



9 August 2018

Mr Shane King MP
Chair
Transport and Public Works Committee
Parliament House
BRISBANE QLD 4000

Via email: tollroads@parliament.qld.gov.au

Dear Mr King,

RE: Submission to the Transport and Public Works Committee's inquiry into the operations of toll roads in Queensland

Infrastructure Partnerships Australia is pleased to provide this submission to the Transport and Public Works Committee's inquiry into the operation of toll roads in Queensland.

Infrastructure Partnerships Australia is an independent think tank and executive network for Australia's infrastructure sector. We are a public and private sector membership-based organisation drawing together industry and government in a genuine partnership to debate the policy reforms that will prepare Australia for the challenges ahead.

We are committed to engaging stakeholders and the community on the economic and social benefits of major infrastructure projects and reforms, such as through improved road funding mechanisms.

At the outset it is important to establish that there are only two sources of funding for infrastructure – taxes and user charges. Put simply, when the need for a piece of infrastructure (such as a road) has been established the community can choose to pay for that asset either through allocations of their tax contributions and/or through direct user charges, such as tolls.

The progressive provision of toll roads in Queensland has allowed for the accelerated delivery of high quality road infrastructure across the State's fastest growing region. Toll roads have delivered significant economic benefit to the region and ensured road infrastructure capacity has increased as the population has grown.





Without tolls, major road corridors may not have been delivered, or their delivery would have been significantly delayed. This delay would, in turn, have meant the deferral of the substantial economic benefits Queensland's tolled motorway network has provided. By leveraging contributions from the beneficiaries of infrastructure, in this case motorists, successive Queensland governments have been able to deliver more and higher quality roads for those users.

While toll roads have been undeniably successful in lifting South East Queensland's network capacity and service quality, and delivered significant economic benefit, they remain a discrete solution to the broader road funding challenge facing Australia.

Looking forward, there is an opportunity to further reform the way we fund and invest in the road network. Reform through a rehabilitated road user charging mechanism to provide a fairer, more sustainable, and more efficient road system.

With both the immediate and longer-term in mind, this Committee should take the opportunity to demystify and explain the utility, structure and purpose of direct user charging through tolls. The Committee should also take the opportunity to develop the case for wider, whole of network charging reform.

Our understanding of road tolling in Queensland:

- tolling has historically been a fundamental mechanism to fund major urban motorways, supplementing government investment on behalf of taxpayers;
- without tolling, many of Queensland's most significant and economically valuable road corridors would not exist, or would have been constructed at a much later date;
- the private sector's investment in toll roads has allowed the Queensland Government to focus on, and fund, public transport capacity, operations and upgrades;
- from the 1980s until the late 2000s, effectively all road tolling concessions in Australia were granted through competed Public Private Partnerships (PPP);
- tolling revenue has created the cash flow to attract competitive design, investment and operation of road infrastructure, which has provided Queensland with high quality road infrastructure, efficient risk transfer and substantially enhanced amenity;
- because these tolls are set by the procuring state in a sovereign contract with investors, they cannot be changed without the willing agreement of the investors. This provides certainty and a commitment device between all participants; and
- concession contracts have also protected the Queensland Government and taxpayers from project delivery and operational risk. This has meant that Queensland taxpayers were protected from imprecise patronage forecasts and subsequent insolvency of RiverCity Motorways and BrisConnections.

