

Submission by EcoTransit Sydney to the Australian Senate's Inquiry on road tolling*

- **This submission has been prepared by Nathan English,
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Opening Statement

EcoTransit Sydney is a not-for-profit, public and active transport advocacy group based in Sydney, but which appeals to all levels of Government to increase the appeal and uptake of public transport in order to reduce congestion created by an over-reliance on individual motoring in Australia. We are politically agnostic, we will appeal to any party willing to listen – but we will also criticize any party we see which does not act in the broader public interest.

Private tollways by their nature, are designed to create profits which largely remain with the private sector. It is obviously in the nation's interests, to see tollway owners and operators barred from any form of political donation to any entity. Sydney commuters pay the highest prices for their individual motoring due to the over-reliance on tollways. The average Sydney home can now expect to spend more than \$20,000 a year on car-related expenses. We also have the greatest mortgage stress in the country, with the greatest urban congestion to fight through for the jobs which can help relieve it. We maintain that the now clear and recorded bias of Government to fund motorways first over potential public transport options which might prove transformative and economically liberating for these households (like the F6 train alternative), is a large part of the problem which defines Sydney's cost-of-living woes, and if the Commonwealth could in anyway command this State Government to explore options which are more open-minded to other modes, it should do just that.

Sydney is Australia's only Global City, an economic powerhouse for not only the State of NSW, but arguably the nation. Even still, the induced congestion we face as a direct result of decades of neglect when it comes to funding public transit alternatives now costs this city's economy \$8billion+ in lost productivity every year and this figure continues to grow. We are losing our grip due to a lack of adequate infrastructure which can carry the increasing population density which is occurring across the Sydney Basin, also as a result of government policy and encouragement. Whilst the Government has heralded its investments in public transport to establish a new Sydney Metro system and light rail through the CBD and out to Sydney's immediate South-East (the CSELR project), the rest of the Sydney Basin/Region has been largely ignored but for some purchases of new

rolling stock. This will not ease demand for private motoring, as the new transport projects have been accompanied by urban intensification plans which will quickly exhaust the capacity of the new services to the point of passenger saturation, the over-flow will have little choice but to revert to the existing tollways, again, offering no financial relief.

Essentially, we would argue that the current NSW infrastructure investment program, dominated by two key projects with an estimated total cost of over \$70billion (those being the Sydney Metro and what is now, in all reality, the WestConnex Tollway Network **[WCTN]**) will prove to be tax-payers money very poorly spent if we forecast the real difference they will make to relieve the average citizen's reliance on motoring, tollways, not to mention the amount of congestion they will face into the future. We have repeatedly tried to offer concepts to this Government which would create greater value for money, more connectivity, less car-reliance and less impact on our existing communities, but our efforts are now more or less ignored. Community education and mobilization have become the only effective outcomes we feel we have left – and these too are hard to achieve given the relentless government spin that compared to the previous Labor Government, at least they're "doing something". That may be so, but it's not necessarily the best thing.

We appeal to the Commonwealth to properly scrutinize the actions of the NSW State Government, given its clear bias for privately operated tollways and Metros over what could have been the straight-forward further expansion of our existing public transit networks – especially the Sydney Trains network – which is already heavily relied on.

Any Commonwealth scrutiny needs to be conducted with a view to establishing the true value-for-money of the current investment program and the ability of it to greatly reduce congestion in Sydney. It should also seek to uncover any impact the State's current bias for these two modes (which are now consuming all available revenues for future transport projects) might have on the longer-term status of Sydney as a Global City, especially its livability and ability to attract large-scale investors, which is what's led to such status till now. Maintaining this status is surely in Sydney's, NSW's and arguably the nation's economic interests.

We thank you for the ability to contribute to this inquiry.

