than the rest of Sydney. By 2031, one million more residents will live west of Homebush. Growth will place increasing pressure on Western Sydney's infrastructure, which is less well served by Sydney's historically radial public transport network, dispersed settlement patterns and poor north-south integration between precincts. These challenges require many residents to travel across town to access high-skilled jobs and are a deterrent to commercial development in Western Sydney centres. ¹

Western Sydney residents are long-distance road users that in many cases require travel across multiple motorway links for journeys to work, sport and cultural activities. Existing rail services are focussed on the Sydney CBD and do not provide cross regional services to key centres, housing and employment areas. This forces residents that are not working in the Sydney CBD or on the T1 Western Line to use their car to access services and employment.

The M2, M4, M5 and M7 corridors support the travel needs of Greater Sydney – already home to almost three quarters of Sydney's population. Over the next 20 years, most residential growth in the metropolitan area will be in Greater Sydney, through in-fill and on greenfield sites.

Most Sydney residents do not work in defined metropolitan centres. Some 60% of employment is dispersed across the metropolitan area.

Public transport cannot viably serve most of these jobs. Many other significant journey patterns, such as multi-stop trips, are also most effectively served by private vehicles.

Public transport is the best option for journeys to dense employment centres, such as the Sydney CBD and Parramatta. In these areas, public transport is already the preferred choice for many employees and that will continue to be the case in future.

However, the overwhelming majority of Sydney's journeys are dispersed in nature. For such trips the flexibility of the private car makes it the dominant choice. This pattern is the consequence of established land use patterns in Sydney and there is no indication in the available data that the patterns of demand will change in future.

The Committee is to inquire into and report on matters relating to tolling regimes for roads in New South Wales including the following:

1. A review of the tolling regimes in place on different roads and an explanation for the differences between each

- Sydney requires a single unifying tolling system that is fairly applied across all toll roads. Harmonisation of Sydney's tolling regimes is required to address current inequities.

Sydney currently has an ad hoc system of tolling regimes that were determined individually on the basis of funding the cost of providing each toll road. The current tolling regimes are inequitable - for using different toll roads, for different vehicle types, for the per kilometre rates charged, for the direction of travel, and for the overall cost of each journey.

When the Westconnex project begins to charge tolls in 2017, Sydney will then have 8 different tolling regimes in place. Of these, 5 tolls (Cross City Tunnel, Eastern Distributor, Lane Cove Tunnel, M2 & M5) are a flat fee that is charged for use of each individual toll road section. The M7 applies a distance based toll at a rate for each kilometre travelled which is capped at a maximum flat rate for each trip. The Sydney Harbour Bridge/Tunnel uses a time variable flat rate fee for southbound traffic only. Whereas Westconnex will use a distance-based toll which is capped at a maximum and includes a flag fall.

For trucks the toll varies from being the same as cars (Sydney Harbour Bridge/Tunnel), to being twice the toll for cars (Cross City Tunnel, Eastern Distributor) and triple the toll of cars for more recent toll roads (M2, M5, M7).

For trucks, the M4 is currently free, whereas the Cross City Tunnel has the highest toll per kilometre travelled (\$3.90 per km), followed by the Sydney Harbour Bridge/Tunnel (\$3.39

per km), Lane Cove Tunnel (\$2.70 per km), Eastern Distributor (\$2.32 per km), M7 (\$1.17 per km), M2 (\$0.98 per km), whereas the least costly is the M5 (\$0.53 per km).

When tolling begins in 2017, the M4 Widening toll for trucks will be \$1.26 per km excluding the flagfall of \$3.36 per truck.

For cars, the M4 is currently free.

For cars, the Sydney Harbour Bridge/Tunnel have the highest toll per kilometre travelled (\$3.39 per km), Cross City (\$1.95 per km), Eastern Distributor (\$1.16 per km), Lane Cove Tunnel (\$0.89 per km), M7 (\$0.39 per km), M2 (\$0.33 per km), whereas the least costly is the M5 (\$0.18 per km).

When tolling begins in 2017, the M4 Widening toll for cars will be \$0.42 per km excluding the flagfall of \$1.12 per car.

2. The process for determining how tolls are set for all types of vehicles, the length of tolling concession periods, the rationale for extending these concession periods and opportunities to increase transparency for the public, particularly given the absence in some instances of any competitive process

Tolling regimes should move away from simply recovering the cost of specific road, towards a network tolling strategy that addresses the current inequities and also promotes improved road network performance. Current road tolls have been set to recover the costs of the particular toll road link only. Tolls are not set so as to promote efficient road use and resolve the current toll inequities.

Setting tolls so as to promote efficient use of road also has the potential to contribute significantly to improved road network performance. Options to address inequity and performance concerns include:

- Tolls in proportion to public transport availability

Cheaper tolls could apply to trips from those areas with limited public transport options and higher tolls for routes with good public transport alternatives. For example, more expensive toll per km to go from Macquarie Park to the city, than to go from Macquarie Park to Blacktown.

- Performance refunds

Operators should be required to provide a guaranteed level of service with set average speed targets and an underperformance clause. Tolls would be proportionally discounted when the average speed on the motorway drops below the guarantee.

