

## **INQUIRY INTO ROAD TOLLING REGIMES**

**Organisation:** Road Freight NSW

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Road Freight NSW

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# Inquiry into road tolling regimes

Submission 31 May, 2021



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**The Hon. Abigail Boyd, MLC**  
**Greens**  
**Chair**  
**Portfolio Committee No. 6 - Transport and Customer Service**  
**NSW Legislative Council**

PORTFOLIO COMMITTEE NO. 6 – TRANSPORT AND CUSTOMER SERVICE

***Inquiry into road tolling regimes***

Dear Ms Boyd

I am providing this written submission on behalf of Road Freight NSW (RFNSW).

RFNSW began as NSW Road Transport Association (RTA) in 1893. The organisation has developed to become a respected advocate for trucking operators, as a conduit to government, regulators and enforcement agencies.

In 2015 the new name adopted, Road Freight NSW, articulates our independent and authoritative viewpoint thanks to our respected executive leadership and the passion and expertise of members contributing to the Policy Council.

In addition to the making of this written submission, I also formally and respectfully request the opportunity to give oral evidence directly to the Committee and attend any public hearing on this matter in order to constructively participate and contribute to this important Parliamentary process and ensure Committee members are properly informed to the fullest extent possible in their Inquiry.

This submission relates directly to all of the points of the Committee's Terms of Reference.

I look forward to the Committee conducting its' work on these issues, which are of the utmost importance to the road freight industry and to the thousands of its members and families, to the State and National economy, and to the wider community and Australian society.

I would be pleased to personally brief you on the content of this submission and the critical public policy issues raised. I thank you in advance for your consideration.

Yours sincerely

**Simon O'Hara**  
**CEO**  
**Road Freight NSW**

# INTRODUCTION

Our position in relation to the freight industry and our engagement with government and the bureaucracy is essentially encapsulated by our desire to be an honest broker in our discussions and advocacy. We are willing to negotiate and engage for better outcomes for the NSW freight industry and the community.

Our remit is not just to advocate for our members, but also to seek solutions for one of the most important industries to the Australian economy during the Covid-19 pandemic.

As a consequence, it is pertinent to remember that the Deputy-Prime Minister of Australia has recently reminded regional communities on numerous occasions, on his Ministerial visits, that road freight keeps Australia moving during Covid-19.

Australia's heavy vehicle industry has been, and still is, crucial to sustaining our economy and distributing critical goods during the pandemic.

All levels of Government should be doing a lot more to support road freight operators working hard to keep shelves stocked and essential goods moving. Road freight is absolutely critical to this, particularly as the pandemic and the havoc it causes shows no signs of abating overseas, with the prospect of further and continuing outbreaks in Australia a real and present danger.

All levels of Government should be acting to reduce the pressure on the transport industry at this time, not placing further pressures on our critical industry.

The increasing industry costs of toll roads are enervating businesses and leaving road freight operators in significant debt or leading to them going bust altogether.

The tolls are putting a stranglehold on road freight businesses, workers and their families.

The NSW Government should be helping operators of commercial vehicles facing hardship. These transport operators, including owner drivers, have borne the brunt of the Covid pain.

Costs are accelerating to the point that many transport workers and small business owners in NSW can no longer afford to work and maintain a vehicle safely, with income shrinking while costs are accelerating, and in many cases unable to recover their costs from their clients.

There are 16,000 hardworking trucking businesses in NSW and most are suffering due to poor public policy decisions by the NSW government.

The road freight industry is prepared to pay their share of the cost of road infrastructure, but this must be done in a fair, equitable, and reasonable manner.

# THE DEVASTATING IMPACT OF TOLL ROAD PRICING ON THE AUSTRALIAN ROAD FREIGHT INDUSTRY

Road freight industry members are paying tens of thousands of dollars in tolls every month. They continue to feel the adverse effect of road tolls, rising fuel costs and unwarranted port infrastructure surcharge charges, which are combining to erode the viability of owner operators' businesses.

It is imperative that the Committee examine incentives for freight operators for their frequent toll road use.

A 'per km', distance-based tolling system could be a good first step, with the consideration of a daily cap on tolls for transport operators.



Off-peak tolling discounts would also incentivise truckies to take advantage of reduced prices for usage after hours, help ease congestion and have the added safety benefit of reducing levels of light vehicles in non-peak periods.

Current tolling fees are unfair and inequitable for truck operators who increasingly have no alternative than to use expensive toll roads, due to Government regulations.