Operations of existing and proposed toll roads in Australia

Right now, the accountability regarding what is collected by way of tolls and where it is spent on behalf of government and operators remains ambiguous at best. This needs to be laid out more clearly for proper public scrutiny. This includes what operators give back by way of taxation and also political donations. It should be illegal for politicians who have directly been involved in the promotion of motorways to then serve as consultants in their post-political careers to the operator companies who benefit.

The transparency of process and planning for WestConnex and other ‘state significant’ transport infrastructure (in NSW especially), proves woeful and shambolic at best. The process is constantly hiding behind a shroud of ambiguity and implied ‘commercial in confidence’ measures. In NSW, we have a Minister for WestConnex who refers many enquiries aimed at him to the Sydney Motorways Corporation for address – and yet Sydney Motorways Corporation remains absolved of all public scrutiny because its status is that of a ‘private corporation’, even though the government is funneling billions of dollars directly into its development of WestConnex via the powerful NSW agency Roads and Maritime Services, which still guides all road matters in the State. RMS conveniently dances around many a public concern – often referring such enquiries to Sydney Motorways Corporation, which invariably cites that the ‘concept is still under development and will become clear at the time of the EIS release’ to cover most enquiries. The bottom line is that the government and SMC have a plan, and are duplicitous in delivering this project. We need to have our faith in the planning process and government intentions restored.

Tolling is currently a user-pays system in Australia, often brought about with private sector investment. It has to be one of the greatest costs of living in Sydney, outside of basic taxation and food. The tragedy is that the vast bulk of our expense does not go to the broader public’s benefit, like taxation arguably could – it goes instead to private sector coffers. The surrendering transit provision in Sydney and therefore the revenue it might otherwise earn the State, in economic terms, remains emblematic of what has happened in the neo-liberal age. We have surrendered what could be government revenues to the private sector, largely without accountability. That is why our governments now face a revenue crisis, despite what should otherwise have been adequate taxation. It is not in the interests of everyday citizens to have so much of their hard-earned money being surrendered to both private sector CEOs and shareholders. In the case of tollroads the sacrifice is often to save, at best, a few minutes motoring each day. We have all been in the induced-traffic jam which suddenly makes us lose whatever time we might have gained over months! Congestion now costs us billions in lost productivity – why then is it right to toll us for it? We should be investing in alternatives to motoring, which are less likely to hit bottle-necks – alternatives such as rail and active transport provisions, working to change the way our cities move.

Of the last two major tollways in Sydney (the Cross City Tunnel and Lane Cove Tunnel),

both have failed financially twice, only to be snapped up by an established tollway operator *Transurban*, for a fraction of what they actually cost to build. The Government (under Labor), damaged our State's reputation by not bailing out the original investors, who had been led astray by poor traffic modeling. Now we as taxpayers must witness our precious State-held revenues being diverted towards the funding of new tollways (which may also fail), chiefly because the private sector are now skeptical of adequate return on tollway investments.

We request that *that* point be noted properly: ***The private sector are skeptical of adequate return on investment when it comes to new tollway constructions in NSW.***

Disturbingly, the NSW Government is now trying to sell-off its latest toll-road venture, WestConnex (the biggest yet), with billions in public money already pumped into it simply to get it started. They are asking to anyone who may be interested – especially the nation's superannuation funds. This would have far further reaching consequences than NSW, if WestConnex were also to fail financially.

Meanwhile, *Transurban* has done so well out of the fire-sale of the previous failed tollways, so much so, that it offered to fund all of the new NorthConnex motorway upfront – yet strangely, the contract for this also allows *Transurban* to be bailed out, if NorthConnex fails to generate the expected level of traffic! Other the company holds still have decades of toll collection to play-out, with the ability to raise tolls incrementally over time. WestConnex tolls (which *Transurban* claims it is keen to invest in) will apparently rise by 4% per year! Little wonder that *Transurban's* CEO was recently quoted in the SMH saying “It's more like a business in its own right as opposed to maybe just one single standalone asset”.

