Submission No 34

INQUIRY INTO ROAD TOLLING REGIMES

Organisation: National Roads and Motorists' Association (NRMA)

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Submission to the Inquiry into Road Tolling Regimes

A Brief History (NSW)

- Governments have commissioned user pays funded motorways and privately financed projects in developing the road tolling network.
- 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.
- The terms of these agreements include the toll levels, and escalation and length of the concession period. Each agreement has also included conditions dealing with debt servicing levels, connectivity issues with adjacent road networks, and road safety requirements.
- The application of major user pays arrangements have been developed over time and are as follows:

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

NRMA Policy

The NRMA supports the availability of all funding models to maximise investment in road and transport infrastructure, including:

- Community Pays: 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.

User pays tolling needs to:

- Be fair and equitable;
- Provide value for money;
- Encourage greater mobility choice;
- Reinvest all revenue into roads and public transport;
- Have independent and transparent oversight;
- Utilise smart technologies.

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 (e.g. on and off ramps);
- Environmental improvements, including greenhouse gas emissions reduction;
- Productivity benefits, including reduced cost of congestion;
- Economy-wide benefits, including business and residential development opportunities.

Calculation, indexation and application of user charges must:

- Be made transparent to the road user, including the user charge at commencement, the cost escalation mechanism, and the length of the toll agreement;
- Consider wear and tear caused by use of different vehicle types;
- Encourage and provide greater mobility choice;
- Make provision for future demand and use, including associated investment requirements;
- Where capital improvements have been undertaken to a previously tolled motorway and a new toll is introduced, that the cost escalation and length of the toll should be made fully transparent;
- Benefit the motorist paying the toll in terms of travel time savings and reliability.

Mechanisms to vary user charges should be independently calculated (e.g. by IPART) and relate to:

- Whole of life asset costs and maintenance;
- Incentives for behavioural change.

The NRMA would like to see a fundamental change in the way infrastructure is funded, moving to a broad-based road user charging scheme 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;
- Will see a declining revenue base due to fuel efficiencies and electric vehicles (fuel excise).

NRMA Key Messaging

- The NRMA supports the consideration of all funding options, including user pays tolling, in accelerating the delivery of infrastructure.
- 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.
- Due to fiscal constraints and the increasing cost of building new infrastructure, the NRMA accepts that tolls may need to be levied on new motorways.
- The NRMA's preference is that there should be no reintroduction of tolls to fund upgrades to existing motorways unless there is a major enhancement to the motorway that results in improved journey times.

- The NRMA believes that all tolls and tolling arrangements should be the subject of independent and transparent oversight to ensure value for money.
- The NRMA strongly believes the country must transition to a comprehensive user pays model to deliver fair outcomes for motorists in funding the road network.
- The need for reform will only become more apparent with more fuel efficient vehicles, including electric vehicles, entering the Australian market.
- A complete review of all existing motoring vehicle taxes and charges would 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.
- Consideration of how tolling charges fit into any proposed road user charging model will need to be carefully considered.

NRMA Position on Road User Charging and Ultra Low Emissions Vehicles

The NRMA extends in-principle support to progressing Road User Charging (RUC) reform while encouraging the transition to Ultra Low Emissions Vehicles (ULEVs).

However, any new or additional impost on the purchase or use of these vehicles in the short term would be counterproductive and would act to discourage the purchase of cleaner and more efficient vehicles.

Governments currently investigating road pricing reform policies need to consider the economic and societal benefits of ULEVs, and avoid inadvertently putting in place additional barriers to their adoption.

At the state and territory level, any shift to a distance-based charging system should incentivise the uptake of ULEVs in all operating environments, including urban, regional and rural; initial reform could be enabled by replacing government registration charges, and preferably also stamp duty.

This approach places no additional impost on ULEVs in the short term while purchase prices remain high, and does not preclude a cross-jurisdictional commitment to ensure national consistency and simplicity.

A trial or pilot of this type of model on a voluntary, opt-in basis would be supported by the NRMA.

Once recognised, distance-based charging should evolve to consider further use factors to improve equity and road network efficiency, including location, time of day and vehicle type; price adjustments should also be considered over time to ensure sustainable funding for roads and transport infrastructure and maintenance.

ULEVs contribute to government revenue through a combination of GST, LCT, stamp duty and registration, and should be supported by governments in the short term; transitioning to ULEVs also shifts consumer fuel spending towards Australian-made energy, supporting Australian industry.

ULEVs similarly provide indirect societal benefits, including lower vehicle emissions, better air quality and improved national security.

Putting downward pressure on initial purchase prices while investing in supporting infrastructure will encourage more motorists to consider ULEVs. Addressing high purchase prices compared with overseas markets and tackling range anxiety continue to be priorities for the NRMA.

Note: Ultra Low Emissions Vehicles (ULEVs) include Battery Electric Vehicles (BEVs), Plug-in Hybrid Electric Vehicles (PHEVs) and Fuel Cell Electric Vehicles (FCEVs).