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Ms Abigail Boyd MLC
Committee Chair
NSW Legislative Council's Portfolio Committee No. 6
NSW Legislative Council
Parliament House
Macquarie St
Sydney

Inquiry into road tolling regimes

Dear Abigail,

Please accept this submission as the Western Sydney Regional Organisation of Councils' (WSROC) contribution to the Inquiry. This document references material (submissions) provided to the NSW Parliamentary Inquiry into Road Access Pricing 2013 by the Transport and Infrastructure Committee.

The existing tolling arrangements on Sydney's motorways do little to address the community outcomes expected from a cosmopolitan city. The current, crude application of tolling, distance based or otherwise, is simply an exercise to recover capital and provide operating funds specific for each motorway, and fails to look beyond the immediate economics and consider more strategic issues such as:

- funding for future road network enhancements
- delivery of sustainable road maintenance programs
- fair and equitable access to the road network
- a more efficient road network
- improvements to public transport as it affects or is affected by investment in roads.

Greater Western Sydney is more greatly impacted by tolling issues than other parts of our city as it lacks equivalent public transport coverage and capacity (resulting in greater dependence on private vehicles), and because, on average, Western Sydney residents travel further to access jobs, services and recreation[1].

Unfortunately, the reduction in capacity of free alternatives due to re-purposing of these alternatives from through roads to local access roads, forces commuters onto tolled roads regardless of capacity to pay.

A significant portion of the 300,000 Western Sydney workers who travel outside of the region for work are burdened with hefty tolls on top of their other transport costs: approximately $9,300 pa if they live in the north west, $4,300 pa in the west, and $5,100 pa in the south west.

[1] O'Neill, P. (2017). Addressing Western Sydney's jobs slide. Available from: https://www.westernsydney.edu.au/__data/assets/pdf_file/0019/1064701/JTW_report_complete_7April.pdf

Executive summary

Western Sydney residents are Sydney's greatest users of toll roads both for commuter and recreational tasks. We travel further, for longer, and more often than other residents of Sydney to access high-value jobs and recreational cultural experiences, primarily in the city's East.

Over 65 per cent of Greater Western Sydney workers commute by private vehicle[2] both within and outside the region; making the inquiry into road tolling regimes a critical one for Western Sydney.

Currently, motorists across the region are paying vastly different sums for similar journey benefits. For example, users of the M2 pay three to four times more on a return journey to the CBD as users of the M5 motorway; demonstrating exactly why the Legislative Council's inquiry into road tolling regimes is both welcome and sorely needed.

WSROC suggests that the NSW Government consider a number of network-wide motorway pricing alternatives to the tolling regimes that exist today. Suggested changes to the tolling regimes to address inequities and ensure a sustainable funding source for the future, includes:

- Distance based tolling with a total journey cap across multiple motorway links
- Time of day variations to incentivise out of peak travel
- A differential tolling scheme where origin/destination is taken into account and commuters that lack public transport alternatives are "compensated" by reduced charges.

Without such considerations, Western Sydney residents will be forced to endure inequitable road access charges that do not reflect the service quality they are experiencing on our city's road transport network.

About WSROC

Formed in 1973, the Western Sydney Regional Organisation of Councils (WSROC), represents seven councils in Western Sydney including: Blacktown, Blue Mountains, Cumberland, Hawkesbury, Lithgow, Liverpool and City of Parramatta councils.

These local government organisations represent a significant geographical portion of the Sydney metropolitan region, covering over 5,000 square kilometres including a mix of regional centres and cities.

Home to around half of Sydney's population, Western Sydney stretches from the heavily urbanised, multicultural areas of Auburn and Parramatta in the east, to the greenfield growth centres of Blacktown and Liverpool, the rural areas of Hawkesbury and Lithgow, and the World Heritage listed Blue Mountains.

Over the past 40 years WSROC has developed a strong reputation for bi-partisan advocacy on behalf of the needs of its councils and residents, especially in the key areas of economic and social development, job creation, transport and infrastructure, planning, health and the environment, and has proven itself a reliable partner in intergovernmental relations, strategic planning, and coordinating joint projects, procurement and services.