If the Government is serious about diverting heavy vehicles off suburban roads, it must incentivise truckies to use toll roads, such as reducing registration fees or providing a specific 'cash back' to freight operators. The road freight industry needs some level of support from the Government, as they continue to struggle to cope with not only significant increases in tolls, but to landside port surcharges and other operational costs. The NSW Government must urgently deliver financial relief measures for the industry.

These are tough times for the road freight industry, particularly small, family-owned businesses, operating one or two trucks, who are starting to suffer enormous financial hardship. In some cases, their rates no longer cover their operating costs.

If the Government is serious about getting the NSW economy moving again as part of its COVID-19 recovery plans, as they continually state, they must restore a degree of equity for road-users and develop new solutions which will support the struggling transport industry and also enhance the safety of the community.

RFNSW member, family owned and operated NSW transport company Vellex, is paying out over **\$100,000 in toll fees each month.**

Another RFNSW member, Dean Smith, Managing Director of Winstone Express Haulage says there's 'not a single toll in Sydney that represents a fair price for heavy vehicle operators'.

***"Our toll cost for October 2020 was approx. \$25,500.00. After the introduction of the Northconnex it went to \$33,600.00 and has continued to track the same each month.***

***"The tolls do give a benefit to heavy vehicles. However, this benefit is nowhere near the cost of the toll. Way too expensive and the only one getting a benefit is Transurban. Corporate greed at its finest."***

Bill Lovatt, from Lovatt Transport, has endured a **73% increase in tolls in 12 months:**

***"For the 12 months 1/5/20-30/4/21 our toll cost was \$1,136,302 + GST..... which gives an average of \$71 per job cost of tolls***

***For the 12 months 1/5/19-30/4/20 our toll cost was \$618,989 + GST.....which gives an average of \$41 per job toll cost.***

***"An increase of 73%.***

***"Comparative costs per container in April 2021 compared to April 2017 to a western suburb (Pemulwuy) from Port Botany & return.***

***"In 2017 the toll cost was \$64.78, in 2021 it was \$111.50. This showed a similar increase of 72%.***

***Prior to early 2019 the tolls were only increased quarterly by CPI but in the past year seeing the introduction of the M4 and M5 East this has contributed substantially to the cost of cartage.***

***"A recent toll increase from July 2020 went from no cost on the M5 East to \$43.40 return for a HV and has affected truck movements and seen many operators who can't afford it use the suburban roads in Rockdale, Brighton, Bexley and Beverly Hills to avoid paying this exorbitant charge."***

These are real Australian businesses and families suffering.

Businesses are being forced to pay excessive tolls and a daily, week or monthly cap on tolls would make a huge difference, particularly in a city like Sydney that is very toll intensive.



Paul Downey from Trojan Transport says relevantly:

***“Overview of tolls last 3 years for month of Feb, we did take over ACF transport in July last year, which is an additional 6 trucks therefore adjust figures to represent increase on actual truck numbers would be \$48k for Feb 2021:***

***2019 - \$ 18k***

***2020 - \$ 22k***

***2021 - \$ 65k (48k if truck numbers remain the same)”***

Post-Covid-19 pandemic has exacted a heavy financial toll on road freight companies.

Some road freight businesses won't recover, and some laid off workers won't be rehired. Fortunately, Australia is a country, and road freight is an industry, full of smart people who will come out the other end much stronger. However, the government should be supporting them in doing so, not making their lives tougher and their struggles worse.

Covid-19 is taking a toll on drivers too, though their heroic efforts to keep shelves stocked with essential goods during the pandemic, which has not earned perhaps a well-deserved public and political recognition nationwide.





# PUBLIC POLICY CONSIDERATIONS

It is without question that any move by government to cap toll fares would hurt Transurban, which owns most of Australia's toll-roads.

Truck traffic contributes about 17 per cent of all Transurban's traffic, and about a quarter of its group proportional revenues (truck tolls are three times higher than car tolls).

Before the last NSW State Election, providing transport infrastructure and reducing congestion were key issues. The situation regarding toll roads, and the unfair and discriminatory targeting of heavy vehicles, has worsened, however.

Sydney holds the dubious honour of having the most extensive — and expensive — urban toll road network in the world.

Government promises that toll roads would ease traffic congestion and were crucial to the City's future have not been borne out by any evidence. Tollways have not been successful in reducing road congestion. However, the NSW government continues to argue that road infrastructure is expensive to build and the Government has no choice but to pass on the cost to users.

It is problematic that Motorway operators hold the upper hand in establishing pricing points in consultation with the government. The pricing points, toll increases and length of the concession period (until the road is paid off) are determined by factors such as the cost of construction and the funding and financing needs of the project.

