



INDEPENDENT TOLL REVIEW

Public Hearing Transcripts

2023 INDEPENDENT TOLL REVIEW

July 2023

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**PROF ALLAN FELS AO, Chair
DR D. COUSINS AM, Deputy Chair
MS R. SIMPSON, Facilitator**

NEW SOUTH WALES INDEPENDENT TOLL REVIEW

SYDNEY

9.27 AM, TUESDAY, 11 JULY 2023

DAY 1

MS R. SIMPSON: Okay. Well, thank you, everybody. Good morning and welcome to the public consultation session for the independent toll review. I'm Rachel Simpson, and I will be the facilitator for today. Before we begin, I respectfully acknowledge the traditional owners of the land that we're meeting on today, which is the Gadigal people, and I recognise the importance of place to Aboriginal people and their continuing connection to country and culture. I pay respects to elders past, present and emerging and, particularly, any Aboriginal or Torres Strait Islander people who may be participating today.

Okay. Very quickly, I will take us through a little bit of housekeeping. Today's session will start with some brief introductory remarks from the independent review leads, Professor Fels and Dr Cousins. And we will then begin the stakeholder consultation: stakeholders and community members that have registered to present their submissions today. We will have a mix of industry, toll road operators and community members today. We will also have a question and answer session which will provide the general public an opportunity to participate. So today's session is a live stream event, and you can see on the screen the link for people that are – well, if you're watching, you're already joined in.

I do note that representatives from the media are present today and also that the public consultation sessions are being transcribed to ensure we receive the submissions accurately. There will be a summary of the public consultation from the three days of public – of hearings that will be published around about August of this year. Just a few guidelines for our session today, we do encourage respectful listening. We ask that you remain seated unless you're presenting, and questions from the room should be directed through the reviewers. For those of us who are in the room, the emergency exit is located at the back to the left, and you could also exit via the door here to the left. I think that's all from me. I will now hand over to Professor Fels and Dr Cousins. Thank you.

PROF A. FELS AO: Thanks very much, Rachel. And I would like to welcome you all to this initial public consultation and hearing about tolls. Tolls have become very pervasive in recent years following the constructions of major new motorway developments in Sydney. I think Sydney is the most tolled capital city in Australia and, perhaps, one of the most in the world. But along with that goes the benefits of having extensive motorways that have made life more convenient for many travellers. But at a time of quite high inflation and with households under cost of living pressures, Sydney toll roads are becoming increasingly costly. The prices go up each year in accordance with contracts with the government and, in some cases, are unaffordable for road users, especially, for those who have less access to public transport.

Now, Sydney's toll roads have all got different ways of charging road users. Motorists travelling on the Cross City Tunnel, M7 or Sydney Harbour Bridge experience three different tolling methods, causing what seems to be unnecessary complexity and confusion. Tolls help to finance new motorways built by private

sector companies under agreements with governments. These arrangements have not been fully transparent to the public, adding to concerns about their appropriateness. Now, cost recovery is not the only role that tolls have. They also have an important role in ensuring optimum traffic flows on these motorways. The level and structure of tolls influences both their efficiency in doing this as well as their fairness.

There is a need to see if the tolling system could be simplified. Motorists need to have good information when they're making decisions about the use of tolled motorways. This information should be clear and comprehensive, and it should highlight the alternatives available to motorists. For these reasons and more, the new New South Wales Government has appointed Dr Cousins and me to lead this major review of tolling arrangements in Sydney's motorways, and it's a public review. And as part of that, we're interested in public and community views as well as those of the operator and various interest groups and so on. Issues about the efficiency, the fairness, the simplicity and transparency of tolls, as well as issues about toll relief measures brought in by governments, are central to the review. And if sensible improvements can be made, we will not hesitate to recommend them.

Our preliminary feeling is there is some scope for win-win outcomes, but let's see. We are independent, Dr Cousins and I. We've done many independent inquiries in the past, and that is a key feature of the review. But we are working with the government and with the government departments and agencies that have expertise to bring to this project. Some work has already been done as part of an internal review that was commissioned by the previous government. We have released – or, at least, the New South Wales Government has released a summary of work done to this point which is generally available, and our review, we hope, will put forward, next year, recommendations for a simpler, fairer and more efficient tolling system for consideration by the New South Wales Government. And I would just like to ask Dr Cousins if he has any comments to make.

DR D. COUSINS AM: Thanks very much, Allan, and welcome everyone, and we appreciate people coming to the hearing today, the first of our three days of hearings. We've got two more days following this one; one in Parramatta and one in Penrith. Perhaps I would first like to also acknowledge our traditional owners of the land that we're meeting on and just note that their sovereignty over the land has not – never been ceded or extinguished. I also acknowledge the elders past, present and emerging. As Allan said, this is an independent inquiry and public inquiry set up following a pre-election commitment of the then Minns opposition. We've been working for several months now and this is – behind the scenes, I guess, coming up to speed with work that has been done previously, and this is the first of our public, if you like, forays. It is an independent public inquiry, and the public interest is paramount to the inquiry, so we're very appreciative of the input that we've already been receiving from the public.

I would say that, perhaps, just further in that regard, there has been, I think – Allan mentioned the previous work done by the government inquiry. There have been a couple of public inquiries, as well, and I guess there may be a little bit of inquiry

jaundice, if you like, by this stage. Many people have put submissions into the Parliamentary inquiries that we've had. We will take those into account. This inquiry does, I think, give us a real opportunity to make some progress forward, and we are going to be looking for, as Allan said, win-win recommendations, but also
5 recommendations that are practical and can be implemented by the new government. I think it's a very good opportunity in that regard, so we do urge people to, you know, be involved in the inquiry as much as you can be. I thank everyone for coming today and for participating, and we're looking forward to hearing what our various witnesses have to say. Thank you.

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MS SIMPSON: Thanks, Allan. Thanks, David. We will now get underway with our first representatives, and I welcome Michele Huey and Chris Jackson from Transurban. Over to you, Michele.

15 MS M. HUEY: Thank you, Rachel. Good morning, Professor Fels and Dr Cousins. Thank you, firstly, for inviting us to appear today and also having the opportunity to contribute to this independent toll review. And on behalf of Transurban, I would also like to acknowledge the traditional owners of the land on which we meet today and pay our respects to elders past, present and emerging. My name is Michele
20 Huey. I'm the Group Executive for New South Wales at Transurban, and alongside me is Mr Chris Jackson, our General Manager of Customer Experience and Operations. Transurban appreciates the opportunity to have an open and transparent dialogue about Sydney's tolling regimes as we have done by appearing in previous inquiries in 2017, 2021 and 2022 in New South Wales and in, also, other forums
25 across the country.

As we understand it, there are several different streams to the work undertaken by this review. There are government shorter-term objectives such as toll relief schemes; increasing the speed to 90 kilometres per hour at WestConnex; decision
30 point signage; and, potentially, some innovations in the way that our sector services no-arrangement travel. Transurban is already supporting a number of these areas, working alongside Transport for New South Wales and New South Wales Treasury. And looking at the longer-term picture, the toll review's discussion paper and summary of work completed prior to the election as released by the government
35 recently offered helpful insights into the high-level approach being considered and include some early ideas and practical examples of how we could further enhance the benefits and positive impacts delivered by toll roads beyond what we see today.

The government's papers include ideas such as zonal distance-based pricing models with an access fee and, potentially, time of day tolling. While recognising that there is more work to be done in examining these different options, we, alongside our partners, are open to discussions on these reform approaches should the review the head in that direction. We are planning to share more information in a detailed
40 submission to be provided to the review later this month. Today we would like to take the opportunity to explain a little bit about Transurban, our partners and the collective investments that we've made which have helped transform the way we move around Sydney. We would like to share some data with the review about the
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value of our motorways, the biggest factors being travel time savings and journey reliability.

5 A case study is NorthConnex, now almost three years in operations and an asset that has benefited not just drivers that use the road but also neighbouring communities on the surface. We will touch on the way that we deliver projects alongside government partners. It has been a partnership that has delivered major benefits to the city of Sydney. And lastly, Chris will explain some of our customer insights and the toll notice reform options we have in New South Wales. In the map now on the screen,
10 we have the network as we experience it today. It includes a full orbital, the completion of a plan that is decades in the making and something that, were it not for the private sector's involvement, would have been decades further away from becoming a reality.

15 Transurban is an Australian-owned company listed on the Australian Stock Exchange. We are the long-time owner and operator of some of Sydney's motorways. We have delivered projects with all sides of politics since we signed our first contract in Sydney for our share in the Westlink M7 20 years ago. The industry is wide. It includes our customers; communities; government and industry;
20 business partners; investors; equity co-owners; and finance providers. Our own people represent many different disciplines from traffic control operators; traffic planners; maintenance engineers; project delivery; personnel to corporate and supporting functions, including safety; environment; finance; community engagement; customer and technology services. By working to be a partner of
25 choice from each of our stakeholders, we have helped to deliver a toll road network that has transformed the way people, good and services move around Sydney.

The colourful pie chart to the right of the page is one that would not be unfamiliar to our investors, the one that we think helps to explain how Sydney's toll roads are
30 owned and operated. Put simply, Transurban is not the only owner, operator and partner involved in delivering the safety, travel time and reliability benefits of Sydney's motorways today. Nor are we the only party needed to progress long-term reform with the government. Since we entered the New South Wales market, a number of other investors, including leading Australian superannuation funds, have
35 partnered with us to invest in established toll roads as well as development projects.

When sorted by average daily traffic, Transurban's ownership of Sydney's toll roads is just under 50 per cent of the sector. Our partners include AustralianSuper and UniSuper. Indeed, AustralianSuper owns more than one-fifth of WestConnex. The
40 percentage of private sector ownership is expected to decrease in the coming years as State-owned projects, including the M6 Stage 1 and the Western Harbour Tunnel open. Beyond our investments in these pieces of infrastructure, it should also be noted that 90 per cent of major Australian super funds hold shares in Transurban. These are the considerations that need to be taken into account in the review, because
45 any changes to concession arrangements require engagement with our partners. I would like to briefly also touch on how toll roads complement the wider transport network.

Toll roads operate on a user-pays system. In selecting the route in their road travel, drivers have a choice to use the toll road or a free alternative. The user-pays system means that taxpayers across New South Wales aren't paying for the roads that they don't use. By contributing to toll road infrastructure projects, the private sector is injecting vital funds that would otherwise have to come from government budgets, leaving less for other government priorities such as health, education and public transport. Building motorways and other road projects require difficult decisions to be made, and the long-term nature of these investments often means it is challenging to know all the factors that will shape how these investments will pan out over the years, if not decades.

If road investments are needed, governments decide whether to use taxpayers' funds, adopt a user-pays model such as the one in toll roads or not carry out the project at all. With the toll road user-pays model, drivers who use the road have to pay. Non-users are therefore not exposed to having their taxes put towards funding road projects that they don't use. Having said that, providing toll roads often means free service routes have less congestion and flow better for everyone else while improving air quality and boosting safety in the neighbourhood. Sydney toll road prices are set by the government broadly based on the funding requirements for each motorway. Prices on most toll roads are changed every three months in line with the regime set forth by the government of the day. WestConnex is increased annually.

Private sector investment removes traffic risk from the State and allows the delivery and ongoing operations of infrastructure at no cost to taxpayers in some instances and on accelerated time lines. The competitive sale transactions, reviewed and not opposed by the ACCC, did not change any of these tolling regimes. The risks in large-scale infrastructure are significant and have, of course, resulted in some highly publicised failures, including the Cross City Tunnel and Lane Cove Tunnel where tolls were set below the required levels to fund the projects. While private investors bore the risk, taxpayers benefited with improved networks and new, world-class roads and tunnels. In our last inquiry submission, we presented independent research which estimated the total economic benefits from the accelerated delivery of toll roads by the private sector at around \$35.8 billion over the 30 years to 2046, with the benefits to the business and private sector alone forecast to be almost \$12 billion.