[2] Australian Census 2016. Profile ID. Centre for Western Sydney. Method of travel to work. Available from: https://profile.id.com.au/cws/travel-to-work

Introduction

The substantive issue for the people of Western Sydney is equity; how do they get fair and equitable access to roads especially for the commute task.

This is not surprising. After housing, transport is the second largest expenditure for most Australian households.[3] It makes sense that the community wants to ensure they are getting value for money when spending on transport.

Unfortunately, it is very difficult for communities to feel they are getting a fair deal. Sydney's motorway tolling arrangements are made up of an eclectic mix of policy and protocols based on project-specific financing arrangements and the political landscape at the time of their inception. The significant differences in tolling arrangements across different parts of the city is, on its own, enough to demonstrate Sydney's tolling regime is neither equitable nor fair. Adding to the concern felt by Western Sydney communities is the lack of transparency in setting pricing regimes (a fact identified by previous tolling inquiries).

Local government has for some time recognised the necessity of reforming motorway tolling arrangements in order to:

- ensure fair and equitable access to the road network
- improve the transparency of how toll changes are established
- fund future road network enhancements
- deliver sustainable road maintenance programs
- share the benefits and costs of motorways equitably between users and local communities
- optimise the benefits from an efficient road network and the Government's investment in public transport.

The inadequacy of the system is reflected in the significant community backlash that has occurred with the establishment of projects such as WestConnex. While this could be seen as community backlash against the introduction of a new toll, we believe the issue has more to do with perceptions of fairness, equity, and lack of transparency in how new tolls are set, and their connection to broader mechanisms for funding transport infrastructure in NSW.

The public, comprising both toll road users and local communities, requires a genuine dialogue and transparency of tolling regimes. Notwithstanding that this submission commences with issues very much at the macro level there is a glaring deficiency in the process to develop an informed and engaged community.

Well-informed communities are communities willing to work with governments, they are communities who understand that the challenges before their government require their participation in finding solutions. Yet to date, the dialogue regarding tolling-regimes is fragmented, project-focused and fails to

[3] Australian Bureau of Statistics (2017). Household Expenditure Survey, Australia: Summary of Results. Available from: https://www.abs.gov.au/statistics/economy/finance/household-expenditure-survey-australia-summary-results/latest-release#income-and-spending

engage with broader-strategic-level issues. More importantly, it fails to engage with the very people that are supposed to be beneficiaries of this process.

It is noted that this Inquiry is focussed on the existing tolled motorways even though the vast majority of the road transport task, be it private, public, passenger or freight, falls upon the non-tolled sections of the road network. Limiting any road tolling reform just to motorways ignores this critical fact. Further, it does not consider the ways in which the public rail network is an inextricable linked part of Sydney's transport system, nor how the transport system interacts with place.

Our current system does not discriminate between those that have real choices in mode or time-of-travel and those that do not. It does not discriminate between discretionary travel and non-discretionary travel and with few exceptions it certainly does not discriminate between the user of road-based public transport and the private motorist.

To properly reform road tolling, and deliver the fair, equitable outcomes that we all want, an understanding of the transport system as a whole, its interaction with place and other city systems, is needed.

Spatial distribution of advantage and disadvantage

Looking at motorway pricing in isolation also fails to consider the wider economic geographies of our city (the way in which advantage and disadvantage are distributed spatially). Land prices reflect may factors, including amenity, of which distance from transport services is a significant component. With fixed capacity to pay, people make trade-offs and, in most cases,, those with the least capacity to pay (for homes on land) are forced to accept the compromise of less amenity (i.e. distance from the CBD and in Sydney's case the harbour and the coast) to access affordable housing. Likewise, the workplaces which can afford the highest rents inevitably offer high-value, knowledge economy jobs often located close to CBDs.

In summary, those with lower incomes, are forced to compromise with the lowest cost homes, located furthest from the CBD and public transport networks. Therefore, these groups are subjected to the highest travel costs (motorways) to gain high value employment closest to Sydney CBD. Any action to address transport equity must seek to address spatial distribution of advantage and disadvantage.

