

## **INQUIRY INTO ROAD TOLLING**

**Organisation:** NRMA  
**Date received:** 19 May 2017

---



The Portfolio Committee No.2 (Health & Community Services)  
Parliament of NSW  
Macquarie Street  
SYDNEY NSW 2000

To the Committee,

**Submission to the NSW Parliamentary Inquiry into Road Tolling**

Please find attached a submission from the NRMA to the Inquiry into Road Tolling.

As one of the largest membership organisations in Australia with 2.4 million Members, the NRMA works with policy makers and industry leaders to advocate for increased investment in road and transport infrastructure to make mobility safer, provide access for all and to deliver sustainable communities. By working together with all levels of government to deliver integrated transport solutions we can give our citizens a real choice about their mobility.

The NRMA believes that integrated transport networks, including efficient roads, high-quality public transport, and improved facilities for cyclists and pedestrians are essential to solve the challenge of growing congestion and provide for the future growth of our communities.

The NRMA would be happy to appear before the committee to speak to this submission should the committee wish the NRMA to do so; the NRMA does not request an appearance before the committee otherwise.

Should any further information be required, please do not hesitate to contact NRMA Senior Manager, Policy & Research

Yours sincerely

**KYLE LOADES**

**Chairman**

## NRMA Submission to the Inquiry into Road Tolling

### Executive Summary

1. Both NSW and Australia in general has a substantial infrastructure deficit.
2. While there is an abundance of *finance* (both public and private) available for infrastructure investment, the reluctance to consider all *funding* options is delaying the construction of vital roads that the state and nation needs.<sup>1</sup>
3. The NRMA supports the consideration of all *funding* options, including user pays tolling, in order to accelerate delivery of much needed infrastructure. However user pays tolling needs to be transparent, equitable, and independently assessed, to ensure that motorists are receiving a benefit for the toll they are paying.
4. Eventually the NRMA would like to see a comprehensive reform of road *funding* in NSW, including the consideration of a broad based road user charge.

### The NRMA Position on User Pays

5. The NRMA has developed the following position on the *funding* of new road infrastructure.
6. The NRMA supports the availability of all *funding* models to maximise investment in road and transport infrastructure, including:
  - Community Pays: The use of taxation revenue
  - Beneficiary Pays: Value capture, third party revenue streams (e.g. Advertising) and levies
  - User Pays: Tolls, public transport fares and/or a potential broad-based road user charging scheme
7. The NRMA supports the application of user pays funding models to bring forward infrastructure delivery, where the charge represents value for money and real benefits to the community. Benefits could take the form of:
  - Improved transport network performance
  - Improved asset quality or safety
  - Reduced travel times on the network
  - New access – for instance on- and off-ramps or stations
  - Environmental improvements including greenhouse gas emission reduction
  - Productivity benefits including reduced costs of congestion
  - Economy-wide benefits, including business and residential development opportunities
8. The calculation, indexation and application of user charges must:
  - Be transparent, including the user charge at commencement and escalation mechanism
  - Consider wear-and-tear caused by use of different vehicle types
  - Encourage and provide greater mobility choice
  - Make provision for future demand for use of assets, including associated investment requirements

---

<sup>1</sup> *Infrastructure financing* – is the process of raising debt or equity for the delivery and operation of infrastructure.  
*Infrastructure funding* – is the source of revenue used to provide the monies used to meet (repay) the costs of infrastructure financing.

9. Mechanisms to vary user charges should be independently calculated (e.g. by IPART) and relate to:
  - Whole of life asset cost and maintenance
  - Incentives for behavioral change
10. Ultimately, the NRMA would like to see a fundamental change in the way infrastructure is funded; moving to broad-based road user charge because our current arrangements:
  - Are not delivering adequate investment in new infrastructure to support population changes
  - Provide inadequate asset maintenance, which is reducing the safety, quality and productivity of current infrastructure
  - Fuel excise provides a declining revenue base due to the introduction of more alternative fuels and electric vehicles.

### **The State's infrastructure deficit**

11. The current infrastructure deficit estimates for NSW road projects are in the order of \$100 billion.
12. The infrastructure backlog for local government councils alone was estimated at \$2 billion in 2016, with \$1.6 billion of this attributed to regional local councils. Regional councils also have infrastructure maintenance shortfalls in the order of \$10 million.
13. There are also several key roads that need to be funded, such as the Spit Bridge replacement, Western Harbour Crossing, F6 (SouthConnex), that have been in planning stages for a long time across successive governments but have yet to attract investment.
14. At the same time as the existing backlog, the nation faces profound challenges in managing and expanding the transport network. Growing demand for passenger and freight transport freight is projected to triple by 2050.
15. Not fixing these issues will damage the nation's productivity. The cost of congestion in the Sydney basin will cost the NSW economy \$6.9 billion in 2017 and is expected to rise to \$12.6 billion by 2031.
16. This makes it clear that the current funding arrangements for investment in road infrastructure are not working.