Other considerations include increases in expenses, income and comparable toll roads, that tolls are charged for both directions of the motorway, and that trucks fees are three times higher than cars.

Tolls such as those for heavy vehicles rise much more than any set formula. There seems to be no scientific basis or model available for governments to negotiate with toll companies in PPP's or to determine optimal tolls for trucks looking at system optimisation, which leads to a very inefficient heavy vehicle transportation system.

Tolls can be a substantial issue for businesses. The methods of setting tolls are not transparent. Trucks in fact do not have an alternative to paying tolls, as there are regulations to force them to use the tollway rather than side streets. Trucks already pay more for road maintenance through registration and fuel charges. Further, tolls can be varied.

There should be a National approach to tolls and an independent pricing regulator.

For the nine kilometres of the \$3 billion NorthConnex tunnel, Transurban negotiated a concession period of 28 years ending in 2048. Transport for NSW has been coy on whether tolls would be stopped once the concession period ended.

One problem is that heavy vehicles are assumed to be carrying full mass all the time, which is not accurate. The system should reflect what mass trucks actually are and the costs associated with that mass.

Road freight is vital to Australia's collective economy and productivity, as well as the quality and cost of living that we experience as a community.

The NSW government, in conjunction with the Commonwealth, needs to ensure our freight and supply chains operate efficiently and minimise costs for business and consumers.

The freight task is growing faster than population growth. In Australia, supply chain costs represent around 10 per cent of the final cost of a product.

Governments sometimes use the media to promote their arguments to the general populace, trying to control the narrative on an important issue.

In relation to toll roads charges for heavy vehicles, governments sometimes try to promote negative sentiment driven by the general public's limited understanding of how tolls are calculated.

Heavy vehicle tolls have progressively been increased on most routes to three times the rate of light vehicle tolls. In NSW, this forms part of the Government's tolling principles. Whilst on one hand the way heavy vehicle tolls are calculated is clear – they are set by governments in tolling concession agreements with private companies – the principles on which they are set are not clear.

The higher rate for heavy vehicles appears to be justified by governments and tolling companies by a number of problematic arguments.

*The rate is nationally consistent:* justifying tolling rates as nationally consistent, when one private company is the dominant supplier, is just an excuse to increase tolls.

*Higher truck tolls reflect increased maintenance and road damage costs by heavy vehicles:* research into the marginal cost of road wear as a result of the impact of an additional trip made by a heavy vehicle indicates that in terms of recovering the cost of truck use to road wear and repair costs, the heavy vehicle multiplier vastly exceeds the marginal cost.

For a fully laden 6 axle articulated heavy vehicle, the estimated maximum marginal cost would be \$0.16 per kilometre for an urban toll road. Using the M7 as an example, the maximum capped truck toll is \$24.72 for a continuous 20km or greater trip, three times the maximum car toll of \$8.24. Of the extra \$16.48 that is collected, just \$3.20 represents road damage costs over 20km, under 20 per cent of the increased toll rate. Similarly, calculations about the road wear damage appear based on heavy vehicles carrying their maximum allowable weight. For heavy vehicles which are not carrying their maximum allowable weight, and other types of heavy vehicles, the actual cost would be lower.

The National Transport Commission has reported that a significant proportion of heavy vehicles operate at below their mass limits, and there are several heavy vehicle operational uses which

result in vehicles carrying weight lower than the maximum allowable, including palletised mixed freight, white goods, groceries and cars.

Heavy vehicles are increasingly being forced to use new toll roads, such as NorthConnex in Sydney. There is no need for truck bans on alternative routes to the tolled routes.

*Due to the higher operating costs of heavy vehicles, the value of the time savings are greater:* heavy vehicle tolls have a significant impact on trucking operators. Independent evidence to the Australian Senate through an Inquiry reported that smaller trucking operators are less able to use their fleets (or single vehicle) to convert travel time savings to direct benefits for their companies. Smaller operators are also very sensitive to costs and road pricing. Even though toll charges have significantly increased, travel time savings are either minimal or non-existent, particularly in relation to the M7.

If the heavy vehicle toll multiplier reflected the actual monetary gains to operators, then operators would be incentivised to utilise the roads. There would be no need for truck bans on alternative routes. Instead, new toll roads are increasingly applying truck bans on alternative routes, such as in NSW. That these are considered necessary is an illustration that the multiplier is not reflective of its economic value.

It is instructive to note that the 2017 NSW Parliamentary Inquiry into road tolling recommended that the NSW Government should identify and publish the evidence supporting its decision to toll heavy vehicles three times that of light vehicles. This has not occurred.