Of the 15 existing tollways in Australia today, *Transurban* now controls 13. They are a very powerful private-sector player – even looking into the North American market. They contributes financially to both major political parties in Australia. This ability for operators to donate handsomely to political parties has the potential to corrupt the system and needs to first be scrutinized and then altered. If not, we will never ensure a better system of infrastructure choice and delivery in Australia.

Tollways create the perception of a streamlined road system, free of traffic lights and bottlenecks. The truth however, is that they induce greater traffic volumes which can't help but create bottlenecks in most places where they interchange with the existing free road network which surrounds them. Tollways are no silver-bullet to ending congestion – and every time we agree to building another one, we are agreeing to a user-pays system which is inequitable to all who use it, especially given the lack of alternatives which might otherwise take them off the road completely.

As the old saying goes, “you aren't in traffic – you *are* traffic”. All tollways do is add insult to injury, charging people for the ‘privilege’ of traffic - which may or may not

prove faster. It is merely the common man's perception that a tollway is likely to be the most time-effective way of getting around. This perception keeps up demand – but when we all choose to use it, that time-effectiveness soon evaporates. To quote Ben Aveling of the Alexandra Residents Action Group (Alexandria is likely to be severely impacted by WestConnex in South Sydney), “Bigger bottle – same neck”.

The future WestConnex tolls for anyone who uses it between Parramatta and Haberfield daily, will see them charged over \$5000 a year in tolls for a road trip which was once free. This is just for the initial stages of WestConnex! Whilst alternative free roads do exist, these are expected to see an increase in ‘rat-running’ by those who are trying to avoid the tolls – so we have to ask if the community really will have a ‘free alternative’ which proves efficient for those who feel they must drive.

When the M2 was opened by Bruce Baird and Nick Greiner, the public was not widely aware of a clause in the contract which would discourage the building of a competitive rail line for decades to come, which might otherwise dent profits for the owner-operator of the tollway. Still, it was there. Were it not for the re-wording of this clause under the Labor which followed, we would not now be seeing the building of the NW Metro. This said, the NW Metro is not likely to prove as appealing a service for commuters compared to the existing double-deck train carriages which provide ample seating across the rest of the Sydney Basin, so the appeal of the new Metro may well see many opting to stay in their cars. The tollway operator had challenged Barry O'Farrell for proposing to build the NWRL, but since then, the LNP's policy of additional residents moving into the NW Metro corridor (as part of the government's urban renewal agenda) will almost certainly ensure the original forecast profits - given the combination of established NW populations and incoming highrise populations, will mean that less than a decade, the new service will likely be congested with standing-room only available to passengers who choose to use it.

This means that the tollway system in Sydney is flawed, because contractually it offers no real flexibility for alternative transit provisions which might prove more attractive to commuters. Essentially, this means it locks commuters into motoring – and locks them into paying for it. The only justification for this being that the big new roads somehow came at ‘no expense to the State’ (as part of a PPP) and the forecast profits of the provider are secured. That is hardly equitable given many other Australian jurisdictions never have to pay such costs for road usage – and certainly not to private sector entities.

On financial arrangements of existing and proposed private toll roads, and equity aspects of these arrangements

Tollways in NSW have been developed up till now with the private sector absorbing the risks of construction and being rewarded for such with the ability to collect toll revenue – but this is losing its appeal after the last two PPP-built motorways collapsed financially due to poor traffic modeling.

We now have a situation in NSW, where State and Federal Governments feel they must fund and build a toll-road (WestConnex Stage 1 and 2), then sell them off almost immediately, allowing the long-term toll revenue which would be returned to the State to be reduced dramatically, allowing the vast bulk of it to be siphoned off into the private sector, who they are likely to appeal to for capital in future.

We are asset recycling the original road (WestConnex) to build each new road – even though the upfront costs of those roads (as they are acquired) need to be accompanied by a secondary level of profit for the purchaser. This means we, the users, must pay tolls for longer than if the government had simply built and recouped the costs of the road itself overtime. The phenomenon is therefore merely transferring money slowly to the private sector for little or no public gain.

