

INQUIRY INTO ROAD TOLLING

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The Hon. Greg Donnelly MLC
Chair, General Purpose Standing Committee No. 2
NSW Legislative Council
Parliament House NSW 2000

By email: gpscno2@parliament.nsw.gov.au

Dear Mr Donnelly,

Inquiry into Road Tolling

The City of Sydney has a depth of experience and insights on the impacts of road tolling developed in response to projects such as the Sydney Harbour Tunnel and Eastern Distributor, the Cross City Tunnel and now WestConnex. The City supports an integrated approach to transport planning, to deliver economic and productivity benefits, improved liveability and sustainability. The City understands that a well-planned and managed road system can help meet these outcomes if it prioritises freight, public and active transport, or facilitates access to employment and services in low density locations.

The City wishes raises a number of issues in response to the Inquiry Terms of Reference:

1. The terms of reference are unnecessarily narrow

The Inquiry should examine the role of toll roads in the transport system's support and delivery of agreed Metropolitan economic, social and environmental outcomes. Increases in road capacity can have the effect of encouraging people to drive longer distances or with greater frequency, and can feedback into the locational decisions for business.

To assist integration of transport and planning, the outcomes of the Inquiry should be incorporated into the strategic framework being developed, namely the Greater Sydney Commission's District Plans and the Future Transport Strategy.

The Inquiry should examine the issues relating to road pricing on the broader road network, and how this influences the distribution of traffic on tolled and non-tolled sections. It should consider whether it is producing optimum outcomes across a distributed network, or whether the financial imperative to concentrate large volumes of traffic into a high-quality link, creates major traffic and amenity issues when the traffic discharges back into the broader network.

2. Tolls as source of revenue, rather than a price for usage: Distortions in strategic transport planning can arise from procuring projects in this fashion

Whilst tolls are levied at the time and based on roadway use by individuals, they are primarily a cost-recovery mechanism rather than a true price for use. Use of tolls as a revenue stream allows Governments to remove significant infrastructure investment from an operational budget.

There is a risk in this model – the opportunity for a project to be delivered and funded by user charges can overwhelm considerations of need, or whether a project is the best approach to fixing an identified problem. A project may make financial or commercial sense but still not be aligned with agreed economic, environmental and social outcomes.

3. The relationship between the Cross City Tunnel and toll, and transport management and urban design outcomes in the Sydney city centre

Traffic management has a major impact on the economic efficiency of the city centre. In particular and as an example, the facilitation of east-west movements at the surface can create major pedestrian congestion on King, Bathurst and Goulburn Streets.

At the same time, the Cross City Tunnel may be relatively underutilized. It is likely that the toll on the Tunnel, and the lack of a direct price on use of surface streets, encourages a significant proportion of drivers to traverse the city centre at surface level.

The City of Sydney is willing to work with the NSW Government to investigate different approaches that encourage the use of the Tunnel for through-movements, reducing congestion for all road users in the city centre.

4. The impact of toll agreements that preclude public transport or rail freight projects in the same corridor as a toll road

Many toll road contracts, such as the M2, specifically prohibit the development of competing projects, unless Governments compensate the toll road operator.

In many corridors, an integrated solution is often required to achieve agreed economic, social and environmental outcomes:

- A high-quality road that bypasses dense town centres and services gateways and lower density employment; AND
- A rapid transit system that provides direct access from residential areas to centres, and connects centres to centres to assist business formation.

Governments' ability to provide this integrated approach should not be constrained by inclusion of non-compete clauses in toll contracts.

5. Opportunities for incremental reform that better align road tolling regimes with agreed transport network outcomes

Over time, NSW should explore a well-designed, universal road pricing system to:

- use demand management system to encourage the shifting of demand, for commuters and commercial and freight operators – across links in the network, and across the day and week;
- incorporate discounts and incentives, as well as current surcharges;

- better align the price and the cost for use of the road;
- levy charges on a broader range of beneficiaries;
- provide Government with a revenue stream from distance-based road user charging, as revenue from fuel excises is likely to decline;
- enable planning for new links only where demand management is proved not to be successful.

This will require significant review and study, trials and testing, and consensus across all relevant levels of Australian governments. Government could maximise the effectiveness of the toll roads within the context of the broader transport and land use system.

Should you wish to speak with a Council officer about road tolling issues, please contact Peter Warrington, Manager, Transport Policy by telephone on _____ or by email at _____

Yours sincerely

Monica Barone
Chief Executive Officer