*Increasing the cost of business:* heavy vehicle tolls negative sentiment is driven by the lack of justification of the toll multiplier and the impact on the cost of business. Heavy vehicle tolls are not a simple application of user pays – trucking operators are overpaying and are increasingly forced to use the asset as a result of government regulation. Higher tolls and administration costs cannot always be passed on to customers.

Private toll road owners and State governments have been increasing toll road charges on heavy vehicles whilst avoiding a fair distribution of increases with light vehicles. At the same time, toll roads are increasingly becoming a monopoly asset for heavy vehicle traffic, with NorthConnex in Sydney being accompanied by truck bans on alternative routes.

There is an urgent need to create a regulatory framework to provide constraints on using heavy vehicle tolls as a revenue raising mechanism, above and beyond the level required for cost recovery.

The potential for major impacts on trucking operators is a serious threat. The road freight industry operates on tight margins, and additional fees and charges are impossible to pass on to customers while maintaining competitiveness. The introduction of additional fees and charges has caused some operators to cease trading, causing increased unemployment and reducing productivity.

The ACCC has publicly stated that the privatisation of monopoly or near monopoly assets, without appropriate pricing controls, can result in the transfer of market power and economic rent extraction to private hands. Many infrastructure assets, such as toll roads, have legislated or natural

monopoly characteristics. The introduction of truck bans on alternative routes is increasing the monopoly status of toll roads.

There is an inherent conflict for State governments between their role as a regulator and their own financial motives.

There is a government contract with the operator that determines the price of tolls and that is part of the sale process. Government can reduce the tolls if it chooses, but it would need to compensate the operator for any loss of income as a result of a differential in revenue.

Unlike the road freight industry, there was a special deal done for caravans about the differential of the toll costs across the network. Why wasn't the road freight industry provided the same deal, the same respect, particularly when considering its significant contribution to the economy, particularly during the Covid-19 pandemic?

The government should reduce truck registration costs in line with the registration reduction for caravans, with light vehicles also being eligible for reduced registration costs and a cashback scheme. Why are the road freight industry being discriminated against? Why have heavy vehicle operators been excluded from the expansion of the NSW Government's Toll Relief Program?

There are 16,000 hardworking trucking businesses in New South Wales, and most are suffering due to poor public policy decisions by the NSW government.

The road freight industry is prepared to pay their share of the cost of road infrastructure, but this must be done in a fair, equitable, and reasonable manner.



## POTENTIAL REFORMS

Has the Government actually investigated how much trucks pay in tolls compared to their usage of toll roads?

The road freight industry is highly motivated to support the best infrastructure governments can afford for the safety of our workforce, the success of our economy and the well-being of all the communities who depend on our trucks to travel the highways, but funding that infrastructure should be smart, efficient and transparent.

In Germany, where approximately 3 billion metric tons (or 6 trillion pounds) of freight travels across Germany's roads each year, because the highway system plays such an integral part in the movement of goods (both within Germany and to other parts of the European Union), issues such as congestion, pollution and general road deterioration are big concerns. The tolling system provides benefits to transportation companies that invest in efficient equipment and solutions:

In the Netherlands, the toll levied will depend on a truck's environmental features: the cleaner the truck, the lower the toll. In addition, the more kilometres driven by a truck, the higher the toll to be paid. This may encourage the sector to opt for cleaner trucks and more efficient logistics.

The NSW government should consider the use of differential tolling and a range of other tolling options for heavy vehicles. Differential tolling aims to ensure costs and benefits of toll roads are better aligned. Charging options like time-of-day or variable rate tolls, like the Oregon model, charges per day (rather than per trip), or multiple trip passes can be considered as ways to ease congestion both by encouraging vehicles off congested free roads and offering incentives to smooth out demand across the day. Off-peak discount tolling for trucking companies and potentially "last mile" delivery drivers to incentivise trucking companies and others to perform work after peak times could work well. This in turn would lead to safer roads because trucks and deliveries are not on the roads during light vehicle commute times.

According to Dean Smith, Managing Director of Winston Express Haulage:

***"Tolls should be reduced by at least 40%, half price from 6am to 9am and 3pm to 6pm for everyone and then again from 10.00pm to 4.00am for heavy vehicles to get them off suburban streets."***

RFNSW believes pricing regulation should be fully-independent and the full costs of vehicle operation should be considered in setting prices.

Through the Council of Australian Governments (COAG), there should be support for integrated road pricing reform at a National level that takes account of tolls in developing a vehicle charging regime.



Empty trucks should not be tolled as much, and not fully loaded trucks tolled as much. This could be achieved by way of either a “WIMS” (weigh-in-motion) set-up or considering on-board mass through telematics system.