### **The need for greater sophistication in consideration of road infrastructure funding**

17. Both Infrastructure Australia and INSW have documented the importance of using all funding and financing options, including user pays, to enhance our capacity to invest in infrastructure to meet our future needs.
18. Indeed, the Infrastructure Australia Infrastructure Finance and Funding Reform Report (2012) sums the task ahead of us quite succinctly:

*"A major constraint on the delivery of social and economic infrastructure is the funding capacity of Australian governments. This is distinct from the capacity of the private sector to provide financing capital for infrastructure projects. Solutions to the backlog of infrastructure investment, or 'infrastructure deficit', will require substantial funding reform but will lead to greater private sector investment in infrastructure."*

19. The major recommendations of the report include:

- Governments should implement targeted measures such as user charges to enhance price signals to better balance supply and demand, and to increase the funding available for infrastructure investment;
- State and Territory governments should identify and monetise suitable public assets, allowing the freed up capital and avoided debt repayments to be recycled/invested into infrastructure projects;
- The Australian Government should give a higher priority to infrastructure funding in the immediate-term to achieve positive reforms that will get nationally significant projects to the market in the short-to-medium term;
- The Australian Government should give a higher priority to infrastructure funding in the immediate-term to achieve positive reforms that will get nationally significant projects to the market in the short-to-medium term;
- Governments should utilise appropriate models to drive revenue from the broader benefits delivered by major infrastructure projects, such as value capture for transport infrastructure; and
- The Australian Government should strengthen its linking of infrastructure funding to State and Territory governments implementing agreed reforms including changes that increase their capacity for investment.

20. There are many options for funding infrastructure including:

- Community Pays: The use of general (public) revenue streams
- Beneficiary Pays: Value capture, third party revenue streams (e.g. Advertising) and levies; and
- User Pays: Tolls, public transport fares and/or a potential broad-based road user charging scheme

21. The NRMA strongly supports the retention of the State's AAA credit rating, meaning that infrastructure funding through community pays can only sustainably grow in line with economic growth (and resultant revenue) or the ability to reprioritise funding within the budget. The expected social services and welfare funding gap and the estimated decline in GST receipts means this may not be practical.

22. In this regard, the NRMA has long been an advocate in favour of expanding the motorway network in Sydney, using private sector financing and user pays funding to deliver quality roads, due to Government budgetary pressures and the need to deliver much needed infrastructure.

23. The application of major user pays arrangements have been developed over the time and documented as follows:

- Cross City Tunnel and Lane Cove Tunnel – specific multiple toll points, developed under the Public Private Partnership model
- F3 and F6 - single point facility charge
- M2 construction – specific multiple toll points, developed under the Public Private Partnership model
- M2 Upgrade and M5 West Widening – Public Private Partnership model via contract variations to existing concessions
- M4 and M5 – fixed charge, developed under the Public Private Partnership model
- M5 East –public funded with no toll
- M7 – capped distance based tolling
- NorthConnex – Adjacent PPP (corridor roads) contract variations, private unsolicited proposal
- Sydney Harbour Tunnel – time of day charge, private unsolicited proposal, adjacent corridor roads tolled to fund enhancements
- WestConnex – Adjacent corridor roads tolled to fund enhancements

24. Both major political parties have commissioned user pays funded motorways and privately financed projects in developing Sydney's Road Tolling Network.
25. A number of different tolling approaches have existed in NSW since the 1960s with the old F3 and F6 motorway tolls being a single point facility charge. Specified concession agreements have been in place since 1987 for the Sydney Harbour Tunnel.
26. The terms of these agreements include the toll levels, escalation and length of the concession period. Each agreement has also included conditions dealing with debt servicing levels, connectivity issues with adjacent road network and road safety requirements.

#### **The NRMAs position on User Pays**

27. The NRMA position can be found at the beginning of this paper.
28. The NRMA believes that our position strikes the balance in ensuring that our Members and other motorists in the State receive a true benefit for any charge they pay and are not being gouged, but also creates no barrier to road, or indeed any other, infrastructure investment.

#### **The need for comprehensive reform**

29. The NRMA strongly believes that a transition to a comprehensive network user pays model is the best and most fair model in funding the road network and to attract more investment.
30. While this would be a comprehensive long term reform, the need to move to this type of model will only become more apparent in time as the infrastructure backlog increases.
31. A complete review of all existing motoring vehicle taxes and charges would first be required to assess what type of road user charging models could be implemented to secure long term investment in the road network and how it interacts with public transport.
32. Consideration of how tolling charges fit into any proposed user charging model will need to take place.