- Hardship suburb tolls

Lower tolls could be applied in socially disadvantaged suburbs. For example, a cash-back system could be applied to socially disadvantaged areas to compensate Western Sydney residents.

3. How tolling contracts are negotiated and varied and opportunities to increase public scrutiny and accountability of the negotiations that take place between private tolling companies and the NSW Government

Sydney's current toll road network is focused on funding each individual toll section of road, rather than promoting equitable use of all toll roads.

- Tolls could be set to promote better use of toll roads and address inequities in the current system.
- Tolls could be also set so that the cost per distance travelled is the same regardless of which toll road is used.

4. The rationale for allowing higher than CPI increases on certain toll

The new Westconnex project includes annual toll increases of a minimum of 4% or CPI whichever is greater.

Toll increases beyond CPI increases should not be permitted. The trucking industry, businesses and the travelling public require certainty of travel time and cost for trips on all toll roads.

5. The extent of any consultation undertaken with the trucking industry before changes are made to tolling regimes

Western Sydney is geographically large with a diverse and expanding population. Residents in Western Sydney need to be able to travel easily across the region for work, sport and cultural events and activities.

The fastest growing part of Greater Sydney is Western Sydney. Today, Western Sydney is home to 47% of Sydney's residents, and 37% of Sydney's jobs. Only around a quarter of these jobs are located in Western Sydney's centres, which means Western Sydney residents on average have to commute further than people elsewhere in Sydney.²

Western Sydney's growing population and economy are driving the demand for goods – especially imports moved by containers – and putting increasing pressure on existing rail

and road networks. By 2031, the broader Western Sydney Employment Area will be a key destination for cargo arriving at Port Botany.

Consultation with the trucking industry on tolling changes is vital as our many employment areas provide jobs and require access to high quality roads with certainty of travel time and toll costs.

6. The appropriateness of involving the Independent Pricing and Regulatory Tribunal (IPART) in the determination of tolls and their escalation, given the involvement of IPART and other such independent regulators in setting public transport fares and other services such as electricity transmission and distribution charges

IPART could be given responsibility for regulating, promoting and managing the equitable and efficient use of tolls. This would provide transparency which is lacking in the current process.

7. Opportunities to increase the assurance to the public that tolling arrangements represent the fairest possible outcome

Establishing clear road network performance objectives and benchmarks for RMS and toll operators, would allow toll road performance to be monitored on a regular basis.

Toll increases and expenditure decisions could be based on network performance against established benchmarks, with cost penalties for operators where performance falls below the benchmark or target. In this way the road user is compensated for poor performance while the operator would have a clear financial incentive to ensure travel time reliability.

8. An examination of road tolling arrangements in overseas jurisdictions, and

Road tolling options used in overseas jurisdiction could be examined to identify regimes that may be suitable for adapting to Sydney's conditions. For example London's M6 Motorway doesn't charge any fee for a motorcycle with a valid tag. Also toll charges vary by the time of day with a low fee charged for using the Motorway after 11pm and before 6am.

9. Any other related matter.

The current ad hoc tolling regimes in place across Sydney's Motorway network result in significant inequality in the cost for travel to and from the same destination. This results in drivers taking the lowest cost option rather than the shortest most direct motorway option.

For example, there are at least 3 main motorway options for driving from the Marsden Park to Sydney Airport, with options via the M7/M2, M7/M4 or M7/M5. This results in very different toll costs, ranging from \$3.03 (via M7/M4) to \$21.74 (via M7/M2) for cars and motorcycles, and \$9.09 (M7/M4) to \$58.29 (via M7/M2) for trucks.

Cars and trucks get a significant cost saving for using the M7/M4 as it is substantially cheaper than using the M7/M2 or M7/M5 combinations as follows:

- M7/M2+ Lane Cove Tunnel (LCT), Sydney Harbour Tunnel (SHT), Eastern Distributor (ED)

Using a car or motorcycle - this combination would result in a toll of \$18.79 to the airport, and \$21.74 from the airport (ED charges northbound only and SHT charges southbound only).

Using a truck - this combination would result in a toll of \$48.39 to the airport, and \$58.29 from the airport (ED charges northbound only and SHT charges southbound only).

- M7/M4+(M4 Widening + M4 East when Westconnex starts operating)

Using a car or motorcycle - this combination would result in a toll of \$3.03 before Westconnex toll, and \$9.04 after Westconnex tolls start.

Using a truck - this combination would result in a toll of \$9.09 before Westconnex toll, and \$27.12 after Westconnex tolls start.

- M7/M5+(M5 East when Westconnex tolls start)

Using a car or motorcycle - this combination would result in a toll of \$12.42 before Westconnex toll, and \$18.13 when Westconnex tolls start.

Using a truck - this combination would result in a toll of \$37.25 before Westconnex toll, and \$54.38 after Westconnex tolls start.

Yours faithfully,

General Manager

¹ Infrastructure NSW, 2014 State Infrastructure Strategy Update

² NSW Long Term Transport Master Plan