There should be a cap on the tolls commercial vehicles pay.

One recent innovation from the European Union is to implement CO<sub>2</sub>-based toll charges for trucks.

Trucks that have lower emissions will pay lower tolls in the European Union as an incentive for reducing CO<sub>2</sub> emissions and air pollution.

Zero emission trucks should get at least a 50% discount on charges by April 2023 but the cut can be as high as 100% until the end of 2025.

Countries can even give discounts of up to 100% for zero emission lorries, as is already the case in Germany, until the end of 2025. After 2025, countries can have discounts of between 50% and 75%, as is already the case in Austria.

The aim of the proposal is to address greenhouse gas emissions and other environmental impacts, congestion and road infrastructure financing.

Government tolling policies should include:

- transparency and fairness in setting toll fees for heavy vehicles
- consistent use of tolling methods across the road network
- competition in private toll road operation
- governments should not force heavy vehicles to use tolled roads by banning them from alternative routes, as is the case with NorthConnex
- heavy vehicle operators should not be paying for road network improvements through increases in tolls without experiencing the promised efficiencies themselves, again as with NorthConnex.



# RECOMMENDATIONS

1. There should be a cap on the tolls commercial vehicles pay. A 'per km', distance-based tolling system could be a good first step, with the consideration of a daily cap on tolls for transport operators.
2. There should be a National approach to tolls and an independent pricing regulator.
3. The system should reflect what mass trucks actually are and the costs associated with that mass. A significant proportion of heavy vehicles operate at below their mass limits, and there are several heavy vehicle operational uses which result in vehicles carrying weight lower than the maximum allowable, including palletised mixed freight, white goods groceries and cars.
4. There is an urgent need to create a regulatory framework to provide constraints on using heavy vehicle tolls as a revenue raising mechanism, above and beyond the level required for cost recovery.
5. The tolling system should provide benefits to transportation companies that invest in efficient equipment and solutions.
6. Consider a toll levied on a truck's environmental features: the cleaner the truck, the lower the toll. So for example an operator who has a Euro 5 or Euro 6 or similar truck would receive a discount on their toll and be able to reap the benefit on making this considerable truck purchase and investment.
7. Incentivise trucking companies on to the toll roads by way of Registration relief or a Cash-Back scheme.
8. The NSW government should introduce differential tolling and consider a range of other tolling options for heavy vehicles, ensuring costs and benefits of toll roads are better aligned. Charging options to be considered should include time-of-day discounting, charges per day (rather than per trip), or multiple trip passes can be considered as ways to ease congestion both by encouraging vehicles off congested free roads and offering incentives to smooth out demand across the day.
9. Off peak tolling also delivers a net safety benefit to the community. Incentivising trucks onto toll roads in off peak times means that potentially you reduce their interaction with light vehicles during peak times which will deliver less congestion and safety benefits to the community.
10. Through the COAG, there should be support for integrated road pricing reform at a National level that takes account of tolls in developing a vehicle charging regime.

11. The M7 was built and designed specifically as a freight route. There must be a justified full benefit to the freight industry particularly as Badgerys Creek (second Sydney International Airport) comes online and adds to the congestion. Freight operators should not pay for a road that is currently congested at peak hour and delivers no benefit in time or productivity for the use of this toll road. If the road is congested then a toll should be not levied at the freight operator. Additionally, measures must be put in place to remedy this congestion. This would include but not be limited to road widening of the M7.
12. Installation of Toll Price Signage (TPS). This would provide pertinent information to truckies prior to making a decision as to whether to use a toll or public road. The TPS would include current or real time saving and cost. In this way, truckies can make a decision about the value of using that particular toll road. An example of this is found in Victoria and we believe this works well for the community at large, not just truckies.
13. Toll road transparency for charging and increases must go fist in glove for toll road reform. Rightly or wrongly, the community believes that toll roads and other projects, have been negotiated with legacy issues of generational increases and costs. Greater project transparency around cost and ongoing and increasing cost are required to deliver outcomes in the public interest.
14. Toll free periods for new motorways must be implemented to ensure that motorists can try before they buy. This delivers outcomes that lead to greater safety results for motorists like light vehicle drivres that sometimes get confused on new roads, particularly if they are underground.
15. As a peak body, we appreciate that there are major investments in order of \$billions of dollars made by motorway builders and the inherent risk involved, however we believe that greater return on investment to the freight industry is required to make the case for PPP to deliver benefit for the freight community in Sydney and we endorse the proposal for the auditor-general to scrutinise toll agreements. Particularly when claims are made that this road building is a generation or more away if we waited on funding through the traditional taxation system, but for having a toll road.