

**Submission  
No 206**

## **INQUIRY INTO ROAD TOLLING REGIMES**

**Organisation:** Business NSW

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# BUSINESS NSW

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Abigail Boyd MLC  
Portfolio Committee No. 6 – Transport and Customer Service  
Legislative Council  
Parliament House, Macquarie Street  
Sydney NSW 2000

## INQUIRY INTO ROAD TOLLING REGIMES

*Business NSW* welcomes the opportunity to respond to the inquiry into the [road tolling regimes](#). 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.

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 merits of congestion charging for Sydney's CBD and the [distance-based tax on electric vehicles](#) signalled by the Treasurer as EV uptake becomes more widespread.

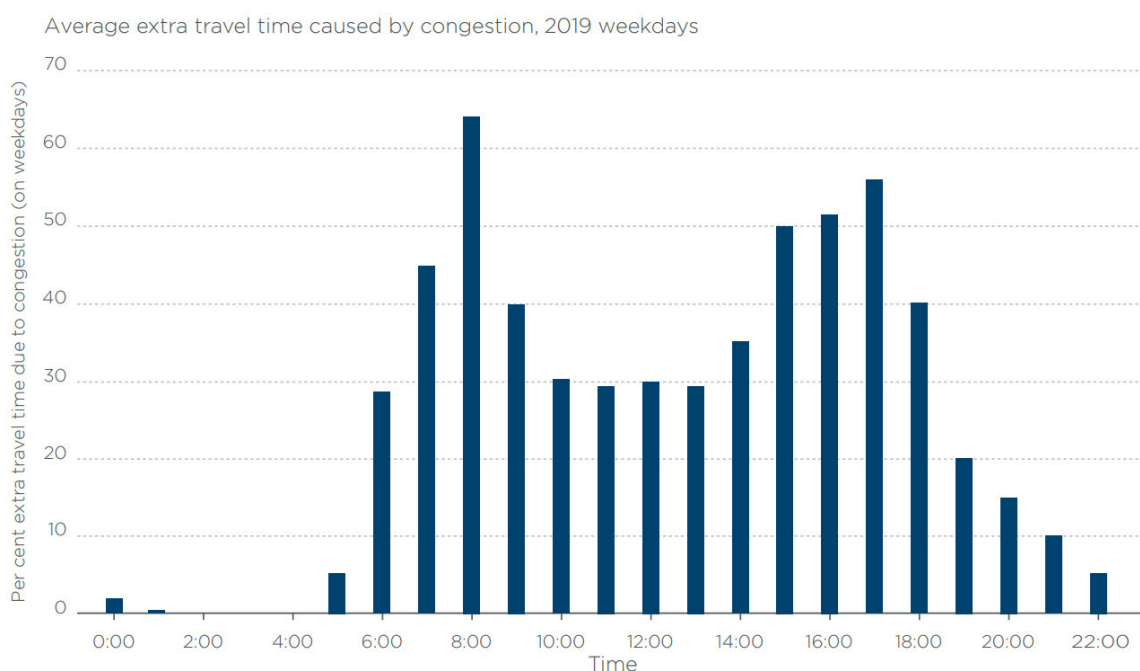
Road charging has been implemented to achieve several objectives, some of which may work at cross purposes to each other. Tolls are put in place to fund the construction of new roads, and the operation and maintenance of already-built roads. But they also serve a demand-management function, aiming to match demand from road users with road capacity. This is especially important for the management of Heavy Vehicles and Freight.

As the Terms of Reference reflect, Sydney's toll road 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 put in place.

### 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 recently 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: Weekday demand for roads shows two clear peaks (TomTom Sydney Traffic Index, provided to the [NSW Productivity Commission White Paper](#), p. 327)**

*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.