Competition and regulation exist at multiple levels in the industry, including, firstly, the decisions on what infrastructure is to be delivered; who builds and funds it; ownership options through competitive bids; and value-for-money tests. Most importantly, drivers have choice with free alternative routes and travel modes for the trips to be taken. Revenue-sharing provisions are also in place for concessions and provide scope for government and the community to share in any unanticipated additional revenue benefits. Transurban is open and willing to discuss the tolling structures and opportunities to improve the efficiency, fairness, simplicity and transparency of the toll road network. At the same time, it is important for us not to forget the benefits that drivers experience each day.

5 Almost a million trips a day on average are taken on our Sydney toll roads according to the latest traffic statistics which we publish for everyone to see every three months. Travel time savings plus safer and more reliable trips have supported Sydney's rapidly growing population, and today more motorists are choosing to use toll roads than ever before. Having taken three decades to build, Sydney's motorways are now working as a connected network. Instead of entering and exiting incomplete motorways, Sydney now has a network that includes Australia's largest ever road project, WestConnex. It has been less than six months since the latest missing link was opened; the connection between the M4 at Haberfield and the M8 at St Peters. And with the Rozelle interchange on the way, soon even more drivers will be able to access these world-class tunnels.

15 For decades, the M4 stopped at Parramatta Road at Strathfield and the M4 East was a car park. Now WestConnex is slashing travel times by up to 40 minutes. There is also, most importantly, around one-third less traffic on parts of Parramatta Road, and the air quality in that corridor is some 10 to 15 per cent better. With the opening of the M8 and the M5 East, it's also safer and more reliable. Another key number and arguably the most important one for the drivers on the roads is the figure of 208,000 hours. That's the average workday travel time saved compared with comparable alternative routes and is taken from TomTom data from July to December last year. For freight and logistics providers, in particular, this delivers significant productivity and economic benefits. Beyond the travel time savings and journey reliability, the benefits also take the form of reduced fuel costs and greenhouse gas emissions.

25 That also means less time being stuck in traffic and more time at home with family, completing deliveries or helping get to that appointment. We're currently running a campaign to encourage Blues fans to use WestConnex to make sure they get to tomorrow's State of Origin on time. Recently, we saw a record being broken when the Red Hot Chilli Peppers played at Olympic Park. For the road system in New South Wales, the last 10 years, in particular, have been a game changer. Around \$25 billion has been invested into Sydney's motorway network. In fact, it was a decade ago this month that the last cash booth was removed on the M5 South-West and electronic tolling became the industry standard.

35 Indeed, there is one reason why we have different tolling collection methods. When earlier concessions were written, the internet, let alone the sort of technology that Chris is going to talk about soon, was not available. Let's take NorthConnex as an example. This has not only provided a missing link between the M1 and the M2, allowing a traffic light-free journey for almost 1000 kilometres between Newcastle and Melbourne. It has also transformed local communities. NorthConnex is taking an average of more than 6000 trucks a day off local roads. The drop in heavy-vehicle traffic on previously congested roads has seen the number of crashes more than halved on Pennant Hills Road and the number of near misses also slashed. I would now like to hand over to Chris for the final part of our presentation.

45 MR C. JACKSON: Thanks, Michele. Professor Fels and Dr Cousins, thanks very much for the opportunity to participate in today's hearing. As Professor Fels noted, a

key aspect of this review is transparency. And this particularly includes empowering customers, as Professor Fels noted, with the information they need to make informed decisions about whether or not to use toll roads or the free alternative routes. Our digital tool, such as Trip Compare, which is based on independent, third-party data from Google, helps customers make informed choices about the best route to take. The tool, which is available on the Linkt website, allows motorists to compare the costs and the benefits of using a tolled route versus the free alternative route. Users are able to enter an origin and a destination and are provided with information on the cost of their toll; estimated travel time savings; the number of traffic lights avoided; fuel savings; and environmental benefits.

We believe this simple tool plays a really important role in helping people assess the value of using a toll road in order to make informed choices about how they move around Sydney. Our research is showing that customers are increasingly interested in the environmental impacts of their transport choices with trips on our roads saving an average of 27 per cent in greenhouse gas emissions compared to alternative routes. As you can see on the screen, we're showing a sample trip from Western Sydney to the airport to catch a Friday night flight, and it highlights the benefits that Michele spoke to in relation to the WestConnex network. But there are, of course, many other examples you could use.

Separately, I know that the review is looking at the use of on-road signage to provide information to drivers about the performance of roads during their trips. This decision point signage was part of our proposal to the last tolling inquiry in New South Wales and something we would be very keen to look at being trialled here in Sydney in much the same way as we've done in Melbourne. Transurban's purpose is to strengthen communities through transport, and we aim to achieve this in many different ways. A key part of this is understanding and gaining insights from the customers that use our roads, and we've surveyed thousands of people in the cities in which we operate to understand how they live, work and move around their homes and communities. That data is captured in our urban mobility Transurban reports.

As the chart from one of our recent reports shows, most drivers on our roads aren't actually daily commuters as many might guess. In fact, just 14 per cent said they use toll roads to commute to and from work, with travel to the airport; social outings; social events; and daily life accounting for the majority of trips for what is predominately a customer base of more occasional users. We understand the significant challenges that Australian families are facing with cost of living pressures, and that has been part of our research as well. As you can see from the slide on the screen, the average toll spend for Linkt customers who are private customers is just over \$11 per week. I know that the government has its own data on average spend across Sydney, too, and we would be happy to share key learnings we have around how and why people travel on our road network.

While tolls represent less than one per cent of the average Australian household budget, we do acknowledge that for a small percentage of customers, financial hardship is very much a real issue, and our Linkt Assist program offers vulnerable

customers comprehensive and tailored support where they need it most. Services offered by Linkt Assist includes more time to pay as well as payment plans; toll notice waivers; and, importantly, toll credits for essential future travel. I would finally like to just speak briefly about toll notices, an area, I understand, the review is looking at closely. By way of context, around 95 per cent of drivers who travel on our roads have an active account or pass in place or set one up during the grace period around 10 days before a toll notice is issued.

But for the five per cent of trips that do proceed to a toll notice, we recognise there is a real opportunity to improve this experience not just on our roads, but across the entire New South Wales network. And Transurban supports and advocates for reforms to the toll notice process. This could include consolidation and digitisation of toll notices and reviewing the toll notice administration processes and fees. We believe these changes provide significant benefits, including better customer experience, reduction in toll notices issued and a reduction in the amount of fees paid. We believe these potential reforms could draw on learnings from the positive changes of similar processes and similar initiatives that have occurred both within Queensland and Victoria.

Importantly, we would need to work closely with Transport for NSW, E-Toll and the broader industry, both at a New South Wales and national level to implement any change. But we see the opportunity here for a holistic solution which would significantly reduce the number of toll notices issued in New South Wales, the highest of any State, and deliver significant benefits to the people of New South Wales, and we look forward to working with the government on this key reform opportunity. I will now hand back to Michele.

MS HUEY: Thank you, Chris. Thank you, Professor Fels and thank you, Dr Cousins, for your time today. Over the past three decades, Sydney's toll roads were each built for a certain purpose and, as assets, are delivering travel time savings; journey reliability; few savings; and environmental benefits. The benefits don't only go to the drivers that use the road but also those that live and travel along neighbouring corridors. We do also believe there's an opportunity to discuss how the toll road network could be more efficient and fair, and Transurban remains open to exploring how these ideas may work and will be guided by the directions set by the government and the recommendations by your review.

We recognise the efforts of the New South Wales Government, including Transport for NSW; New South Wales Treasury; Service NSW, and look forward to continuing to work with you, Professor Fels and Dr Cousins along with the Roads Minister John Graham, Treasurer Daniel Mookhey and their colleagues. We appreciate your time in hearing our views and the views of operators like us along with the myriads of partners; investors; businesses; organisations; and, of course, motorists who have a stake in the success of Sydney's long-term economy and also toll roads. We would be happy to take any questions.

PROF FELS: Thank you very much. And we appreciate your cooperation and intended cooperation in the future with the review. I did have some questions; maybe a general one at the start. The public attitude to tolls, I think it has been an issue in the minds of the public. No one likes paying for things. Do you have any reactions to public views about tolls and their level in Sydney?

MS HUEY: Thank you, Professor Fels. We're passionate about what we do, and it's very important for us that we deliver the benefits of what we do to the community as a whole. The most important thing for us is to recognise that toll roads only work when it becomes – if it works as part of a well-functioning and efficient integrated transport, not just roads but also including other modes of transport. And the most important thing is make sure – being sure that the users of transportation has the choice. And so our focus is on making sure that we deliver the most efficient toll roads and, at the same time, making sure that users and travellers have the most up-to-date and accurate information so that they can make a choice for themselves as to what route – toll roads or free alternatives – to meet their travel needs.

PROF FELS: Thank you. So just looking at the tolls system as part of the bigger picture you've painted, do you see scope for any rationalisation in relation to toll prices across the whole network?

MS HUEY: Professor, this is a very complex set of questions, and we appreciate the time that the review has spent on that. I think when we – as I said in our opening remarks, toll roads in Sydney have been built over 30 years in a somewhat piecemeal basis. Each of them serve a different purpose, focused on the corridor that they're trying to relieve congestion for. And so over the 30 years, it has been built up, and it has never been designed as a system – as a network to operate in itself. But I think the opportunity we have now is there is an orbital and there is a completed network, and so there are opportunities to look at how we can actually make the tolling regime, certainly, more consistent, more fair and more – and as you say, more efficient so that it's not just about – as you made remarks on, not just about recovering the cost of some of these long-term infrastructure but also to help us manage the demand and also the congestion on the roads.

PROF FELS: So one of the ideas floated in the previous-work-done report was that there should be one access charge for anyone travelling on the system and then a distance charge to set up a complete pricing system. Have you any reactions to that?

MS HUEY: Yes, and if we look at the portfolio of motorways that make up the Sydney network today, there are lots of different types of charging systems. There are flat-rate ones, regardless of distance. There are distance-based ones. Some of the motorways have an access charge; others don't. And some of them carry time of day. And so from a consistency perspective, there's certainly opportunity for us to make the network flow better for the use of the customers and the travellers. Motorways and toll roads, as a principle, uses a user-pays basis, and so we believe in the people that use it and benefit from it should pay for it.

And so if we look at a distance-based model – and the discussion paper also talked to a zonal-type design, which is also distance-based – I think we would be very happy to explore that as a concept. It is difficult for us to definitively understand the impact of that on traffic; on congestion without knowing the details. But certainly, it is a model that we think would work for Sydney. A zonal-based model would also be quite similar to the community’s understanding of how public traffic would work, for example, on the train system. And so if we are thinking about a model that is easy to understand and simple, then certainly, it would be something that we would be happy to explore with you.

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PROF FELS: And have you any comments on the two price components that have been talked about? One is an access fee for getting on the system and then a distance price.

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MS HUEY: And I think those two elements are also quite common across many transport systems, not just in Australia but across the world. I think distance-based is generally seen as a model for user-pays, ie, the number of kilometres travelled reflects the pricing on the trip being taken. And the access fee, of course, is for managing, generally, the long and short distance of the trips.

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PROF FELS: David. Sorry. And then what about time of day pricing?

MS HUEY: And time of day pricing already exists in some of the motorways, being the harbour crossings in the Sydney at the moment. I think it would – we would also see that as one of the opportunities for us to actually use time of day pricing to encourage drivers to better use the roads where there’s during – avoiding peak congestion where they can and using the roads at off-peak time. And that would certainly help across the network or the users to manage to congestion and also the flow of the network.

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PROF FELS: And do consumers – do motorists respond much to the on and off – different prices during the day?

