

INQUIRY INTO ROAD TOLLING

Organisation: Action for Public Transport (NSW) Inc
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Action for Public Transport (N.S.W.) Inc.

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Secretary,
General Purpose Standing Committee No. 2
Legislative Council
Parliament House
Macquarie St
Sydney 2000

Dear Secretary,

GPSC2 Inquiry into Road Tolling

Submission

Action for Public Transport NSW Inc. (APTNSW) is a transport advocacy group, which has been active in Sydney since 1974. We promote the interests of beneficiaries of public transport; both passengers, and the wider community. We respond to your call for submissions.

Our response is organised in sections corresponding to your terms of reference.

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

We have no comment on this matter.

b. 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

APTNSW has no fundamental objection to the idea that motorists should pay to take their vehicles with them when they travel. On 16 February 2016, Infrastructure Australia published its Australian Infrastructure Plan, covering the next 15 years. It expresses a preference for road pricing over registration charges and fuel taxes as sources of road revenue. We agree with that point of view. Otherwise, the marginal cost of using a private vehicle for a particular trip is small compared to the ongoing cost of ownership. The cost of the fare on a train, bus or ferry then appears comparatively higher and this discourages public transport usage.

We have elsewhere agreed with the proposition that the full benefit of public transport enhancements will only accrue if there is a cost for using the road system (just as there are fares payable to travel on public transport). See

<http://aptnsw.org.au/documents/connectivity.html>.

The proliferation of toll roads however is a matter of grave concern to APTNSW because such roads cannot achieve any long-term public benefit. That was probably never their aim.

Toll roads (motorways) are typically planned and proposed by the firm or consortium that intends to undertake the construction work and take the benefit of the toll revenue over the concession period. They are then advanced by way of an "unsolicited proposal" to government.

The benefits sought in this process are at heart commercial benefits to a private operator. The toll road industry has a strong

interest in creating a continuing pipeline of similar projects. The fact that motorways consistently fail to alleviate congestion, and are known to have the opposite effect - the creation of induced traffic - is not a shortcoming from that perspective; it is a bonus.

We say this as an observation, not as a criticism of the operators. It would be completely unrealistic and quite possibly unreasonable to expect any other considerations to be given weight by a commercial entity responsible to its shareholders.

Governments, however, should be criticised for the predictably poor outcomes of an inherently flawed approach to transport planning.

We have always found it extraordinary that unsolicited road proposals often receive premature and generous support from governments at both federal and State level without empirical evidence of their claimed benefits. In the case of Westconnex, financial support was forthcoming without even a detailed description of what was actually proposed.

c. 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

Plainly, these contracts are negotiated entirely behind closed doors. Governments in both NSW (Westconnex) and in Victoria (the east-west link) have entered into contracts prematurely for political purposes.

These kinds of contracts run counter to the public interest and it is foolish for governments to tie their hands in this way.

We are inclined to think that the only way to increase public scrutiny is to apply it before any negotiations begin. At the moment the point at which public scrutiny is allowed for is at the EIS stage, well after the key decisions are made..

d. The rationale for allowing higher than CPI increases on certain tolls

We cannot see any rationale for this practice, especially at a time of historically low interest rates.

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

We have long been concerned that the trucking industry's interests receive too much attention from governments, and more attention than competing interests such as rail freight.

f. 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

This idea is of concern to us. IPART uses its own form of cost-benefit analysis and it has recently decided to deduct road user charges, including tolls, from the benefits of public transport use.

IPART asserts that it is leaving decisions about transport planning, investment and service levels to government, along with land use and urban development. But in fact IPART is deeply engaged in transport planning, using a highly contestable theoretical model and a mode of analysis that is unable to account for important external benefits of greater public transport use.

Some of the external benefits of public transport IPART ignores are:

- Agglomeration benefits
- Social inclusion
- Wider economic benefits, such as workplace participation and productivity (and associated levels of welfare payments)

At the same time, IPART ignores some of the external costs of road use. These omissions introduce systematic bias into the analysis and this often results in perverse recommendations.

