



19 July 2017

Senator Ketter
Chair
Senate Standing Committees on Economics – References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator Ketter

**RE: Submission to the Senate Standing Committee on Economics - operations
of existing and proposed toll roads in Australia**

We write to thank the Senate Standing Committee on Economics for the opportunity to submit to your inquiry on the operations of existing and proposed toll roads in Australia.

Tolling – a limited form of direct user charging - has been an important, but very limited tool, to fund road infrastructure.

Direct user charging will be a first order issue if Australia is to efficiently fund its substantial backlog of transport projects, including new metro rail – have an effective response to urban congestion – and a meaningful cities policy.

This means that this Committee has an important role in demystifying and explaining the utility, structure and purpose of direct charging through tolls and developing the case for wider, whole of network pricing.

Our understanding of tolling:

1. Tolling has historically been a fundamental mechanism to fund major urban motorways, in the absence of government sector funding;
2. This means that without tolling, many of the nation’s most significant and economically valuable road corridors simply could not have occurred;
3. From the 1980s until the later 2000s, effectively all road tolling concessions were granted through competed PPP arrangements;
4. These tolls created the cash flow to attract competitive design, investment and operation of road infrastructure – and positioned Australia as a global leader in innovative (private) financing of public infrastructure;





5. These tolls also created the cash flow to allow these major motorway projects to be appropriately accounted for 'off budget' by the procuring states;
6. Because these tolls were set by the procuring state in a sovereign contract with investors, they cannot be changed without the willing agreement of the investors in these projects which include major superannuation and Australian sovereign wealth funds;

Our understanding of the wider transport and cities issue:

7. This year's Federal budget reduced transport infrastructure funding to a decade low level, a victim of the wider fiscal strain affecting the national budget;
8. Other than NSW, Victoria and the ACT, all other jurisdictions are reducing their infrastructure funding, again reflecting their poor fiscal circumstances;
9. This means a much wider application of road 'tolling' through universal road user charging will be an increasingly important principle, noting the collapsing Commonwealth fuel excise, the reduction in Federal budget funding for transport infrastructure and the wider decline in public sector fiscal capacities;
10. Moving to a direct user pricing system is an equitable and more transparent means to set prices which appropriately cover the cost of constructing, maintaining and operating roads;
11. There is a logical limit to the number of new motorways or lanes that can be added, we cannot just 'build our way out of trouble' for ever; and
12. That means that reformed road user charging across the road network will also need to consider a congestion price element, to allow active 'hands on' demand management.

Our attached submissions:

The key points made in this letter are developed in a series of our research papers, which are attached as part of our submission, being:

- [*Urban Transport Challenge: Driving Reform on Sydney's Roads:*](#)

Our 2009 paper considers the then-structure of Sydney's orbital motorways and options to integrate tolling to support transport policy and equity outcomes.

- [*Urban Transport Challenge: A Discussion Paper on a Role for Road Pricing in the Australian Context.*](#)

Our first paper on network-wide road user charging considers the fundamental decline of transport network revenues and the allocation challenges – and develops the case and structure for a network-wide direct user charge.





- *[Road Pricing and Transport Infrastructure Funding: Reform Pathways for Australia;](#)*

Our second paper develops and applies our 'Universal Road User Charging' model – showing the winners and losers under a change scenario.

- *[Pre-budget submission on the proposed establishment of an 'Infrastructure Financing Unit' \(IFU\);](#)*

This submission contains principals that relate directly to the requirements and options to fund infrastructure, versus public finance; it is included to inform the committee about the realities of infrastructure funding allocations.

- *[Pre-budget submission on National Reform Incentives;](#)*

Our third pre-budget submission describes the core responsibilities and role for the Commonwealth in driving national reform to infrastructure markets to best leverage the limited Federal funding capacity, and improve outcomes for road users.

Conclusion:

IPA hopes that the Committee will further demystify tolling and advance the discussion about how we fix Australia's transport system using efficient pricing structures by making it fairer, and in time, by using demand management pricing to reduce growing road congestion.

We would be delighted to discuss the matter further with the Committee should it be required. In the meantime if you require any further information, please do not hesitate to contact our Mr Michael Twycross on (02) 9152 6012 or at michael.twycross@infrastructure.org.au anytime.

Yours sincerely,



BRENDAN LYON

Chief Executive Officer