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MS HUEY: And that question depends a lot on the exact design and also the location. So many factors go into how motorists respond to different pricing regimes. And some of it, of course, is where the location is; what other alternatives they have to consider when it comes to peak and off peak; and then, also, in terms of the purpose of the trip, depending on what the trip is for, whether when they get to the other side, the whole point of taking the trip – for example, to go to an appointment; go to a retail shop – whether those services would be available as well. So many factors go into that, not just in the design of the infrastructure and the pricing in determining out motorists would respond to a time of day pricing regime.

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PROF FELS: Now, as you know, in our terms of reference just generally, there are questions about fairness of pricing. Fairness can mean one thing. But have you any general thoughts on fairness?

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PROF FELS: Now, as you know, in our terms of reference just generally, there are questions about fairness of pricing. Fairness can mean one thing. But have you any general thoughts on fairness?

MS HUEY: And user-pays as a model itself, we see as delivering fairness in terms of those that use it and pay for it. But I think from – from the review’s perspective, obviously, there will be different factors that go into how that fairness then applies at individual corridors and individual areas. And we would also like to think that the government would be in the best position to consider how fairness also comes into play along with equity. And those concepts often are used interchangeably, but I think they mean different things for policy-makers. And so we would very much like to be – like to support the consideration of how a tolling regime could deliver both of those objectives.

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PROF FELS: And your own distinction between fairness and equity is?

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MS HUEY: I’m trotting a little bit outside of my economics knowledge. Fairness would be generally a consistent user-pays model where whoever uses it pays it, and it’s at the same price as long as they have the same impact. Equity would be actually making the outcome more consistent, and so you would take into account individuals’ socio-economic conditions in thinking about that. And so the government and the policy-makers have spent a lot of time and a lot of effort already in trying to explore how we meet those objectives through the likes of subsidies and cash-back regimes and the like.

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PROF FELS: So I’ve got one or two more questions, but maybe Dr Cousins would like to ask something.

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DR COUSINS: Thanks very much, and thanks for your comments. I note your willingness to engage in looking at some of these issues that have been raised: distance pricing, access pricing and so on. I wonder – and I think you alluded, also, in your comments to the number of parties that would need to be involved in those sort of discussions. It would be quite a significant thing to adopt a network-wide approach. I’m just wondering what problems you see at the moment. Yes, the basis of setting tolls differs across the network, but is that really a significant problem? How confused are people about it? I tend to suspect that they’re more concerned about the level of tolls and so on than they are about how they’re calculated. But that – I would be interested to hear what you say.

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But I’m also interested in how you see the network as a whole operating. One of the things that I think consumers do – they don’t necessarily mind paying tolls, I think, but they do want to get value for money. So when the motorways; tollways are congested and so on, they’re not necessarily seeing that value for money. So how do you see the networks operating in general? Do we have congestion problems on the network? Do we have roads that are not actually well used? So it gets to that question about how optimised, if you like, are the traffic flows on the network.

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MS HUEY: Thank you for that, Dr Cousins. I will come back to the first question first, which is what our perspectives on how toll roads in the network work today. I think I shared with you and, perhaps, a bit passionately, about the value and the benefits that we see delivering to the users of toll roads and also the broader

community of Sydney today. We talked about the 208,000 hours of travel time saving every workday that we deliver through the use of our toll roads, and we're really passionate about that. And we want to make sure that all the users of our roads have the good, safe, reliable journey experience that we aim to deliver.

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Absolutely, with the concessions having been built up over many decades and all of them carrying slightly different tolling regimes and escalation regimes, there's an opportunity for us to get more consistent in the way that customers experience the toll roads. So as an example, when they're travelling across different toll roads and use the network as a network itself, there are opportunities for us to make their travel more consistent in terms of the toll regime and the prices they look at. But the most important thing for us is making sure that the customer has choice. And so making sure that whether it's physical signs that we put on the road – whether it is Trip Compare, as Chris talked about – we arm the customers and the potential users with the most accurate and the most up-to-date information so that they can make that choice for themselves.

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Toll roads don't work if everybody uses it, because it would become uncontrollable in terms of congestion. What it does need is a fully integrated and an efficient functioning of a broader transport network, and so not just in the broader network in terms of roads, but also how public transport, such as trains; buses; ferries also come into play so that Sydneysiders can move around; goods and services can move around and choose the most optimum mode and also path that they have. In terms of how the network operates today; absolutely recognise that toll roads only work when the rest of the network also works as well. So whether there's – when there's disruptions; incidents off toll roads, it could impact on the customer experience that we have.

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And it very much comes back to the information that we can provide before a customer undertakes the journey so that they can actually make the choice for themselves. And so if there are opportunities for us to do that, whether it is thinking about decision point signage; whether it's about giving customers better information, we would absolutely look forward to continuing to work with government and also our stakeholders. And as – and a point, Dr Cousins, around your note that this sector is actually invested by and shared by many partners of ours, many of them being Australian superannuation funds, and they either hold direct investments in these concessions – long data concessions – or whole shares in Transurban as a listed company.

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It's really important for us to make sure that we involve them along the way as they are partners that are in these investments and undertaking these infrastructure builds alongside us. And so we would be keen to support any discussions and dialogues that there need to be with our partners. We won't be able to speak to our partners in terms of what they're looking for and the objectives that they have, but the one thing that we do share is making sure that we have the best toll road network working within an integrated transport system to get Sydney moving and to get Sydney growing. And before we finish, perhaps I can ask Chris to comment a bit.

MR JACKSON: Dr Cousins, you talked a little bit about congestion on the network, and I think that's a really important consideration. We know from all of our customer research that our customers don't like to be stuck in traffic, particularly, if they've paid to travel on a toll road. So it's really important to be able to present them with the whole story, and so it's really about understanding not just the performance of our roads but what the free alternative route looks like. And that's why, I think, we're so supportive of initiatives to give customers that information. And obviously, things like decision point signage does provide that information. And from time to time, the network will be impacted, but you really want customers to understand what they're paying for and the benefits that they're going to get. I think to your point before around willingness of customers to shift their travel times, we've certainly seen, post-COVID, a significant opportunity for many people to work more flexibly, and we've certainly seen that come through very strongly in our research.

And so I think the opportunity to shift trips for commuters to either go before or after the peak into those shoulder periods is a real opportunity. And in many cases, our toll roads and our road networks are able to cope with the volume of trips of travellers on the road. But we do experience those peak periods where capacity is stretched. And so there's a real opportunity, again, to work with that. But as Michele said earlier, at the end of the day, customers are looking to go from A to B, and, therefore, there may be some flexibility to shift that travel time but not completely change that planning of the trip. So I think there's a real opportunity to work here, and I think data is really important, and the opportunities to arm customers and the community with data is really compelling, and anything we can do in that space to work with the government and as a result of the inquiry, we would be very supportive of.

DR COUSINS: Thanks very much. Just on your later comments there, have Transurban thought about itself implementing time of day pricing to deal with those type of situations? I understand, you know, you could put forward an unsolicited amendment, if you like, for approval to do that, but has that been a consideration?

MS HUEY: We haven't put any proposals forward. As Chris said, a lot of the factors and considerations for time of day to work include areas that are well outside of operating a toll road but certainly, if the government would like to further explore that as an option, we would very much appreciate being part of the opportunity to do so.

DR COUSINS: Okay. I would just ask Mr Jackson to – you commented on the trip comparator linked – with the linked site. Can you tell us a little bit about the usage of that in terms of the number of people who are taking advantage of that opportunity.

MR JACKSON: Yes. Look, we've certainly seen really steady growth of the use of that tool since we introduced it. I think we recognise that it's just one part of the solution and customers think about the value of toll roads right through the entire

5 journey process, from advance planning of a trip through to getting in their vehicle and choosing when – which route they will take right through to mid-cycle through a trip, looking at potential route choices through to really confirmation at the end of their trip whether they took the right route or not, right through to them reflecting on their spend on toll roads over a month or over a period of time and thinking about the value they’ve achieved.

10 We see trip compare as part of the solution but it’s not the solution and we recognise there’s value in working with government to look at a range of other opportunities. We’ve also been working closely with Google to introduce toll pricing into Goggle maps so that customers can see the picture, not just the time saved but can make an informed choice. So we really try and look at a holistic solution here and keen to work with the government to look at ways where we can collectively put that information in front of customers. It’s very much a key commitment of ours to
15 empower customers to make those choices.

DR COUSINS: Thank you.

20 PROF FELLS: You’ve also commented earlier about signage and I just wonder if there’s anything more you can say. You touched on a number of options and possibilities. I think it was maybe suggested by the previous government that there wasn’t that much scope to improve signage and maybe it’s a distraction. I think another thing I heard was that signage sometimes is put too late in the journey to be able to help with choice and so on. Do you have any more to say on signage?
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MR JACKSON: Sure. Look, I think for signage to be effective it clearly needs to be very simple and easy for customers to understand because obviously one needs to balance providing information to customers and the obvious considerations around safety on the road. I think your point around the location of signage is really
30 important and customers need appropriate – the drivers on the road need appropriate time to be able to make those decisions and I think it’s really important that that’s done on feeder routes well before customers have to make that final decision so that they can safely move down the path they choose.

35 We also note from our research that customers also want to be able to see – when they’re travelling on a toll road or an alternative route, understand how, in practice, their decision or choice is played out and so there’s also a role for signage through the journey, telling customers how they’re performing against an alternative route because very often customers may experience changing traffic conditions and want
40 to understand, “Well, how did my choice” – it’s like that sliding doors moment of, “How did my choice compare with had I taken the alternative route”.

45 And so we see that as quite important too and you will notice navigation tools like Google will now often provide alerts to customers to tell them that, while they’re experiencing congestion, they’re still on the fastest route and that’s built out of that research of customers wanting validation of the choices they’ve made. So, we think there’s a real opportunity here but it’s something that needs to be done in a simple

and effective way and it requires, I think, detailed customer testing to make sure that it really is hitting the mark and we would obviously welcome the opportunity to be part of that.

5 PROF FELS: And, while we're on that subject or maybe not, is there anything interesting to say about the Sydney network as opposed to the network in other – sorry, is there anything you could say about the Sydney network compared with other ones in Australia? Signage is one thing but there are probably some broader questions. Are there any lessons, positive or negative, from other parts of Australia or globally?
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MR JACKSON: I think, from a customer perspective, there are some real opportunities to learn from lessons in other jurisdictions, particularly around, as I alluded to earlier, the toll notice process. We've seen really significant community benefits in both Victoria and Queensland through consolidation of toll notices which significantly reduces the volume of toll notices that are issued as well as improved infringement methods to provide clear behavioural signals to people about the importance of setting up an account or a pass when they travel on the road.
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20 And also we believe more broadly across Australia there are real opportunities to move towards digitisation of toll notices which reflects a lot of our customer research that shows the customers want to be able to receive that information, when they do receive a toll notice, in a more contemporary way. As Michelle said, many of the concession deeds pre-dated active use of the internet, smart phones, mobile apps and the like and so therefore there's a real opportunity to potentially modernise that.
25 There are also significant costs, both from a financial and an environmental perspective, of issuing paper toll notices but we see that as an opportunity to work with the government to deliver real community benefits in that space.

30 One other point I would probably just make about the Sydney network, which is a little bit different, say, to the Queensland network is that in Sydney you have two toll road retailers both being linked in e-toll and therefore any schemes or initiatives that are introduced it's really important to make that consistent and simple in terms of that application and we're working closely with the government around a range of
35 toll affordability measures that they've introduced to try and ensure that that is a seamless process. And I think when you called out earlier, anything that can be done to make any changes or to make the system simple, fair, efficient and transparent is really going to be well-received by customers, very much supported by our research.

40 MS HUEY: I think beyond the customer aspects that Chris obviously is very passionate about and shared some views on, I think if we look at the Sydney network and to your opening remarks, Profession, you did mention that toll roads are – is a significant part of the network and the transport network. I think at the same time we also see a tremendous amount of travel time savings, journey reliability that's being
45 delivered every day to Sydneysiders. And so I think, when we look across the globe, it's hard for us to comment on whether Sydney has the most toll road but certainly what we recognise is different jurisdictions have different solutions and different

policies in place to address congestion, traffic and also transportation objectives that they may have.