Infrastructure Australia has on the other hand tried to capture the benefits of agglomeration (co-location of mutually supportive activities in a central location) in cost-benefit analyses. See

http://www.aptnsw.org.au/documents/ipart_ext_benefits_2.html.

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

APTNSW would make just one comment here: Cost-benefit analysis should not be regarded as any sort of a guide to what constitutes the "fairest possible outcome". This is because cost-benefit analysis consciously ignores the question of which groups and places accrue benefits, and which bear costs. It recognises only "net" benefit and "net" cost. Most of the costs of a project might fall on one group or place, and most of the benefits on another. Reverse the situation entirely, and the ratio will be unaffected. Yet the consequences (the outcomes) of the decision are in reality very different. See <http://aptnsw.org.au/documents/connectivity.html>.

h. **An examination of road tolling arrangements in overseas jurisdictions**

We have no comment on this matter.

i. **Any other related matter**

The siren call of "no cost to government"

Governments since the 1980s have aimed to shift the cost of infrastructure provision to the private sector, and to see it provided "at no cost to government". Whether or not this was ever achievable and whether it is a sensible thing to do in a time of low interest rates is debatable. A Productivity Commission Inquiry into public infrastructure funding in 2014 noted that:

Alternative financing and funding models offer opportunities to reduce the **immediate** call on governments
[emphasis added]

It also states:

it should be noted that the application of new models is not a panacea. Ultimately infrastructure can only be funded through taxation, borrowings or direct user charges.

The logic of this conclusion is that if the call on government (immediate or otherwise) is to be reduced, user charges (such as tolls) will have to fill the gap. See http://www.aptnsw.org.au/documents/PC_Public_Infr_Funding.html.

In any event, the supposed savings to government are frequently illusory. The estimated direct cost to government of Westconnex is approaching \$20 billion so far.

The opportunity cost comes in at least two forms. First is the lack of funding for initiatives that could actually reduce traffic congestion - public transport initiatives. Second is the provision of large swathes of publicly owned land to motorway operators. The project is often misdescribed as a tunnel, but it frequently emerges as portals and spaghetti junctions, and the land take is considerable. The Rozelle Railway yards for example are shown on maps as part of the Bays Precinct, but the latest Westconnex plans would remove all prospects of more productive forms of development of the area. This is an unrecognised but substantial cost to government.

An unsolicited offer by a tollway operator has a similar effect to matched funding by another level of government. It tends to distort the choices made about the allocation of the State's own funds. At first glance the offer looks like a bargain. By the time anyone takes a closer look, a press event (complete with fluoro vests and hardhats) has been held, and the Minister is apt to feel "locked in".

This phenomenon has been recorded by Samuel I Schwartz, explaining how the availability of massive federal funding for road-building under the Interstate Highway Scheme warped the priorities of US city administrators, and led to the destruction of the downtowns of many cities as freeways were routed through them.¹

Unsolicited tollway proposals almost invariably relate to urban areas, because that is where the population is biggest and the commercial return is most attractive. Consequently unsolicited tollway proposals tend to drag the "matching" funding of the federal and State governments towards established urban areas and away from regional areas.

Getting nowhere, just as slowly

The cost of tollways, and of the tolls and public money that over time are meant to pay for them, can only be justified if they solve the problem they set out to solve, and do so better than some other way of addressing it.

Tollway operators persistently claim that building a toll road will reduce traffic congestion. Unwary politicians may uncritically accept the proposition. Assuming that the problem is traffic congestion and travel times², there is no evidence that building tollways will solve the problem and plenty of evidence to the contrary.

The WestConnex New M5 Project Overview itself contains empirical evidence that this is what should be expected. It notes (p.9) that the "old" M5 East was congested within just six months of its opening in 2001, and now experiences the slowest typical travel speeds of any of Sydney's main motorways.