However, the timing of this inquiry (and the Productivity Commissioner’s report) may make it difficult to reach fully informed conclusions. Due to changes to travel patterns due to the COVID-19 crisis and resultant changes in working life, there is considerable uncertainty about future road user demand (see for example *Business Illawarra’s* report [The Decentralisation of Work and the Illawarra](#)). Attempting to forecast travel behaviour is particularly difficult at a time of such significant change. Competing trends, from the rise of working from home, to decreased trust in public transport during the pandemic, are rapidly changing road usage, even from one week to the next.

2020 saw significant decreases in traffic volumes across Sydney during the lockdown months of April May and June (Figure 2), but traffic levels had just about recovered to pre-pandemic levels by December (this data covers all Sydney roads, not just tolled roads).

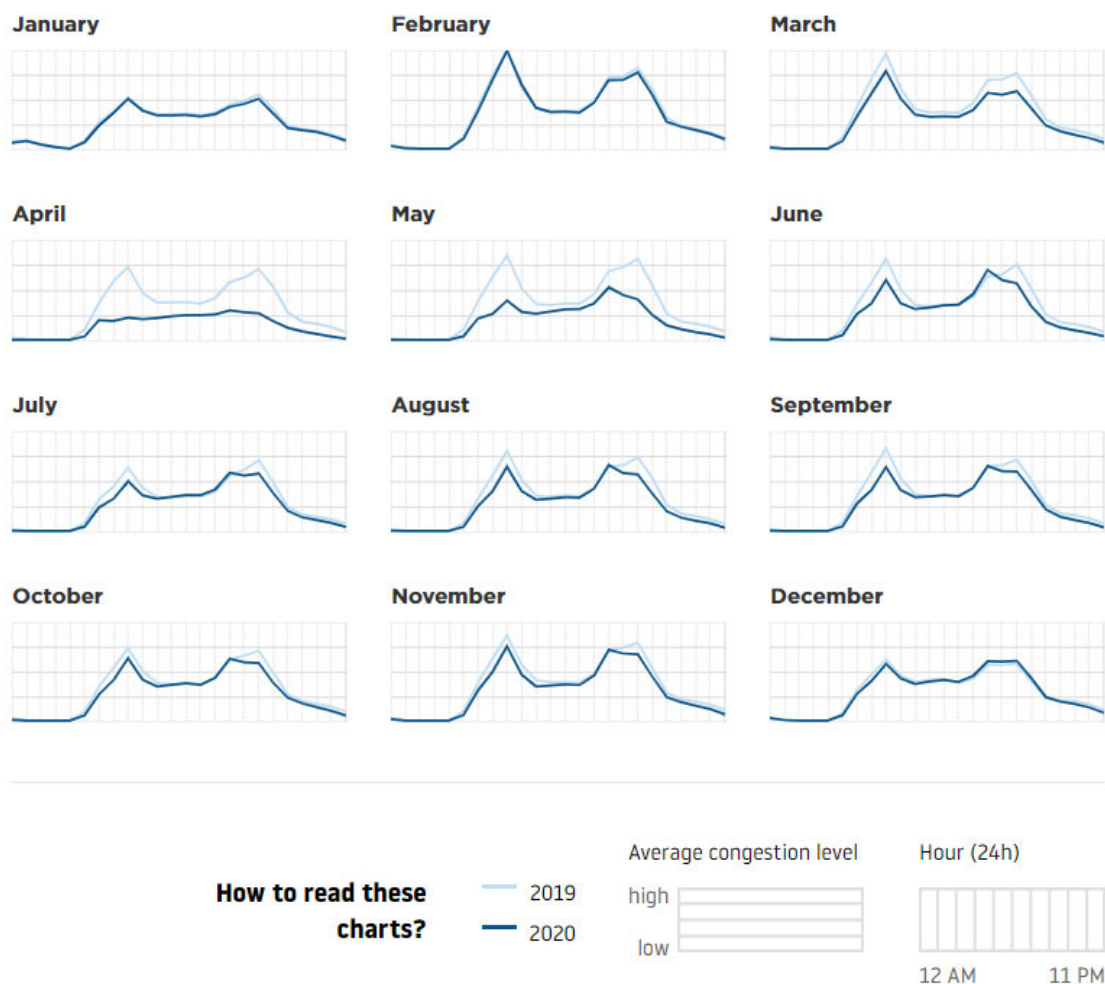


Figure 2. Working day travel patterns by month ([TomTom Sydney Traffic Index](#))