5 So, in Singapore they have a road user charging regime, in London they have a congestion-base, CBD-base zonal charges. It's difficult for us to comment on whether those work better or worse than Sydney but we certainly recognise policy makers have different objectives and these come to address those solutions. We're certainly seeing a lot of benefits and a lot of positive impact that we can deliver to the Sydneysiders.

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PROF FELS: There is some debate at the moment about road user charging generally in Australia partly driven by the fact that with EVs the capacity to collect revenue from petrol via excise is falling and that's a factor in road funding and also the idea in some quarters that there should be charging for all use of roads, how do you see toll roads fitting into that debate?

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MS HUEY: Professor, we are certainly aware of the ongoing discussions and considerations around the issues and the pressure of fuel excise as a revenue source for the government and also potential options for moving to a road user charging-style scheme. I think toll roads need to work within the integrated transport system, so how we see that, whether it's part of it, whether it's working complementary alongside that, we would be very much open to any dialogue or discussions with policy makers. Those policies and those discussions are well beyond our sector and the focus that we have in operating toll roads but very much we can support – any area that we can support, we would be keen to. I think, on a general level, given the model that has been put in place for toll roads being a user pay system and a user pays model, I think if we can move that to also see that implemented across the broader transportation network, we would certainly look to support that.

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DR COUSINS: I understand that trucks provide a disproportionate share of revenue really on toll roads. Can you say a bit about trucks and the use of toll roads. The sorts of questions that have been raised, the multipliers that are used, how are they determined, how accurate are they, what can we do to improve, if you like, the experience of trucks using motorways.

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MS HUEY: Maybe I'll start and then Chris can help me with some of the experience part as well. As you say heavy vehicles and what we call class B vehicles in Sydney is a key part of our customer base and also users of the motorways and the toll roads that we have today. There's a lot of independent research, a lot of actually different departments in governments, both at the Federal as well as the State level, that look to understand the impacts of heavy vehicles on roads. From our perspective, whether it is in the initial design of the road, making sure that the pavement is reinforced to a level that can take the heavy weight of a heavy vehicle or whether it's the height of tunnels that we build to accommodate for the higher dimensions of some of these larger scale vehicles using our roads, all of those impact on the initial costs and the capital outlay and also the complexity in the design.

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And then, from an operations perspective, it won't be a surprise to anyone, heavy vehicles tend to have a higher wear and tear in terms of the weight, in terms of the impact that they have on pavement but also for other users on the road. When we're thinking about smaller passenger vehicles, they pose a level of, if you like,

5 complexity in thinking about how to merge and how to efficiently run the road with different size of vehicles but also safety considerations, so all of those come together and for us to consider the different multiples that are applied to different size of vehicles. In Sydney we generally run two classes, class A and class B, of vehicles and they're based on dimensions of height and length. It's a very simple system, it's

10 a very well-understood one and so, I think from our perspective, it's really understanding and trying to strike the right balance between having a model that accurately reflects the cost of different types of vehicles and the use and the benefit delivered to the different customer bases that we have versus the simplicity of a system that we can implement and keeping that to something that is efficient to

15 implement. Chris, perhaps you can talk a bit about the customer.

MR JACKSON: Thanks, Michelle. I think probably just also worth noting that different models of measuring vehicles occur in different jurisdictions across Australia in Queensland and Victoria have slightly different, probably more granular

20 systems but, broadly speaking, all take a pretty similar approach to truck multiples of about three times that of a passenger vehicle and lots of work done across Australia by government department and others, as Michelle said, to arrive at that figure.

I think the other point to make is also the significant benefits that our roads deliver in relation to local communities and probably NorthConnex is a fantastic example of

25 taking trucks off local roads and we've seen the benefits to the community and, more broadly, to safety from Pennant Hills Road and some of the stats that Michelle shared around the reduction in accidents and near misses. So, I think the roads do provide significant benefits to trucks, as Michelle said, but that does also come with a

30 significant cost particularly, as Michelle said, in terms of the degree to which you need to build and design the infrastructure to cater for those needs.

We work very closely with the trucking industry and the freight logistics industry and we have really close engagement with them and we manage those relationships

35 through our key accounts team very closely. And I think we're confident of the benefits that the roads deliver but welcome opportunities to work with the government and through this review to identify any areas of improvement.

PROF FELS: One of our terms of reference is to look at competition and perhaps regulation issues. In that regard, I note that the ACCC has expressed some concerns

40 about the situation in Melbourne. It has not made any final decision but it has raised some concerns which are not so much about having competition between roads but about the implications of there being one supplier of toll roads and the advantages that that gives in any future development of new roads as a fairly high competitive

45 advantage when new work comes up. Do you have any comments on that issue?

MS HUEY: Thank you for that, Professor. Perhaps I can share a few perspectives from our way of looking at the sector. I think, from a competition perspective, we would consider our sector to be one of the most competitive and also regulated areas, first and foremost, on the tolling regime. All of those are matters for the government and they were set forth at the start of any concessions that we have and so we don't participate, we don't have a say in how toll prices are set and indeed how they're escalated for the term of the concession. Those remain matters for the government and the policy makers. And then also, as we have covered earlier, we're very passionate about making sure that whoever undertakes a journey has the right choice, has the right information to also make that choice and so arming and empowering our customers with the most accurate and also up to date information so that they can make the choice around which journey to take, whether it's toll roads or non-toll roads or, for the matter, whether it's a road journey or other types of transport mode and we focus a lot of our effort in making sure that that's the case.

From a competition perspective, all the way back to whether a piece of infrastructure, in this case a toll road or road project is undertaken, very much rests with the government and policy makers and long-term transport planners in the departments and so if we consider the level of competition and the landscape that we're dealing with, policy makers make the decision on whether to build a piece of infrastructure and that will be alongside also other types of infrastructure whether it's transport, trains, buses, ferries and other types of modes of transport. And once that decision to build a road project is made, who is involved in delivering that. A lot of the recent projects, such as the M6 stage 1, Western Harbour Tunnel and parts of WestConnex in fact are all delivered by the State without private involvement – private section involvement in terms of capital and investment. And so we see a lot of competition and a lot of rigour and robustness in considering some of those decisions and important decisions for Sydney as well.

And then of course, in terms of how we actually operate these toll roads, I would say all of them have gone through very robust, very rigorous and also competitive bidding processes in looking for whether it's contractors that can help us with design and construct or whether it's actually in the long-term operations. And so we see competition in lots of different ways, starting with the choices the government makes around how to undertake and what infrastructure to undertake all the way to everyday for the motorists and for the users of these toll roads, whether they choose to use it is a choice for themselves.

For the comments around the implications of future toll roads, certainly we see those as remaining decisions for the policy makers and the government, as they have always done. From a Transurban perspective, we have an undertaking of releasing information about our traffic volume on every single road that we have part-ownership in across Sydney and that comes down to information about traffic by class at every toll entry point every 15 minutes and that information we release for public consumption, anybody in this room, outside this room can access that and we continue to do so.

PROF FELS: One other thing I just wanted to mention, you mentioned, I think, 208,000 hours saved, did you say per week or per day?

MS HUEY: 208,000 hours per work day.

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PROF FELS: Per work day. It's just interesting to play with that number. That could mean an hour for 200,000 people, could mean 10 minutes for 2 million – something like that. Yes. That's an interesting number. Do you have any idea of the distribution of that saving?

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MR JACKSON: It varies a lot depending on the time of day, which direction the readers are flowing in and obviously across individual roads, so obviously it's difficult to speak generally, it varies road by road. But obviously, as Michelle said earlier, that's why we make that information available to customers and we're conscious, as Michelle said, of competition. Every day customers choose between our road and the free route so we're very confident the value those roads deliver.

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PROF FELS: Just one other thing about that, this is just hypothetical, but supposing the government said well, we would like that number to double, let's say, to half a million, something like that, what steps would be necessary to achieve that? You may not have given a lot of thought to that. I mean, you do have reactions.

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MS HUEY: I think, first and foremost, Professor, we would be very excited at the opportunity to actually deliver double the number of hours of savings for Sydneysiders because that would actually mean that we can even more positively impact on the lives of Sydneysiders and also those that travel around us. I think a lot of factors will have to go into thinking about how do we get even more travel time savings and presumably also journey reliability in the use of the network. And I think we're very excited and also very grateful for the review that is being undertaken now. I don't think it is a question that is very simple to answer and easy to answer because a lot of considerations need to be taken by the purpose of the trips, why are the journeys being taken, what are the objectives of the travel that is actually being considered in order for us to get the best outcome for the customers that we have.

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Across the Sydney network that we have, and I'm not talking about just the toll road network, I'm talking the whole of the road network and also the integrated transport system, there is a lot of choice and there's a lot of options. And I think to get the travel time benefits that you're talking about, in a hypothetical sense, will require us to actually think about how we get an even more efficient distribution of trips. And so I think it would be something that we would be very excited to be part of the consideration on. We would definitely consider things that would need to happen even outside of the toll road sector and it certainly wouldn't be just about tweaking toll road pricing regimes because it would be considering – typically the examples that we have is if we are able to help customers take a journey that is during what we consider to be off-peak or shoulder periods in order to avoid congestion, both themselves but also for others that are on the road, it would mean that we would need

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to have services that when they get to their destination to also be open for support if they're going to – if they're trying to start work early in the office, making sure that the day care is also open or the drop off that they can do is also available for them to do that. So I think those are macroeconomic and certainly broader ecosystem-type
5 considerations that we would be very keen to be part of.

DR COUSINS: We've heard quite a bit about the equity issues – or perceived equity issues particularly with people living further out from the CBD, perhaps in the west. Do you have any thoughts on how those issues can best be addressed? I was
10 interested in your comment, was it 14 per cent only were commuter traffic? That's over the whole system, I presume. I don't know whether you're aware what the figure would be in the west but any thoughts on that equity issue so far as tolls more in the western side of the network.

MR JACKSON: Look, I think we would be really keen to work with government on any measures in this space that could improve equity for people who live in western Sydney. We've certainly seen, through roads like the M7, WestConnex and others in the Sydney network delivering significant benefits to improve liveability for people in western Sydney but I think, to look at equity more broadly, you would need to be
20 thinking about both the transport network as a whole but also what sort of measures are in place to support people from western Sydney. The government obviously has a range already of affordability measures including rebates and cashback schemes that already do operate on some roads in western Sydney and also, more broadly, at an account level and I think would probably looking at consideration of whether
25 those – how those measures serves those communities specifically as opposed to the broader Sydney population.

MS HUEY: And I think any comments that we make will be comments only because equity is very much the objective and also the consideration of policymakers and we wouldn't pretend to be in the position to determine what is equity and what is the right position to have across the Sydney city.
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DR COUSINS: Do you have a view on, if you like, the toll relief schemes as a whole. I mean, is relief for motorists better achieved by designing the tolls in the first instance so that they take account of equity? How does that line up against providing toll relief after the tolls have been set, if you like?
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MS HUEY: Our understanding is the government, over the years, have put in place a range of different toll relief measures. Some of them are specific to a corridor such as the M5 south-west cashback, others to a specific vehicle class such as the recreational towed vehicle or caravans, more colloquially classes, and also there are also broader measures such as registration relief and the like. I think the policymakers, in considering all of the schemes, have tried to achieve different sets of objectives and understanding, I think, to your point, Dr Cousins, around what is
40 the right impact to have in terms of relief. But we do acknowledge that there is certainly a considerable level of effort that has been put and also financial impacts of some of these schemes.
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I think if there is an opportunity for us to look at designing a toll regime that is more consistent and also fairer across the network, perhaps it would be also an opportunity to look at whether some of these schemes and the subsidies and the objectives that they are trying to achieve can be better achieved through tolling regime changes.

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PROF FELS: All right. Thank you very, very much. Rachel.