Pricing strategies for different transport modes

Equity of access to roads generally, and motorways specifically, cannot be addressed without also looking at cost and pricing across the entire transport network. To look at different transport modes in isolation is to ignore the fact that all modes are part of a single transport system. Pricing dynamics between roads and public transport means that in many cases public transport is cheaper than motorway toll charges; due to public transport subsidies. Unfortunately for many Western Sydney residents public transport is not a practical option. While WSROC supports mechanisms to promote public transport use, it must be acknowledged that because these subsidised options are only available to certain parts of the population, those without access (many parts of Western Sydney) are disadvantaged.

Other charges, taxes and excises

The exploration of tolling regimes should also acknowledge that the current system of registration, licensing charges, stamp duty, fuel excise, and other road-related taxes are inefficient, inequitable, unsustainable and are not designed with the view of delivering a modern transport network. For an equitable, transparent, and consistent system of transport-funding, these mechanisms must be considered collectively, as part of a coordinated approach to funding a future vision for our transport network.

Planning for future technologies

When discussing road-use charging, inevitably the issue of electric and hybrid vehicles is raised. From WSROC's perspective, efforts must be made to ensure that the transition to EVs is not unduly discouraged, and that access to new technologies both vehicles and infrastructure is equitable[4]. Tolling is one area in which road-use charging applies to all vehicles regardless of how they are powered.

A note on COVID-19

While the advent of COVID-19 has increased the number of people able to work remotely (and thus pay fewer road tolls), it should be noted that this benefit is not evenly distributed across the workforce. Capacity to work from home full or part-time depends on:

- the ability of work to be conducted remotely (many frontline service staff, trades and hospitality staff are unable to do so, therefore work-from-home arrangements disproportionately benefit knowledge-economy jobs)
- the capacity of individuals to negotiate arrangements with their employers
- the suitability of home environments to accommodate work-from-home arrangements (e.g. good internet connection, at-home office space, and a stable home environment).

The conditional nature of remote working results in a higher likelihood of disadvantaged or lower-income groups being forced into toll-road dependence, while those with the means and capacity to pursue alternative arrangements can save on toll-costs.

Road users do not pay the full cost of roads (nor do users of public transport)

The tendency to determine motorway tolls on a project-by-project basis means that the costs of delivering our city's transport network are not reflected in transport charging.

This reduces capacity to have broader discussions regarding the costs of funding roads and rail in their entirety. Thus, most people do not understand the costs of delivering our transport network.

> *"… if we were easily able to compare the cost/value equation across different modes of transport then transport providers, freight operators and commuters, may be making very different transport decisions to the ones made today."*[5]

The costs associated with roads are more than just the cost of their construction. There are also long-term maintenance costs, costs associated with acquiring land for new road projects, pollution and emission-related costs for health, and costs associated with road accidents.[6]

The *NSW Long Term Transport Master Plan* (2012) noted that road-users do not pay for many of these costs:

> *"Under our current system, there are many costs associated with road use that are not completely borne by the individual road user. These costs include the provision of*

[4] WSROC (2021, May 17). Incentives needed to drive EV transition. Available from: https://wsroc.com.au/media-a-resources/releases/incentives-needed-to-drive-ev-transition

[5] Evans and Peck, *Road pricing: Considerations for Australia*, May 2013, p 10 http://www.evanspeck.com/site/DefaultSite/filesystem/documents/Insights/Road%20Pricing%20%20Considerations%20for%20Australia.pdf

[6] Submission to Parliamentary Inquiry – Road Access Pricing - Action for Public Transport, p 2

> *road maintenance, the cost of pollution from our vehicles, the cost of accidents and the additional time cost to all road users arising from increases in congestion.[7]"*

It is estimated that the NSW Government recovers less than 70 per cent of its expenditure on roads and related services through user-focused means (road user charges, motor vehicle taxation and tolls on state-owned motorways). Road users are generally not aware of this funding gap.[8]

There is an argument that these costs should be factored in when calculating the actual cost of motor vehicle use. Roads Australia has argued that road users should share greater responsibility for the costs of maintaining and operating the road network through more accurate pricing:

> *"The current pricing signals sent to road users are wrong. There is a strong case to view roads as a utility - not unlike water and electricity - and to make users of the road network more financially accountable for its upkeep, renewal and efficient operation."[9]*

Complementing the need for road pricing reform is public transport pricing reform. One example is that because of the relatively fixed nature of the costs of the rail network in 2010/2011 each rail trip cost $9.45, absurdly this meant that once the price of a rail ticket was factored in a Penrith rail commuter would get a "subsidy" of $2.99 while a Burwood commuter would receive a "subsidy" of $5.25 for a trip to the CBD.