A 2014 NSW Audit Office report⁶ notes (p.15) that the WestConnex project began with the NSW Government asking Infrastructure NSW (established mid-2011) to provide advice on "Sydney's next motorway priority" as part of its work in developing the State Infrastructure Strategy (SIS). Exactly when and how this request was made is not indicated in the report. Nor is it clear why the request was made, presuming as it does the need for a motorway at all.

The reason may be the one alluded to in a March 2012 report by the National Infrastructure Co-Coordinator, which canvassed prospects for "high value vehicle" roads and stated (p.29) that "There have been suggestions that Transurban may present an unsolicited proposal to the NSW Government to develop several motorway links".

It would be reasonable for a government facing unsolicited transport proposals to have in place a strategic framework against which such proposals could be assessed. The question actually asked was however bound to elicit something else entirely.

We now have a pointless project prematurely endorsed and announced; and funded ahead of other projects not answering the description "motorway". Contracts were let before the project was properly assessed and indeed before it was properly planned. The project is being redesigned month by month as it becomes blindingly obvious that it will cause traffic congestion wherever it attempts to rejoin the existing road system.

Relationship to road access pricing

Road tolls and road access pricing are so similar that they should be considered together. The context in which road access pricing has most frequently been raised is that of demand management, the aim being to make the best use of existing roads and to reduce the need to construct additional road space in established cities. Road tolls on the other hand are usually considered in the context of funding the construction of major new roads - motorways.

- There seems to be widespread apprehension about road access pricing. We note that a NSW Legislative Assembly committee conducted an enquiry into the latter with public hearings in 2013. The enquiry never reported and hence lapsed when the Parliament ended in March 2015.

APT(NSW) believes that in the city, emphasis needs to shift back to road access pricing. In these days of efficient numberplate recognition technology, it is no longer necessary to rely on toll tags for tolling and/or road pricing. In particular, road access pricing could be implemented without requiring all cars to be fitted with GPS or other devices.

- Conveniently, eastern Sydney surrounds a harbour and a large bay fed by several waterways, each with a limited number of road crossings. It would be quite feasible to put small tolls, varying according to time of day, on these crossings and thereby effectively put a noticeable price on long trips that used several of these crossings.

Tolled points in eastern Sydney might include:

- Gladesville Bridge
- Spit Bridge
- Figtree Bridge
- Mona Vale Road, Terrey Hills
- Roseville Bridge
- Tom Uglys Bridge
- Captain Cook Bridge
- Ryde Bridge
- Alford's Point Bridge

- Cooks River bridges
- Silverwater Bridge

At present, public transport services in Western Sydney need to be dramatically improved. The proceeds of road access pricing would provide additional funds to government that in part could assist it to provide better connections to Parramatta, giving it a level of public transport accessibility to match that of the existing CBD. We suggest to the Committee that the funding unwisely allocated to Westconnex should be redirected to that end.

We would be happy to give evidence to the Committee at its public hearings.

References

- <http://www.drive.com.au/motor-news/uk-road-pricing-epetition-gets-support-20070220-140bx.html>
- <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=1633>
- <http://www.smh.com.au/nsw/road-pricing-too-touchy-a-subject-for-nsw-election-20140924-10l6oy.html>
- <http://infrastructureaustralia.gov.au/policy-publications/publications/Australian-Infrastructure-Plan.aspx>
- <http://www.smh.com.au/comment/why-sydney-needs-congestion-20160510-gos5dz.html>

Footnotes

¹Schwartz Samuel I 2015, *Street Smart* pub. Public Affairs p. 20

²Some people argue that congestion is not of itself a problem. Standen argues that traffic congestion is self-limiting. Schwartz points out that traffic congestion is linked with higher levels of economic activity, not the reverse.

Jim Donovan
Secretary
Action for Public Transport (NSW) Inc.