MS SIMPSON: Thank you very much. So, we will take a five minute break now and then we will come back to hear from Professor Martin Locke. Thank you, everyone.

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ADJOURNED

[10.54 am]

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RESUMED

[11.07 am]

MS SIMPSON: Okay. Welcome back, everybody. We will now hear from Professor Martin Locke. Thanks, Professor Locke.

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PROF LOCKE: Thank you. I would like to start off by firstly acknowledging the traditional owners of land myself and pay my respects to elders past, present and emerging. You might ask who am I and why am I qualified to actually have a discussion in this particular group. So, my background, my passion has actually been in infrastructure financing for the last 30 years or so. So I work with the banking sector, I work with the professional consulting sector. I was the government's financial advisor on the Lane Cove tunnel, I got involved with the negotiations around the widening of the M5, some of the issues with the M2.

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I retired from my role in business around about 2014 but rather than going and doing nothing I took on a role in academia, so I'm not an adjunct professor at the University of Sydney Business School in the institute of transport logistic studies working with David Hensher. I am also an adjunct professor industry at UTS and I deliver infrastructure courses at all three universities here in Sydney including NSW. My focus is to try to be somewhat provocative, try and provoke critical thinking around some of the critical issues that we're facing around infrastructure. Toll reform, dare I say it, is one of those key issues, so it's quite timely that this inquiry is taking place to give me the opportunity to provide my views or provide an opinion.

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So, in preparing for this presentation, I carefully reviewed the discussion paper that you put out, the summary of work completed. I also had a look at the submissions last year from transport from New South Wales, from Transurban and from IPA to last year's inquiry. The need for toll reform is widely accepted. The current structure of tolls and toll road contracts simply isn't sustainable. Toll relief is a short-term band-aid solution. This review has the potential to come up with a meaningful and long-lasting reform plan. A lot of useful discussion has already

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5 taken place on the arguments for introducing simpler, standard network – motorway network pricing across the entire motorway network to fix our current patchwork approach. This also needs to address issues around toll escalation and by directional tolling on all roads i.e. introducing a two-way toll on the harbour bridge and the harbour tunnel when the Western Harbour Tunnel opens up.

10 My presentation today is only going to cover one aspect of the debate, namely whether tolls should be subject to regulation by IPART. That’s all I’m going to speak about. I believe the logical solution for fixing our toll road contracts is to adopt the regulated utility model. Changes in tolls and escalation will require discussion with concessionaires and we are told by IPA last year that concessionaires and willing to consider reform including a single network policy. Transurban stated last year that it welcomes the opportunity to consider changes to tolling regimes including the shift to a network-wide tolling and road user charging system.

15 Transurban, in its previous presentations, has highlighted the risk of..... licence to its investors and a negative public sentiment may result in political measures that adversely impact its operations. So, the time is right to move to a regulated utility model. We’ve got mutual interest and we’ve got support from concessionaires. So what needs to happen. The history of our toll road contracts is anchored in the project finance model. When a toll road contract is negotiated, a base case financial model becomes the foundation of the agreement. In simple terms, the financial model projects costs and revenues over the entire term of the concession and it calculates a return on equity as the key output, the concession forecast revenue based on patronage assumptions and the prescribed toll and escalation provisions.

20 If the government changes the toll provisions, the concessionaire would normally be entitled to compensation for any net adverse financial impact determined by the financial model and the key test is the impact on the level of the equity return. So if, for example, the government is assessing the reasonableness of the proposal to widen the M7, the concessionaire will prepare an updated financial model with updated cost and revenue assumptions. Government will assess the reasonableness of the cost and revenue assumptions and the financing assumptions, particularly the equity return and I say that is what we call regulation by contract.

35 The problem with this model is the rigidity introduced by the base case financial model, the cost of the process of agreeing changes and the absence of competitive tension in negotiating with an incumbent. There are also concerns around lack of transparency and loss of social legitimacy. If you have a look at the UK, the UK provides a precedent with a shift away from the traditional economic infrastructure PPP to what they call the regulated enterprise model as used on the Thames Tideway project. The regulator would undertake a periodic review of the contract, review the reasonableness of the cost assumptions and the regulated asset base and the reasonableness of the equity return using the capital asset pricing model. The regulator can then assess the toll price and the revenue assumptions.

Now, to some extent, in all honesty, this sounds very, very similar to the current ad hoc arrangements but there are four key differences that I want to highlight, four key differences. So the first is that the equity return is actually going to be determined by the regulator rather than being anchored in the base case equity return. Secondly, there's going to be a periodic regulatory reset; thirdly, the regulatory determination is going to be binding and, fourthly, and most importantly, everything is made public. Everything is made public.

I found the comments last year from Transport for New South Wales somewhat dismissive about the potential benefits of a regulator. Transport for New South Wales said that IPART regulation of toll roads was not consistent with its core function and areas of expertise. Transport for New South Wales said introducing regulation could change the risk profile for private finance and make it more difficult to secure funding with decreased competition in the market. Regulation would apparently have extremely negative impacts on existing concession agreements, risk ongoing viability and insufficient revenues to repay financiers and trigger claims for compensation.

I disagree with this gloomy interpretation. Regulation, done properly, could avoid all of these concerns. Indeed, regulation can provide greater certainty to financiers and actually improve competition. Infrastructure financiers generally regard regulated utilities as having a lower risk return profile than natural monopolies like toll roads and airports. Moreover, the regulated model provides greater flexibility for changing tolls over time and supporting social legitimacy. Infrastructure financiers reportedly prioritise issues around sustainability and doing something worthwhile over myopic financial returns. So, here's an opportunity to put this goodwill into practice.

So, how could regulation happen and what are the key issues. Firstly, we would need to agree the period of the reset. A shorter period would help deal with some of these changing price dimensions at the moment with toll roads. The regulator can then determine what is the base level of permitted toll revenue over that period considering the capital base and the return. Any excess revenue could be shared on a fifty-fifty basis like the treatment of refinancing gains in the existing toll road contracts. I think this would be a much more balanced approach than the current lop-sided upside sharing provisions in standard toll road contracts.

The proposed regulatory principles could simply be set out by the regulator and agreed with the concessionaires. If we consider the WestConnex concession, was it sensible, the fixed tolls, for 40 years with tolls escalating the higher CPI and 4 per cent for the first 20 years. Isn't this inflexible and why was it necessary to opt for a 40 year term. Changes can be negotiated but only in the context of the contracted terms and the base case financial model. Compensation claims fairly protect the investors for loss. A shift to a regulated utility model sounds much more pragmatic. Moreover, it is highly likely that further changes to tolling beyond the current shift to a standard motorway pricing structure will be required.

- Future changes could include wider use of time of day tolling and ultimately more widespread adoption of road user pricing. Such changes could be easily accommodated under a regulated utility model. Have a look at the reasons why the Victorian government adopted a State tolling company model under the North East Link project rather than outsourcing toll revenues under a typical concession contract. Its review noted that network pricing and development and road user charging was more within the control of the government and that competition was limited because of existing toll road operator incumbency.
- And whilst the ACCC has required Transurban to publish the quarterly traffic data, Transurban will be in a unique position to leverage its existing network to support future extensions. NorthConnex is a good example. No other party could have provided a competing proposal due to Transurban's ownership of the adjoining M7/M2 toll roads. Moreover, Transport for New South Wales themselves noted that operators with investments in multiple roads can realise synergistic benefit to economies of scale. So this implies that it will be increasingly difficult to compete with Transurban. Regulation is the most appropriate tool to manage natural monopolies.
- The question was asked how it could be ensured that the benefit from toll relief obtained by operators is passed back to the community. If you have a look at the M5 cashback program, Interlink Roads has benefitted from this over the entire period that cashback has been in operation with a boosting of its patronage and a boosting of its toll revenue provisions. If we look at the introduction of the current scheme around the \$60 a week cap, the benefit will flow through to concessionaires with increased patronage and they will benefit from higher returns at the cost, quite frankly, of the government paying an increased subsidy. Again, the regulated utility model could have passed that benefit back to the community.
- Finally, I want to touch on the Western Harbour Tunnel. The Western Harbour Tunnel, in my opinion, provides a unique opportunity to both reform tolls and strengthen the State's fiscal position. We need to be imaginative about exploring potential securitisation of the aggregated toll revenue of the three harbour crossings. By directional tolling, makes sense, two-way tolling. The aggregated toll revenue for those harbour crossings provides a low-risk investment opportunity. If we were to adopt the regulated utility model, we would safeguard community interest and we would broaden competition.
- PROF FELS: Thank you very much, Professor, for that very interesting submission. Maybe I could ask you as to whether you, in recommending a move to utility pricing under IPART or the Victorian model, see any differences between the reasons why, in relation to electricity, Telco, gas, a number of other things, whether roads are any different from them. There's, I don't know, a longer timeframe, upfront investment or do you see them as the same category of problem and then having a regulatory pricing solution.

PROF LOCKE: I generally see it as the same, in all honesty. Clearly the journey that we've taken to get to our current system has been different. We've had this somewhat piecemeal approach where we've negotiated individual toll road concession contracts one by one. But, you know, the idea of having an energy price or a water price that's fixed for a 40 year contract is somewhat laughable, isn't it, but this is what we've actually got with our toll roads.

PROF FELS: Are there examples where there is a regulatory price setting approach to tolls of the sort you've talked about?

PROF LOCKE: The only example that I can actually say that I've actually become aware of is that example of the Thames Tideway in the UK. It has been a concept that has been promoted by certain thought leaders over there. It has certainly been touched on as being a potential option, even here in Australia, but it has never been put into place.

PROF FELS: Could I ask, I suppose, a couple of standard – no. One other thing, when regulators operate in the way that you say they do, normally there is some criteria put into the legislation to guide them, even to require them to do things. Have you any thoughts on the sort of criteria that might come in to the principles of their price setting?

PROF LOCKE: I touched on the issues around term of a regulatory reset. So, is this – would this actually happen every three years or every five years. As I said, I can actually see the benefit of it being shorter rather than longer. In terms of issues relating to the setting of the prices, I think that neatly comes out of the work that was actually done last year, just got to take a decision on it. In terms of how it then operates with the particular concessionaires, I just believe that we need to actually be able to have this regulatory oversight of the total amount of contracted revenue that's going to flow through into their financial model and we've got to permit some system for fifty-fifty sharing of any above that. Those are what I call my regulatory principles. They're pretty loose but I would then be putting this out to discussion with the concessionaires to try to reach a little bit of a consensus on this. And, in all honesty, it doesn't strike me beyond the wit of man to come up with an arrangement that's going to be fair and acceptable.

PROF FELS: Okay. Now, another question I just wanted to float, I think it's implicit in what you said but we will see. Do you have a general impression as to who would be making the pricing decisions, what differences there would be. I mean, say it was IPART – say it was a tolls utility price regulator, I imagine that would be independent people. They might be under a sponsoring ministry, whether it be transport or treasury would be an interesting question or someone else, who do you – I suppose I'm asking who do you think is currently or historically been involved in price setting on the government's side and how are those prices arrived at in reality.

PROF LOCKE: Yes. It's a very good question and I've got to say, even though I've actually expressly been involved in these projects historically, I find it quite difficult to answer that with precision. To some extent, there would be some initial work that would have been undertaken through benchmark financial analysis that the government would do, whether we're looking at different structures to allow the initial investment capital to be repaid over a certain time period. So that's the type of analysis that would have typically been undertaken.

That is drawing a bit of a narrow connection between the underlying cost of a project and the revenue stream designed to amortise that capital over a 30 year period, say. It doesn't take into account, in all honesty, the willingness and the ability of the motorist to actually pay and that, I believe, is the significant change that we need to move forward. So, when I've looked at the literature, I've actually been encouraged by these discussions about more broad-based tolling on entire networks, moving ultimately to totally broad-based road user pricing.