WSROC is of the view that a coherent, transparent and sustainable pricing regime is required for the entire transport network and both components (road and public transport pricing) need to be addressed concurrently. It is an opportunity to review policy, including taxes, levies and fees that at the moment contribute to inequities and competing dynamics between roads and public transport. Doing so would be an opportunity to establish and support the delivery of a future vision for transport across Greater Sydney.

Current tolls are inequitable

Despite being described as a 'user-pays' system, charges on Sydney's toll road network bear no relationship to actual use of roads.

There are large differences in the cost per kilometre of using each motorway, and tolls are based on the cost of construction only, with resulting inequities for road users.[10] Infrastructure Partnerships Australia illustrated the inequity of Sydney's current motorway tolls:

> *"… Tolls apply to nine sections of the Sydney Orbital Network and the East-West corridor, however approximately 50 per cent of the motorway network remains untolled and cashback applies for private vehicle use on the M5. The resulting complexity of the system has led to unintended and inequitable outcomes for some motorists… The differential pricing regimes across the network also gives rise to issues of equity where motorists using different sections of the network pay vastly different sums for similar functionality."[11]*

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[7] NSW Government, *NSW Long term transport master plan*, December 2012, p 373

[8] Submission 14, Roads Australia, p 2

[9] Submission 14, Roads Australia, p 2

[10] Submission 2, 10,000 Friends of Greater Sydney, p 2

[11] Submission 15, Infrastructure Partnerships Australia, p 14

WSROC has previously illustrated the inequities between:

- Western Sydney residents (limited or no access to practical public transport) with long commutes to their jobs, and eastern Sydney residents (with many public transport options) with short commutes to their jobs (see Table 1).
- Roads users within the region, depending on whether you live in the south west, the west and the north west, your tolls to and from work are dramatically different (see Table 2).

TABLE 1. Difference in commuter experience between Inner West and Outer West

	Penrith (Glenmore Park)	Five Dock
Leave home	5.26 am – 6.52 am	6.33 am – 7.47am
Arrive work (Sydney CBD)	7.03 am – 8.27 am	7.05 am – 8.28 am
Number of available PT trips	5*	23 **
Cost	$8.62 - $9.69	$3.73 - $5.68

Table 1. notes:
* Walking for 15mins at Penrith would make no practical difference to the number of options.
** This is limited to just two bus routes.
** Other bus routes and bus and rail combinations increase available options by more than double the number.
** Walking for just 15 mins at Five Dock dramatically increases the number of options.

TABLE 2. Price of a return journey to Sydney CBD (peak hour)

Motorway	Distance travelled (approx.)	Daily cost	Yearly cost*
M2 (North West Growth Centre to CBD)	90km	$37.34	$9,335
M5 (South West Growth Centre to CBD)	90km	$20.4**	$5,100
M4 (Penrith to CBD)	115km	$17.04	$4,290
Train*** (Penrith/Richmond to CBD)	55-60km	$10.00	$2,500

Table 2. notes:

*Based on five-day working week (250 days).
**After M5 rebate ($12.11) applied.
*** Based on adult peak fare with weekly cap of $50 applied.

The Australian Institute of Traffic Planning and Management submitted that an equitable road access pricing strategy should exempt certain road users, or compensate them:

> *"People in regional areas have little or no public transport and rely on roads for their transport. Consideration should be given to moderation of road user pricing to account for this reliance and, in general, for the longer trips undertaken. Those persons with mobility impairments, who may have no choice but to drive, should be exempt from having to pay to access the road network."*[12]

WSROC agrees with the summation. Western Sydney residents and businesses should not be disadvantaged due to the lack of public transport provision by successive governments.

The distribution of costs vs benefits is inequitable

Our current system fails to acknowledge transport-system users are not the only beneficiaries of transport upgrades.

