

BUSINESS NSW

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TOLLING REVIEW

Business NSW welcomes the opportunity to respond to the Tolling Review. As NSW's peak business organisation, Business NSW has more than 30,000 member businesses across NSW. We work with businesses spanning all industry sectors including small, medium, and large enterprises. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state and federal level. In relation to this submission, we note that our membership includes both a provider of toll road infrastructure, Transurban, and many businesses who are users of the toll road system.

This submission is based on the [submission provided by Business NSW](#) to the NSW Legislative Council Inquiry into Road Tolling Regimes in 2021. This submission updates the aforementioned submission where relevant, but its key themes and recommendations are consistent with the earlier Inquiry.

The Role of Road Tolling

Toll roads make a valuable contribution to the productivity of the state, enabling major road infrastructure development and managing demand to keep traffic flowing. From the first toll road of 1811 (Parramatta Road) to the delivery of the Sydney Harbour Bridge in 1932, to more recent adaptations of distance based road pricing, NSW has a long history of both public and private innovation in the delivery of road infrastructure.

Business NSW supports a modernisation of road charging regimes. The existing toll road system should be considered alongside the distance-based tax on electric vehicles, signalled in the [NSW Electric Vehicle Strategy](#), as EV uptake becomes more widespread. The interaction of incentives through these two schemes will become increasingly important to their success as time progresses.

Business NSW has considered the viability of a special CBD zone and cordon pricing in the past, but considers this model to be inferior compared to more sophisticated 'dynamic' approaches which can factor in congestion in real time, while also allowing for adjustments on the basis of emissions or other relevant factors.

Road charging has been implemented to achieve several objectives, some of which may work at cross purposes to each other. Tolls are put in place to fund the construction of new

roads, and the operation and maintenance of already-built roads. But they also serve a demand-management function, aiming to match demand from road users with road capacity. This is especially important for the management of heavy vehicles and freight, reducing congestion and allowing for more efficiency in freight logistics.

As the Discussion Paper reflects, Sydney's toll motorway network features a variety of tolling structures which has evolved over time through a patchwork of government policies and contractual arrangements. The prices applied on different roads indicate the tension between those objectives. Some feature peak time surcharges while others do not. Some charge a fixed rate while others have distance-based tolls.

Harmonisation of tolling regimes only makes sense where the balance of these objectives is already aligned. If the balance of capital spend, maintenance and congestion management is different on different roads, it may be appropriate that pricing structures also differ. However, the pricing structures in place do not always reflect a reasoned and recent assessment of these objectives but have also been shaped by concession arrangements put in place in some cases decades earlier. This can lead to a 'postcode lottery' where users making journeys of similar distances, to the same destination, can face very different prices depending on the road(s) they need to use and when the concessions for those tolls were implemented.

This has resulted in 'toll fatigue', driving up the cost of doing business and the cost of living in affected parts of Sydney. It also deters road users from tolled roads, putting increased pressure on untolled routes such as Parramatta Road and Victoria Road, which require reinvention.

A modern approach to pricing

Using technology that was not available when the first toll systems were implemented, it is possible to enact a much more sophisticated tolling regime than the one currently in use. The one-size-fits-all pricing model has the merit of simplicity but does not respond to demand that fluctuates between days and within each day (Figure 1). As [the NSW Productivity Commissioner observed](#), "Current pricing does not fully reflect costs, and does not encourage efficient use of the network. Critically, fees and charges do not reflect exactly when and where congestion arises."