PROF FELS: And with respect to the setting of these prices, I take it that you would include the government's own pricing of the Sydney harbour and so on in your scheme. And I would suspect that an independent regulator would probably have, for better or worse, arrived at higher prices and possibly arrived at by directional pricing a bit quicker - - -

PROF LOCKE: Yes.

PROF FELS: - - - under the system where there are political constraints.

PROF LOCKE: Yes. I have to agree with you. I mean, and I think from the broader community perspective, it's important that there is this regulatory oversight because that is actually deemed to be providing issues around equity and fairness and consistency. Ultimately, if the politicians choose to do something different, it's always within their capacity to do that but it does tend to lead to these distortions. I always reflect on M5 cashback. Is that fair? I that fair? Some motorists get a full rebate of the toll, other motorists are paying a toll in full. That's a political intervention. Is that then fair?

PROF FELS: Again, asking you something you've already answered, I suppose. I suppose one of the arguments would be that it's difficult to make progress on time of day and congestion pricing when, in the end, the number one call is probably, in reality, with elected politicians. Maybe, for better or worse, popular or unpopular, an independent regulator in place of the government might make faster progress on rational solutions. It maybe that less on the fairness but I'll just ask you that question.

PROF LOCKE: Yes. I totally agree with you. I mean, I – and it also relates, I think, to this concept of transparency. If we're all able to have transparent discussions rather than mysteries about how these tolls are priced, set, changed and how it then impacts the people who are the underlying concessionaires and the

investors, are they having more transparency and explanation around that I think would certainly help. And I think it's important from a social legitimacy perspective for this to be clearly explained to the broader community.

5 PROF FELS: Now, let me put a couple of the obvious critical questions. One is the so-called time inconsistency problem of price regulation which, to put it crudely, is that if a regulator or a government is involved in setting a price at the beginning of a project, perhaps before anything is built, they are amenable to a more generous price to the builder than once the road or facility has been built, they change their tune and
10 they go for a lower price. That is arguably a fact of life, a fact of human nature, political nature and so on. So, what about the time consistency problem?

PROF LOCKE: Yes. Yes. Well, I've been somewhat bemused by these issues around what I call the equity refinancing game, so you're quite right that an investor
15 can actually argue that we should actually have a high rate of return at the outset when there is construction and ramp up risk and these are risks that have certainly affected more than one toll road historically. But once a project reaches a steady state you can actually say this is the appropriate return for that project to be earning in that particular steady state. And the vast majority of the roads that we're talking
20 about here are all operational with traffic history, not facing construction risk and uncertainty relating to ramp up. I would argue that even in the case of the Western Harbour Tunnel, the Western Harbour Tunnel, once you've actually addressed the construction risk, actually has high degree of certainty relating to those toll revenues because of the..... nature of the cross-harbour tunnel crossings and the fact that there
25 is reliable traffic data.

PROF FELS: So, one of the issues is risk sharing, which again you've adverted to, and maybe you've said everything you wanted to but nevertheless it's just interesting to think about. We hear about risk sharing, for example, in tax reform. We hear
30 models in which the government comes in as someone that shares the risk all the way through, shares the risk and the benefits. It may do so through effectively owning or funding, say, half of a project and the private sector comes in for the other half or it doesn't have an ownership, it has a financial role that is fifty-fifty. Is that something you – so that's one approach. Another has been in electricity pricing.
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I know that in a number of jurisdictions, I think here and overseas they have – I think they have an error correction mechanism in the UK, the initial CPI minus X regime brought massive benefits to the operator and then they subsequently brought in a correction mechanism to share the upside and the downside. Is that your – that's one
40 of the elements in your thinking, is it?

PROF LOCKE: The goal in my thinking is that if we've got a class of infrastructure that can be built, operated with a degree of certainty and then generating a steady stream of toll revenue, we should be getting investors to take the risk of that third
45 party revenue stream and we should recognise that the investors deserve a premium return for taking on that risk. And I believe that these third party revenue streams are best in the hands of these third party equity investors and provide an opportunity for

the government to focus their scarce capital on other areas that have got less scope for third party revenue streams paid for by users.

5 I struggle to see significant logic for the government to be taking significant equity stakes in PPP project companies alongside private sector investors. I think the issues of conflict of interest heavily impact the difficulty of having co-investment. And when it relates to risk sharing, there has been quite a bit of discussion over how the market has actually moved, over the last two to three years, to embrace more collaborative contracting provisions but that specifically really relates to the projects
10 during the construction phase per se rather than the operational phase. The main area that I think is the big opportunity here is these projects, once they become operational, how do we then best ensure that our investors, our superannuation funds are then earning a fair return for the risks per se that they're actually taking on.

15 PROF FELS: There is a popular saying, with some degree of truth in some cases, that when there are – well, certain areas of industry may operate at a loss and then at a profit and the aim is to socialise the losses and privatise the benefits. Now, with roads, I'm not sure that that's the case. I think the full risk is on the private sector and there's not much they can do to bail out beyond bankruptcy in the extreme case.
20 Any comments?

PROF LOCKE: I would certainly agree that if you've actually seen those projects go through in the past, that development phase, project like Lane Cove Tunnel clearly went through that difficult period and equity suffered significant losses, but
25 from my perspective, again, if we're more focused on projects that are operational in this steady stage, generating toll revenues lasting for the next 20 to 30 year period, if you then have a regulator forming a view, on a periodic basis, what is the appropriate whack with appropriate return for these investors given this ongoing risk, to some extent the regulator is ultimately going to be providing some level of protection to
30 those investors for a worst case scenario that they wouldn't get under the current project contract model.

PROF FELS: On the return on equity criteria that you mentioned, there is a view that that causes so-called gold-plating. That is that typically the equity return is set,
35 it's usually a tiny bit above the market for various reasons, and that has provided strong incentives for excessive investment. I think that was first set out in the sixties by Bailey and there has been some literature about it. And then we did have the electricity pricing example in Australia where the regulator set up a model of pricing, block funding I think it's called, where you set a base and then a return on it and that
40 is rather infamous for having set excessively high prices. I think most people thought they got it badly wrong and electricity prices were way too high for quite a few years. Do you have any concerns about that?

PROF LOCKE: I think, to a degree, the interests of the government, the public and
45 the concessionaires are somewhat aligned on this particular issue. So, if you're a concessionaire you're trying to manage your costs efficiently because you are conscious of this concept of social licence and needing to provide this service to the

- community and offer a toll that is seen to be providing value for money. So, if you're a concessionaire doing your job properly, why wouldn't you be trying to put maximum pressure on your subcontractors around your cost assumptions in your financial model. So, again, if I look at the current structure, say negotiating a widening of an existing project, those cost assumptions would be subject to rigorous analysis, benchmarking by consultants both on the private sector side and on the government side. So that would actually, I think, somewhat protect against risk of gold-plating.
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- 10 PROF FELLS: So, turning to a difficult aspect of your proposal, one could adopt it and ask Transurban and the other owners, are they prepared to cooperate. I don't know what the prospects are but supposing they said no way, would you propose there should be legislation to override the present contracts?
- 15 PROF LOCKE: Ultimately I think any agreement has to be reached on a mutual basis with the existing concessionaires. The ultimate remedy that the government could actually have will be to terminate the existing toll concession contracts and replace them with new contracts but that becomes an extremely costly process which, in my opinion, would be somewhat counterproductive. Yes, whilst I obviously can't
- 20 talk for the concessionaires, I refer to some of the research I did in terms of looking at the comments made in the inquiry last year but groups like IPA, groups like Transurban talk positively in high level terms about their desire to work with government towards reaching a more appropriate solution and there's goodwill there, so I would be trying to take maximum advantage of that.
- 25 DR COUSINS: Thanks very much, Professor Locke. Very interesting comments. The parliamentary committee in, I think it was '17, '18, looked at this issue of should tolls be subject to IPART regulation. I think, from memory, they said two things. One is, well, consumers do have a choice of going to free roads and, secondly, the
- 30 toll roads were subject to government regulation anyway through the contracts, so they saw no need for IPART to be involved. Did you have a comment on - - -
- PROF LOCKE: I just think that's thinking, you know, so partly I think that, in relation to the customers, toll road users, you can actually see there's discontent even
- 35 if you actually then say we're actually providing free choice, the government has still felt it necessary to introduce toll relief schemes to address that issue of affordability. So I don't buy that argument that the free choice means that the community out there is happy with the existing structure. I just don't buy that argument.
- 40 DR COUSINS: And if you compare the IPART model with regulation via a long-term contract, if you like, I suppose – well, would you compare those two, take it from a concessionaires point of view initially, the concessionaires, I suppose, feel some degree of comfort in that the long-term contract does give them some sort of protection against action by the government to regulate tolls or whatever. Do they
- 45 have that same comfort if you – even if tolls are subject to an IPART regulation. In other words, is a body like IPART really going to be independent? At the end of the day, is it not going to bow to the will of the government in some way?

PROF LOCKE: I mean, this is ultimately a question for investors but my view is that if investors are happy to take the risk of investing in other parts of infrastructure which are subject to IPART regulation, why is toll road so different. Why is it different.

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DR COUSINS: If we go back to the setting up of these toll concessions and so on, do you have any comments about the structure of those? I mean, I guess we've got a pretty well established network now but maybe in the future there are still some elements of toll roads. Should, for example, the contracts be more flexible in terms of the way prices are set? I mean, at the moment they're recovering finance costs, I suppose. Should they be more flexible in the way tolls are treated, giving more influence, if you like, for government to suggest things like time of day pricing and so on.

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15 PROF LOCKE: Yes.

DR COUSINS: That's one question. I suppose the other question is – I suppose the agreements – the PPPs have a number of elements to them. There's the contribution from the governments up front and then there's the tolls element of it, there's the length of the concession agreement, there's the base toll and the escalation. Those are key factors. Does your thinking suggest that maybe we should be putting more emphasis on one or the other of those elements? There are two questions there. I'm sorry to - - -

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PROF LOCKE: You're right. So, my view, I must admit, relates to my background, so my background is based on infrastructure project financing. That has been my key discipline. And infrastructure project finance is all about setting up a financial model at the outset for a project that provides a set of rigid assumptions that you put into a financial model and demonstrate what your ability is through the project cash flows to repay the debt and provide an equity return. There then is this rigidity about needing to make any changes to that financial model.

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It can be done even in relation to other areas of infrastructure particularly some of the newer rail PPPs that we've seen with Sydney Metro. And there's talk about introducing provisions such that you can change, say, and extend a rail line and have that included within your base project contract. But it is a degree of difficulty still. It's very, very hard to build in that flexibility when you're dealing with project finance. It's a costly process. You have a negotiation around changing assumptions. You need to reach mutual agreement with all of the parties associated with it where they are adopting very much a worst case scenario type of analysis and they would be extremely sensitive to any issues about changing their risk profile and potentially impacting their rate of return, so it's all focused on what is the nature of that project finance model.

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Even if you were trying to then say, well, how do we introduce a little bit more flexibility about introducing pricing into the current structure of toll road contracts, that is a difficult concept. It's exactly the same as what we would go through if

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we're trying to negotiate the widening of the M7, say, at the moment. We again take a look at the financial model, we update the financial model and then we have a bit of a negotiation and agreement over whether the assumptions for the updated financial model are fair. It is possible to go through that process but it's time consuming, it's ad hoc. You have to go through that process every time you want to actually make a change in any of the underlying assumptions in your financial model.

Your second point really – all of these issues critically impact the outcome, so you can say what are those key levers. One is obviously the toll, one is the toll escalation rate and the third issue is the term of that contract. Those are the three levers that you actually have. And you change any one of those levers and you are necessarily changing the whack of the project, the equity return, the ability to repay the debt. So those three levers all have equal influence over the ability to demonstrate financial viability.

PROF FELS: I suppose – go on, David.

DR COUSINS: No, that's all right. Can you say something about the incentives that those – that situation has for the private operator?

PROF LOCKE: Yes.