The Inquiry has identified WestConnex as a key project to examine in its capacity to deliver value for money. Using WestConnex as an example, the major users and therefore the major funding source, are the people of Western Sydney that use WestConnex every day to get to and from work. The commuters of Western Sydney get the benefits of reduced travel time (but at significant cost via tolls) while the local communities surrounding the WestConnex benefit from improvements to air quality, reduced noise, increased safety and amenity of local neighbourhoods, and increased property values yet pay nothing for these benefits.

If equity was a substantial concern, then (under a user-pays model) the proceeds from the sale of 51 per cent of WestConnex in 2018, estimated to be around $9 billion, should have been wholly directed to improvements to the transport network of Western Sydney. Similarly the recently announced sale of the remaining 49 per cent of WestConnex should have its proceeds directed to improvements to Western Sydney's transport network.

The processes for setting tolls and toll escalation are opaque

Even when considered in isolation, the appropriateness of toll charges cannot be assessed because processes are often opaque.

As has been consistently identified by NSW Government tolling inquiries, the methods for setting road tolls lack transparency and are highly project-based, resulting in variable outcomes that do not reflect user benefits, nor transport charges across the rest of the network.

The WestConnex motorway is the most recent example of opaque toll setting based on individual project costs. The result was significant consumer backlash. This is understandable. Tolls represent the second largest cost for most households, and a significantly greater proportion in Western Sydney[2]. The community wants to be sure they are getting value for money.

In addition to the toll charges themselves, there is little transparency (or consistency) in the setting appropriate rates of increase to toll charges. Table 3 outlines the current regimes in Sydney. It can be

[12] Submission 5, Australian Institute of Traffic Planning and Management, p 2.

seen that there is significant difference in toll escalation rates. Only one motorway (M7) incorporates potential de-escalation in charges with CPI.

TABLE 3. TOLL ESCALATION RATES ACROSS SYDNEY

Toll road	Toll escalation rate
Westlink M7	Escalate or de-escalate quarterly by quarterly Capital Cities CPI.
M5 West	Escalate quarterly by Sydney CPI.
Cross City Tunnel **Eastern Distributor** **Lane Cove Tunnel** **M2** **North Connex**	Escalate quarterly by Capital Cities CPI or 1%, whichever is higher.
M5 East **WestConnex M4** **WestConnex M8**	Escalate annually by Capital Cities CPI or 4% to 2040, whichever is higher.

Source: Linkt Sydney, Available from: https://help.linkt.com.au/sydney/article/sydney/payments-tolls-and-fees/tolls-and-fees/toll-price-increases

Even where toll charges for motorways are considered in isolation, a standard Government policy on how toll-charges are set including appropriate rates of increase would provide greater piece of mind for road users.

Standard (harmonised) tolling across the motorway network is needed[13]

Charging the motorway network as a network could bring multiple benefits

According to the *NSW Long Term Transport Master Plan*, the introduction of a standard, per kilometre toll across Sydney's motorway network 'has the potential to deliver significant benefits' including:

> *"Consistency for motorway users – Regardless of the part of the network people use regularly or where they live, motorists' charges to use the motorways will be directly linked to their level of use of the motorways.*
>
> *"New funds for roads – New funds could be generated and directed towards completing the motorway network, maintaining existing roads and increasing our investment in public transport alternatives."*[14]

The introduction of harmonised tolling across Sydney's motorway network is supported by many within the roads industry and by WSROC members. Infrastructure Partnerships Australia argues in favour of a standardised, equitable framework for charging users across the entire motorway network. They felt that this would provide a more effective way to manage demand on the road network, while

[13] Sydney's toll roads currently operate with differing toll types - most have a flat rate toll, the M7 a distance based toll, and the Harbour Bridge and Harbour Tunnel a time of day based toll: see <http://sydneymotorways.com/tagsandpasses.html>

[14] NSW Government, *NSW Long term transport master plan*, December 2012, pp 373-374

also raising sufficient funds to maintain current infrastructure and build new roads – to fill in the missing links in our motorway network – as well as improving public transport.