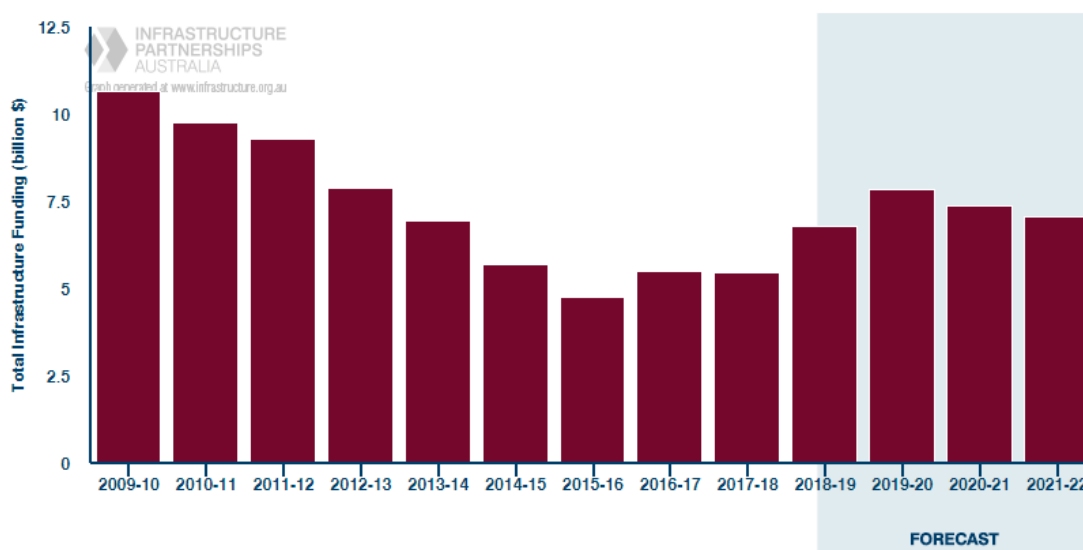




Our understanding of the wider transport funding issue:

- this year's Federal Budget reduced transport infrastructure funding below decade-average funding levels to the states, including Queensland;
- while the Queensland Government's 2018-19 Budget turned the trend on infrastructure funding, funding levels still sit below the decade average (see Figure 1).

Figure 1: Queensland Government infrastructure funding (2009-10 to 2021-20)



Source: Infrastructure Partnerships Australia, 2018

- other than NSW, Victoria and the ACT, all other jurisdictions are reducing their infrastructure funding, reflecting their constrained fiscal capacity;
- a much wider application of road user charging is increasingly important as Commonwealth Fuel Excise revenues continue to decline and Queensland's fiscal capacity faces continued constraint;
- moving to a direct user charging system is an equitable and more transparent mechanism to appropriately cover the cost of constructing, maintaining and operating roads;
- this is an important issue as the current road funding regime is increasingly unfair, unsustainable and inefficient for motorists and the broader community;
- there is also 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
- therefore, road user charging reform will also need to consider a demand management mechanism over longer-term.





Our attached submissions

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

- [*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 and most comprehensive paper on road funding develops and applies our ‘Universal Road User Charging’ model – and a reform pathway for Australia.

- [*Submission to Select Committee on Electric Vehicles - inquiry into the use and manufacture of electric vehicles in Australia*](#)

This recent submission to the Federal Senate’s Select Committee on Electric Vehicles outlines the once in a generation opportunity to attach road reform to the rise of a disruptive technology – Electric Vehicles. However, the submission notes that this opportunity to reform road funding in the near-term is closing. That is because of the increasing and rapid uptake of Electric Vehicles. Once Electric Vehicles become a dealership mainstay, road user charging reform through Electric Vehicles will become electorally unachievable. The submission states that a distance-based user charge should be accompanied by removal of any upfront disincentives, to encourage Electric Vehicle uptake.

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

Our 2017 Federal 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 across Queensland and the other states and territories.

Conclusion

Infrastructure Partnerships Australia hopes that the Committee will further demystify tolling and advance the discussion about how we fix Australia’s transport system using efficient charging structures. Such a reform would ensure Australia’s investment and road funding regime is fairer, sustainable and more efficient. Over time this should also include how we can use demand management to reduce growing road congestion and improve network efficiency.

We would be delighted to discuss the matter further with the Committee. In the meantime, if you require any further information please do not hesitate to contact Mr Nick Hudson, Director of Economics and Policy, on (02) 9152 6018 or at nick.hudson@infrastructure.org.au.





Yours sincerely,



ADRIAN DWYER

Chief Executive Officer