DR COUSINS: I'm thinking particularly about allowing congestion on roads or the response to congestion. For example, does it give an incentive for an operator to in fact keep expanding the capacity of the road as opposed to, if you like, imposing some sort of congestion charge.

PROF LOCKE: Yes. My view is that you think narrowly how a concessionaire is thinking their return is going to be generated. Their return is a function of tolls and a function of patronage. Those are the two levers. So anything that they can do to maximise patronage within the context of that particular toll, that's going to improve their financial position. So they would have a strong financial incentive to maximise patronage and if that means making measures to reduce congestion, then they would actually – they've actually got enough incentive to do that.

I did touch on that one issue which I would like highlighting, this thing about upside sharing. So, upside sharing is intended to provide this bit of an alignment between the incentives of the private sector concessionaire and the government. But you have a look at two things when you review toll road contracts. Firstly, have a look at the hurdle, so in terms of the level of traffic above the base case, what is that hurdle where you only then start to share with the government. And, secondly, there is a sliding scale so, even once you reach that hurdle, you only start sharing a little bit of revenue. And you think of what the ultimate magnified impact is on equity return to the concessionaires, so that's why I said before, you know, I regarded those provisions as somewhat lop-sided, a bit too friendly towards our concessionaires and,

if we're looking at reforming the system, then let's move towards a fifty-fifty sharing.

DR COUSINS: Owen, did you want to pursue that? I've got another question.

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PROF FELS: Well, I was just going to say, putting myself in the shoes of the regulator, I could imagine that the regulator might, looking ahead, maybe in 10 years, say, well, these escalation clauses are fairly high, on the generous side, maybe they should be shaved.

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PROF LOCKE: Yes.

PROF FELS: On the other hand, the toll operator might say, well, I don't want to take that risk, so why should I sign up to utility regulation in that situation, the risks are more downside than upside for me.

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PROF LOCKE: Yes. This comes back to that issue of the purpose of the regulatory reset, what is the period where those assumptions are actually being fixed. And if you said this is over – let's say it's over a three year period, the risk per se I think the concessionaire is actually taking is pretty low because the ultimate key assumption that the regulator is taking a view on is, firstly, the total amount of regulated revenue that has been earned by the concessionaire and what is their rate of return in terms of that revenue assumption. And you would actually try and then ensure that there is a little bit of alignment between the ongoing regulated revenue stream and the rate of return that are actually earning.

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DR COUSINS: I just want to ask a question on transparency of the existing arrangements, if you like, and what your view is about whether or not – another comment about that. I mean, it has been said that motorists – consumers actually don't know whether they're paying a reasonable fee or not as a toll. And indeed, when you look at it, toll agreements going after 30, 40 years and so on, how does the motorist determine that issue because they actually don't know, if you like, they have no idea of the rates of return that operators are achieving in actual fact, let alone what was implied. So the question really is around the transparency of those base cases and the amended cases and so on. Do you think they should be made public?

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PROF LOCKE: I think there should actually a role of academia to explain what is the purpose of this base case financial model, what is the fairness of this return that has actually been earned by the operator. You clearly need transparency around the toll charging regime and that's a pretty easy thing to achieve. But in terms of disclosing the full detail of project contracts and the full detail of a financial model, I think Joe Public is actually going to be a little confused and a little bit feeling this is irrelevant. It needs to have somebody to explain what is the significance of this, what are we actually really trying to actually derive.

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One of my favourite comments always tends to be that when we get people to invest in public infrastructure, we want people to earn a fair return for the risks per se that

they're actually taking on. And when we're talking about underlying investors, we're talking about ourselves through superannuation investors earning a fair return for risk. On the opposite side, you can actually easily see people saying is it then fair that people should be making a profit – should making a profit out of providing public infrastructure services. And, again, that is the role of the regulator to ensure that the level of the return is fair given the risk per se that they're actually taking on.

I think there is an argument that academia or – we need to – as a community we need to explain these things more in layman's terms. We need to say why they're important and why they're actually being undertaken. For instance, touched on the WestConnex charging regime. Has that ever been explained to the public. I would say not. I would say not.

DR COUSINS: So your preferred position would be to have the independent regulator providing that transparency and explanations - - -

PROF LOCKE: Yes.

DR COUSINS: - - - rather than perhaps what we have now. But in the absence of the independent regulator, would that change your view about whether these details should be made public?

PROF LOCKE: Irrespective of whether or not theseare issued through independent – I think these issues should be made more transparent. Again, if I was to take a particular example like the Western Harbour Tunnel, I find it somewhat of concern that there isn't any public disclosure around what the tolling regime or the tolling strategy might be for the Western Harbour Tunnel. We've had a business case that has been approved by the government but sections within that business case relating to the funding and financing regime of the tolling strategy, they've all been removed and not made public ultimately because there's "No decision yet been made as to how we're actually going to pay for the Western Harbour Tunnel".

I actually feel if we were more open around managing the narrative right at the outset, we would build more community trust and there's a feeling that things are kept super confidential because we're hiding some facts and I think that's sending the wrong message.

DR COUSINS: Thanks very much indeed. Very useful.

PROF FELS: Yes. On the transparency, it is a fact that arriving at prices like electricity, Telco and all that, these days does go through a much more public process. It is typically that it is done with a regulator in the middle but, whatever the reasons, we know a lot more about the basis for the prices, that does sound healthier to me than under the present system. I just wonder about the fixed price a long way ahead, have you any further thoughts, particularly bearing in mind that – I don't think you would be able to point to hardly any cases where things have been done differently around the world in the way that you would like. Why is it (a) that

operators and (b) governments prefer to do things this way. What are their incentives. I think maybe from the private operator point of view, they perhaps prefer the certainty. They may feel they get a better deal through it being less transparent and the price is far off but why do governments do it. Any thoughts?

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PROF LOCKE: Certainly on the part of the private sector, I would certainly say is because of that preservation of self-interest and some of the incentives that are provided. On the government side, I can only say that there's always a concern over accountability and putting these key provisions out to public scrutiny and is it then going to provide some opportunity for people to be critical of decisions that have been made by the government. And is there then a desire to keep things out of the public domain and deal with them more confidentially. I don't think it's a healthy measure and ultimately all of these issues come out ultimately, so I think it's important, as I say, for the government to actually manage the narrative rather than trying to hide these things under the carpet.

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PROF FELS: Well, thank you very, very much. Very interesting.

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MS SIMPSON: Thank you very much, Professor Locke.

PROF LOCKE: Thank you.

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MS SIMPSON: In our agenda now we do have a short opportunity for any members of the public to either make a contribution or to ask questions of Professor Fels or Dr Cousins. So I'm going to open that up now, no pressure, but if there is anything that you would either like to say or ask, then we do have some roving mics, you're more than welcome to – otherwise we can break for lunch. Okay. No problem. Well, thank you very much everyone. We're going to break for lunch now and we will resume at 1.30.

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ADJOURNED

[12.05 pm]

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RESUMED

[1.31 pm]

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MS SIMPSON: All right. Welcome back, everybody. I hope you had a good break. We'll start our afternoon session, and first up this afternoon we have Adrian Dwyer from Infrastructure Partnerships Australia. So thank you, Adrian.

MR DWYER: Hello. I don't have any slides, but I do have a few opening comments to make if that's okay.

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PROF FELS: Very good. Excellent.

MR DWYER: I will do that. You need me to hold this? Well, thank you. Firstly, I'd like to thank Professor Fels and Dr Cousins for inviting me to present ahead of Infrastructure Partnerships Australia's formal submission to this independent review. By way of background, we are an independent thinktank and member network
5 providing research focused on excellence in social and economic infrastructure. We exist to shape the public debate and drive reform for the national interest. As the national voice for infrastructure in Australia, our membership reflects a diverse range of public and private sector entities, including government departments, infrastructure owners, operators, financiers, advisers, technology providers and
10 policy makers.

This diversity ensures our independence and enables us to advocate without fear or favour for reforms which best serve the interests of infrastructure users and taxpayers, including on issues related to road tolling and road pricing more broadly.
15 Since our inception, Infrastructure Partnerships Australia has been a strong and consistent advocate for reforming how roads are priced and funded, and over the time we have advocated for reform, the case has only strengthened. From the outset, it is important to make clear that without tolling, many of the nation's most significant and economically valuable road corridors simply could not have been
20 built. Their delivery would have been severely delayed, or other infrastructure would have been foregone to fund their delivery.

The facility-based tolling model has been highly effective to deliver the current network. However, now the network is substantially built out, we have an
25 opportunity to pivot to a system that better serves the interests of future users and future taxpayers. To date, planning and delivery has been undertaken on a project-by-project basis, with the pricing structure reflecting the cost of financing, designing, constructing and operating individual portions of the network. The result is a system which lacks fairness and consistency. This has only been compounded by the M5
30 Cashback and other toll relief schemes which are frankly bad policy. While schemes like M5 Cashback are electorally convenient, they add further distortions to an already complex system delivering benefits to a small number of users and the concession holders of those tolls at the expense of other taxpayers.

We believe rationalising tolling while maintaining revenue neutrality across the
35 network could yield substantial benefits for all transport users. Aside from improving fairness, a holistic approach to pricing across individual concessions could provide government with a powerful tool to integrate toll roads within the broader network planning process, and with the inclusion of features such as off-peak
40 discounts, this model could help to spread demand and extract more from the existing network and delay the need for new roads or new capacity. Ideally, this should be undertaken alongside broader road network pricing reform for the maximum benefit. Infrastructure Partnerships Australia has long advocated for fair and efficient road user charging across networks, including time, distance, location
45 and mass-based charging and is encouraged by the progress on road reform across the majority of Australian states and territories, in line with the advice from our 2019 paper, Road User Charging For Electric Vehicles.

However, there is no need for reform of the tolled network to be delayed in light of broader reforms. The two processes can be complimentary in outcome but separate in process. Should reform progress, the interests of users would need to be prioritised, while the legitimate commercial interests of existing toll road owners and operators would need to be protected. It is worth briefly reflecting that at a macro level, the setting of toll levels is not complex. A given road will have a particular delivery cost. Government then makes a choice about whether that road will be paid for by users through tolls or by taxpayers from consolidated revenue, or some combination of the two.

The toll level is set by government, not the owner of the concession, and there are four levers available to government in making that decision: the starting toll, the escalation rate, the concession length, and any upfront capital contribution. What is crucial to understand is that moving any one of these levers within a given revenue envelope necessarily requires one or more of the other levers to ensure funding remains – to move to ensure funding remains available to deliver the road. I labour this point because it is central to combatting some of the more naïve calls to simply lower the tolls or get rid of CPI-linked increases. Those who make such pronouncements much immediately be asked about which of the other three levers they will pull to make up the difference.

I make this point not to discourage the pursuit of reform but to make clear the task is not as simple as a headline suggests. The absence of a magic money tree means that it is necessarily at best a zero-sum game. Finally, any reform of the current road tolling model would need to be clearly explained to the public to ensure that the benefits and trade-offs are understood and accepted. I think everybody in this room would agree that we can and should move to a better model for toll road pricing. Once again, I'd like to thank you for the opportunity to present today, and I'm happy to take questions.

PROF FELS: Okay. Well, thank you very much for that, and we know that your organisation has published a lot in this area, including on road pricing. I wonder if you could start on the road pricing situation generally. What – could you say a little bit more about the need for that, and also an obvious follow-up then is what form would you lean to in regard to that?

MR DWYER: Yes. I'm happy to. Just as an additional point, we consider the tolled motorway network road user charging model as quite distinct from the broader network charging model, on the basis that toll roads are a premium addition to the network, where the road would not exist without the premium toll associated with it. On broader whole-of-network road user charging, we've advocated for close to 20 years around moving from an existing system of a combination of rego and fuel excise to a more rational road user charging model. The argument for that has become stronger over time, as fuel excise has decoupled from – as a proxy for usage. The two have decoupled, so we now have a system where the use of roads is increasing based on per kilometres consumed; meanwhile, the revenue from fuel excise is declining, principally associated with greater fuel efficiency of vehicles.