Drivers would also pay a fairer amount for their use of the road network.[15] 10,000 Friends of Greater Sydney echoed this view:

> *"… tolling on the motorway network can be more equitable, used as a traffic management tool and also the basis for increased funds flow to finance new transport infrastructure. If coupled with a modest increase in public transport fares, … it could form the basis for implementing major enhancements to the Sydney transport network."*[16]

Such reform would require agreements to be reached with motorway operators under NSW Government leadership to ensure the implementation of a motorway network-wide tolling. Existing contracts would need to be renegotiated with motorway concession holders, with incentives and possible compensation for investors. Given the concentration of ownership this is not an impossible task.

Consideration would also need to be given to the most appropriate technology for the introduction of integrated tolling on Sydney's motorway network. The Australian Institute of Traffic Planning and Management highlighted the importance of accurate and affordable technology to record relevant data 'Technology that would enable accurate information to be recorded regarding type of vehicle, distance travelled, time of journey and road used would need to be considered.'[17]

We would argue that origin and destination would also need to be captured for the reasons noted below. A harmonised motorway tolling regime coupled with the latest tolling technology would allow major questions of equity to be addressed in Sydney for example:

- Charging a road user based on origin and destination information (i.e. commute task or otherwise) would allow for reduced tolls to be charged for those road users with no or restricted access to practical public transport alternatives.
- A journey cap can be applied at the network level for those users who use multiple motorway links.

Distance and time-of-day based tolling regime

A range of mechanisms including distance-based, time-of day, and origin-destination tolling are needed to deliver equitable outcomes.

It can be argued that standardised distance-based tolling on motorways must also be complemented with journey caps and be shaped by higher charges during peak periods to reduce demand and lower charges during the off-peak to encourage shifts in demand. According to Infrastructure Partnerships Australia:

[15] Submission 15, Infrastructure Partnerships Australia, pp 19-20

[16] Submission 2, 10,000 Friends of Greater Sydney, p 2

[17] Submission 5, Australian Institute of Traffic Planning and Management, p 2

'…a network tolling approach and provisions for the eventual introduction of time of day price variability, will be crucial to the efficient delivery and effective operation of Sydney's transport system.'[18]

Varying tolls based on the time-of-day would offer a way to manage demand on Sydney's motorways, by encouraging changes in driver behaviour.[19] However, time-of-day techniques must be investigated in partnership with a range of other principles to ensure system equity (e.g. those in lower-paid occupations often have least capacity to alter their working hours or arrangements).

A more equitable and sustainable tolling regime could be achieved from investigating the opportunities and challenges from the introduction of a harmonised tolling regime across all of Sydney's motorways as a first step, WSROC recommends an approach based on the following principles:

- Distance based tolling with a total journey cap across multiple motorway links
- Time of day variations to incentivise out of peak travel
- A differential tolling scheme where origin/destination is taken into account and commuters that lack public transport alternatives are "compensated" by reduced charges.

Conclusion

The current motorway tolling regime can be described as piece-meal, opaque, inconsistent.

It is difficult to explain how the current arrangements represent the fairest possible outcomes for the people of Greater Western Sydney, because, as has been demonstrated in this submission, they are not.

WSROC urges the Inquiry to look seriously at the introduction of a harmonised tolling regime across all of Sydney's motorways as a necessary first step with consideration of the following principles:

- Distance based tolling with a total journey cap across multiple motorway links
- Time of day variations to incentivise out of peak travel
- A differential tolling scheme where origin/destination is taken into account and commuters that lack public transport alternatives are "compensated" by reduced charges.

WSROC also recommends that the delivery of future toll roads should reflect the following outcomes:

- More transparency and a better understanding by the affected communities of the financial arrangements underpinning the delivery of toll road infrastructure
- The community should have a say in the quantum of the tolls versus the concession period to achieve a balance between affordability of use versus and the period of time for the road to return to public "ownership"
- Target the totality of beneficiaries of the investment and seek a more equitable contribution to its costs rather than just rely on toll-road users

[18] Submission 15, Infrastructure Partnerships Australia, p 2

[19] Submission 15, Infrastructure Partnerships Australia, pp 35-36 ("Urban Transport Challenge: Driving reform on Sydney's roads")

- Better articulate and reflect how tolling regimes fit within the broader transport network, and work towards the delivery of a vision for an end-state transport system.

I would welcomed the opportunity to discuss this issue with you further. Please get in touch with the WSROC office on 02 9671 4333.

Charles Casuscelli RFD

CEO