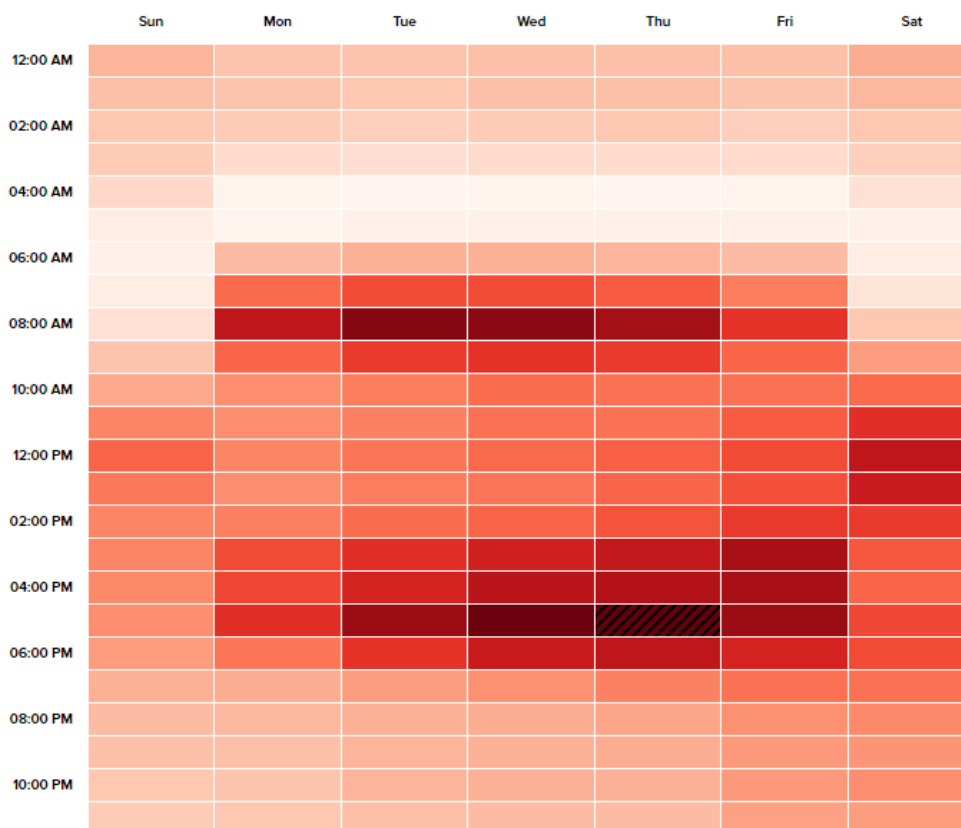


Figure 1: *TomTom Sydney Traffic Report, data from 2022*
Weekday demand for roads shows two clear peaks. Travel time per 10km.

Business NSW supports the Productivity Commissioner’s recommendations regarding improving the efficiency of road user charging. As indicated earlier, initiatives such as the development of a tax regime for electric vehicles provide the grounds for road charging, vehicles taxes and fuel taxes to be reviewed together. The status quo has arisen from decades of incremental changes and accumulation of policy, rather than any strategic design. The shift from internal combustion to electric vehicles provides a rare opportunity to revisit the interaction of all the elements of vehicle charging and taxation in one place. *Business NSW* encourages this review to consider the wider issues around implementation of road pricing (which will eventually become inescapable in the switch to electric vehicles) and avoid too narrow a focus on tolling alone.

Cost control

Business NSW has historically opposed location-based discount or rebate programs such as the M5 cashback. *Business NSW* views the newly implemented weekly toll cap as being a more appropriate measure to provide a measure of cost certainty to the most frequent users of the toll network, although less preferable than a time-variable pricing structure. Even in a time-variable pricing system, freight users of the network may not have the flexibility to use the roads at the quietest (and thus cheapest) times.

Independent oversight

The Discussion Paper states “there may be a case for further regulation by Government... such as the Independent Pricing and Regulatory Tribunal (IPART)”. *Business NSW* has no objection to a potential role for IPART, at least until such a time as a new comprehensive road pricing regime is devised. Some of Sydney’s toll roads are natural monopolies without viable competition, and so regulatory oversight of pricing is appropriate as occurs with other monopoly utilities.

If you have any questions about our submission or would like to discuss in more detail, please feel free to contact me at simon.moore@businessnsw.com.

Yours sincerely

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