In 2021 to date (Figure 3) most weeks have seen traffic exceed pre-pandemic norms, but there have also been significant drops in lockdown periods. Against such a fluctuating backdrop, the potential impacts of any immediate changes to the tolling regime would need to be very carefully considered. As a result, a priority for any near-term change to tolling strategy should be that any revision to the existing model is viable in a range of possible future scenarios, and not simply reliant on an expectation of ‘returning to normal’.

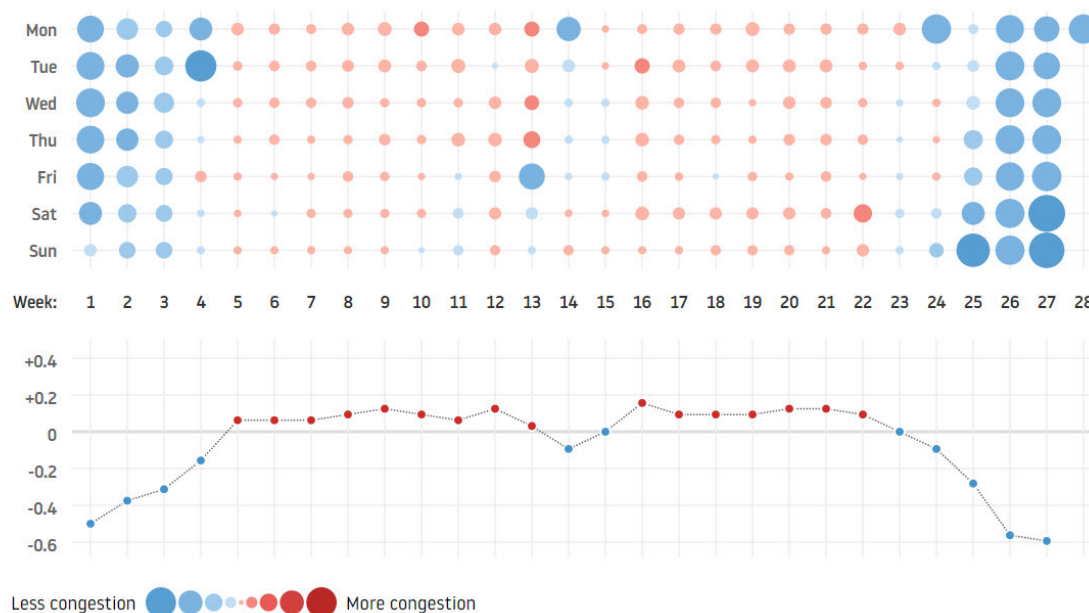


Figure 3: Comparison of congestion levels in Sydney, 2021 to date vs 2019 ([TomTom Sydney Traffic Index](#))

### Cost control

*Business NSW* has historically opposed location-based discount or rebate programs such as the M5 cashback. *Business NSW* views a 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. Prior to the COVID-19 pandemic, restrictions on night-time unloading of freight deliveries reduced the ability to efficiently optimise freight traffic, particularly for supermarkets and other large retailers. The measure introduced by the [government to enable 24/7 deliveries](#) in the early weeks of the pandemic have been [extended](#) to 31 March 2022 but should be made a permanent reform to make more productive use of the freight network.

### Independent oversight

The Terms of Reference consider the involvement of “an independent agency such as Independent Pricing and Regulatory Tribunal (IPART)” in tolling arrangements. *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 some regulatory oversight of pricing is potentially 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

Yours sincerely

**Simon Moore**  
Policy Manager, Infrastructure, Business NSW