For a system which offers lower costs of living and better outcomes, we would encourage Australian governments to move away from the neo-liberal faith of the past few decades, which states that private sector delivery can cure all ills, and get creative...

Perhaps borrowing money at record-low interest rates could prove a far better way to fund infrastructure of all kinds over time for taxpayers - rather than surrendering potential revenues to the private sector and constantly recycling assets, which is essentially infrastructure taxpayers have already paid for once – and charging them for it again with no substantial increase in the long-term to government coffers, had they simply retained charging rights themselves.

To manage congestion:

Were we to conduct a simple audit which counts the number of times the *Australian Traffic Chopper* service (subscribed to by various Sydney news agencies) has listed the various motorways across Sydney as something to avoid due to congestion in its time, we would soon see the very obvious data that clearly indicates motorways (often tolled across Sydney) in no way prove adequate when it comes to managing congestion – except to take attract it to core arteries, rather than local roads – which still in large part attract their share of rat runners trying to avoid the tolls of the main arteries (tollways). In fact, the academic world has now coined the term ‘induced traffic’ to highlight the impact these arteries have on the uptake of car-usage as opposed to public transport. With little in the way of efficient alternatives for so many living across the Sydney Basin (especially in the western Sydney Basin), motorways remain the first port of call for most. The question is, would they remain more efficient than additional rail lines, accompanied by local active transport provisions around stations and a widespread investment in ride-share options when it comes to reducing private car-use and thereby congestion? Likely not.

Whilst road-tolling is to some extent a deterrent to using toll-roads, we can’t escape the fact that without viable alternatives, many people will still be forced to rely on them. This

suits the business model of the tollway operators, who rely on people using their tollways to balance the books, so the whole system is flawed when it comes to the question of managing congestion, because congestion is, to some extent – what the profit margin relies on. A broader road-based system would be more equitable for all motorists because tollways tend to hit those who directly use them, but Governments should strive to return appropriate shares of the revenue to those who maintain the road system – and, in our opinion, to encouraging citizens to make a mode-shift to other forms of transport – including greater investment in additional rail services and active transport provisions. For this reason, perhaps the private toll collection needs to stop and Government regain its previous roll as administrator of the revenues collected, in full.

For fairness:

Tolls are not fair, particularly in Sydney as they are an incurred expense on drivers only where they have been set up. Private tolls are an additional expense on top of taxation which adds to the cost of living. As most new tollways till now have been established to connect the outer belts of Sydney where housing is most affordable, they are (by their nature) hitting families struggling to buy into the market for the first time. This is not fair on a generational basis – nor is it fair given the vast bulk of high paying jobs are far from these regions, dictating a need to commute across the basin to earn the pay which in part is surrendered daily to the toll-operators as an expense that others, already established in the housing market within the northern and eastern suburbs might never have to pay. This is in large part what leads to mortgage stress.

Road tolling is something which affects the user of individual and specific roads – but we are (for the most part) all road users – and therefore, we should all be paying for the efforts to keep traffic moving. EcoTransit does not believe that the current tolling regime is equitable for Sydneysiders and therefore, we would ask the inquiry to investigate the merits of restructuring taxation so that road-use generally is paid for through taxation – and acts as its own deterrent in the face of viable alternatives such as rail being available.

Where viable alternatives are not available to commuters, taxation should be directed towards the provision of those alternatives so that regional inequities can be ironed out sooner rather than later. Ideally, no revenues gained by road-usage should continue to be surrendered to the private sector, unless it is for the specific purpose of maintaining the roads they own. Any existing contract which allows for the ongoing collection of private revenue without accountability or specific contribution to the greater public good, needs to be assessed and re-written to ensure public money is used for public good. If the easiest way to maintain this principle is to simply nationalize existing tollways, so be it – if that is the easiest way to restructure the way we pay for roads in this country, so be it.

Thank you for the opportunity to contribute.

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