PROF FELS: Okay. So just apart from that last comment – apart from that last comment about declining revenue and so on, what are the elements that would go into road pricing? Is it distant charging or something like that, or is it a bit more complicated, and – yes, so – and what is wrong – actually, maybe start with what is wrong with relying on rego and excise.

MR DWYER: So the current system we have – again, just to explain, we pay rego as an access charge to the network and then a proxy for consumption through fuel excise. The problem with that model is that it is unfair, inefficient and unsustainable, and I'll explain why it's each of those things.

PROF FELS: Yes, please.

MR DWYER: It's unfair because if you drive an older, less fuel-efficient vehicle, you pay more to use the same road system on a per kilometre basis, so those with access to newer, more efficient technology pay less. That's regressive. It is inefficient because you have very expensive roads to build in urban areas with high value trips on them. Meanwhile, a lot of people in regional areas, for instance, are driving much longer distances over roads with far worse condition and far lower outcomes. You also have a system that is chronically congested for a couple of hours a day and underutilised for the other 22. You don't have signals for people not to go into congested areas at peak times, etcetera.

We can list those out ad nauseum, and it's unsustainable because of the declining revenue source, and if you think about a future that has – in the absence of at least a distance-based charge on electric vehicles, if we have a future that is entirely electric, there is no mechanism for collecting revenue, and then you end up with roads being an unpriced utility forever more, and as you know, as august economists, if something is unpriced, it will get overconsumed.

PROF FELS: Now, one other thing about it, states basically pay for roads. The revenue is raised at national level. Would you agree or would you agree that there's not a totally clear link between the revenue being raised and money being spent on roads?

MR DWYER: Yes. That's right, and it's across two fronts. So there's no hypothecation of fuel excise to road spending at the federal level, although there has been a symmetry over time that has decoupled over the last decade, and it's at the level of government that's not typically directly involved in the provision of roads. Now, of course, on the electric vehicle road user charge that Victoria has implemented, New South Wales has legislated, Tasmania and WA have announced, which are consistent with the Victorian system that's currently subject to a High Court challenge around the constitutionality, not of the policy but of who should be able to collect the revenue. It's like you said, effectively, to determine whether or not it is an excise, and if it is, then it would flow to the Commonwealth.

Our view is actually less about the – who gets the revenue and more about the fact that you have to have a pricing or a revenue stream associated with the road, which takes me to the earlier question you asked, Professor Fels, around how one would do this. There are, of course, a number of ways that you could implement road user charging on the broader network. Our view has been that you have to be pretty clear about the objective that you’re trying to serve, and in the first case – because the prime problem over the next 20 years, alongside congestion, is actually loss of revenue and just having a base charging – our view has been simplicity around a distance-based charge and then being able to add features such as mass, distance, location and time of day – sorry, mass, location and time of day, in addition to distance down the – down the line.

PROF FELS: And you just made an aside that there’s been a bit more decoupling between federal and state. Could you say why you said that?

MR DWYER: Yes. Well, there’s been a pretty dramatic uptick in investment in civil infrastructure by state governments over the last 15 years, driven principally by New South Wales and Victoria using the proceeds from asset recycling to fund new infrastructure. There has also been an increase in the Federal Government’s investment in transport infrastructure as a result, and that has outpaced the revenue from fuel excise, which is effectively in structural decline, so the decoupling has been on the upside towards the investment from both levels of government. It is now far higher than the revenue that’s collected from road users through fuel excise and rego combined.

PROF FELS: Do you have a view, as part of road user pricing, whether it should fully cover the investment costs?

MR DWYER: Yes. I think our long-term position is that you have – you should have a system that should be sustainable from a revenue and expenditure perspective, notwithstanding that that’s a – that’s a journey, but over the cycle, yes, we should be recovering the costs of provision of roads.

PROF FELS: Okay. Well, that’s a start. I don’t know if – yes.

DR COUSINS: Thank you. I think you make the strong point facility-based model has been important to develop the network, and we’re now in a position, with a fairly well developed network, that we can move to reform. So what does that reform look like? We’ve had one model that’s been proposed that we referred – that was referred to in our discussion paper but also in the previous work, the network-based price focused around distance access, and also with zones. Maybe you could comment on that or any other aspects of the reform model that you think will be important.

MR DWYER: Yes. Over time, we’ve pushed towards a model that has a number of zones, and then within those zones are a distance-based price that reflects the utility of the journey, rather than the cost of providing that particular piece of road at a point in time, so I – in looking through the summary of the previous work that was done in

advance of this independent review, I was drawn to that model as an extension of some of the ideas that we had put forward over a number of enquiries.

5 The reason we like that is it does move towards a system that prices the journey, and therefore you can have a fairer distribution of costs across the network, and it is an opportunity to look at some of those fairness issues, but each of those things, of course, requires, the levers that I spoke about earlier to be pooled. If you change pricing within those concessions, there are, of course, unders and overs. There's legitimate commercial interests that have to be met. There has been upfront capital
10 invested on behalf of superannuation holders and others that is seeking a return, so there is complexity in actually arriving at that end-state system.

15 DR COUSINS: And would toll relief be a part of this reform model? You made some comments on toll relief before.

MR DWYER: Yes. It's been our view that the interventions that have been made that are – I referred to them as electorally convenient, things like cashback systems, have been distorted. They've been distorted in the sense that if I, as I sometimes do, drive on the M5, then I'm entitled to claim that toll back when I benefitted from the
20 journey, and I'm perfectly able to pay for the toll and owe you, so why should a taxpayer in Wagga pay for my use of the M5? So it's quite clearly unfair in that circumstance.

25 It also, in retarding the pricing signal, flows through to the concession holders and that, so I'm sure it's good for their shareholders, but it's not great for taxpayers. I think toll relief has then extended that again. It gives the most benefit to the highest users who derive the most benefit from the use of the toll roads. I think if, as a state, we're saying we're going to allocate a portion of taxpayers' money to fund relief in the tolling system, that money would be better applied to assisting with the reform of
30 the system than giving toll relief to a small number of individuals who are the heavier users of the network and therefore derive the most benefit by definition.

35 DR COUSINS: Just going back to the sort of model distance and access and zones, I take it that the distance charge would vary according to the zones; is that - - -

MR DWYER: Yes. That would be the model we'd prefer, reflecting that a kilometre travelled on the Eastern Distributor, for instance, has a different utility value to a kilometre travelled on the M7, and it would also reflect the higher cost of delivering roads in urban areas with tunnels, etcetera.
40

DR COUSINS: So one other suggestion we've had is the possibility of a declining distance charge which would perhaps avoid the necessity for zones all together.

45 MR DWYER: I haven't – I would have to have more time to think about the applicability of that model. Instinctively, I can't see why your final kilometre would be of less value than your first kilometre or your middle kilometre, but

notwithstanding that we live in a second-best world, I'd have to – I'd have to think more carefully about the – the ins and outs of that idea.

5 DR COUSINS: I understand that. We'd certainly welcome any thoughts you had on that issue in your submission.

10 PROF FELS: Just a bit on the zoning. So again, I've not thought about it much, but something to think about is whether, if it was distance – a distance adjust, it'd be at least clear what's going on. Within a zone, first of all, there are many people with different incomes and probably different travel needs. Would zoning build in an implicit discount for longer travel, particularly the zoning that was set out in the work done report that was released from the previous government, so is the zoning, in effect, hidden discount for distance travelling or not? Would it be more open and transparent just to have a distance-related thing or not?

15 MR DWYER: Well, I'm – when we've – I might just elevate the conversation to broader road user charging rather than tolls - - -

20 PROF FELS: Yes.

25 MR DWYER: - - - for the moment, is that we've typically landed on a view that there is a preference for simplicity and clarity in the way that charging is done. The Victorian model, which is now 2.8 cents per kilometre travelled in electric vehicle, so a vehicle that doesn't attract fuel excise, it's pretty clear, open, transparent. There – you can explain it simply. If you then apply that to the tolled motorway network as a reform to existing tolls, when you start to move to more complex models, they become more difficult to explain, and whilst you might – I think there's a – there's probably a diminishing return in terms of efficiency from additional complexity, so I would be instinctively concerned about things that get more complex the more you use them.

30 I'd also – I'd also be concerned on two other fronts with a declining distance-based charge, I think, on face value. One is that it would encourage – if each marginal kilometre travelled is cheaper than the preceding one, you would get a perverse incentive to overuse beyond a certain point, which may mean you're preferencing road use over public transport, for instance, beyond a certain point, and the final point would just be about the complexity of delivering that within a negotiated outcome on the concessions, because were the concession holder for the first kilometre to drive a greater revenue than the concession holder that travels the, you know, kilometre N, if you like, the next kilometre.

35 PROF FELS: And what about – you've covered this already to a degree, and a couple of other things I was going to ask you about, but just this general issue of user charging versus equity, that is, the poor get more. Have you any thoughts on that as a general problem?

MR DWYER: Yes. So in a toll road setting, it is absolutely crystal clear who the beneficiary is of the use of a toll road, and if you believe in a user pays model, then it is most appropriate that that very clear beneficiary – there’s very little leakage of benefits in a road setting – then that beneficiary should pay for that benefit. I have a
5 broader view around the tax and transfer system and welfare, and we should be supporting people to be able to make appropriate choices, and we should have universally high standards around supporting people, but we have a tax and transfer system for that. We shouldn’t create a second tax and transfer system within a tolled motorway network because that is just wholly inefficient. Is there a case for things
10 like cost-of-living relief to people, lowest quartiles? Absolutely, but we shouldn’t be doing it through cross-subsidies in the toll system. I should say we shouldn’t be doing it because it’s totally inefficient to do it, not because it’s not a good pursuit. It’s just not a very good way of doing it.

15 DR COUSINS: I was going to ask you, we’ve discussed the ways to reform the system, but why do we need to reform the system? What are the problems that you’ve identified that really need to be addressed?

MR DWYER: So I would characterise it not so much as problems as an opportunity
20 to have a better system. I’d be absolutely clear that the toll road system in New South Wales is working exactly as it was intended. It is a very efficient system for delivering roads. The tolls are set in contracts. They are the outcomes that government negotiated through competitive processes for delivery. There was competition for the market. The most efficient deliverers of those roads emerged.

25 Taxpayers managed to transfer a huge amount of risk to the owners of those concessions, as was demonstrated during COVID when, you know, up to \$700 million in New South Wales was absorbed by toll road concession holders when there was no traffic, or very little traffic, on those roads, so it has worked remarkably
30 efficiently. The system is not broken, but we’re at a stage of maturity in the network now where it is built out, and there are opportunities to look at integration that would deliver a better system into the future for a steady state network, rather than one where you’re seeking to build the next part of the concession. So I would characterise it as an opportunity rather than a broken system that needs fixing.

35 DR COUSINS: One of the issues that we heard about this morning and – was the inflexibility of these contracts - - -

40 MR DWYER: Yes.

DR COUSINS: - - - if you like, to do things like respond to issues of congestion or whatever it might be in – by changing pricing, and it was suggested to us that a different model would be the – a model with a regulator like IPART treating it like
45 other infrastructure industries, effectively. Now, obviously, if one were to move towards such a system, there’d be a significant change to contracts, and issues of – that you’ve raised in terms of implications of that on concessionaires and so on would need to be addressed, but I wonder if – can you sort of comment on that issue

of the potential benefits, perhaps, of looking at the opportunities of moving towards a utility-regulated type approach?

MR DWYER: Yes. So I might – I might comment across three areas there, if I can.
5 I'll talk about the regulator asset-based approach, and I'll talk a little bit about the
complexity of change, but I might just start by saying I don't – I'm not sure I agree
entirely with the premise that they are inflexible, because there have been a number
of instances through direct negotiation that upgrades have been able to be made to
10 sections of networks. One things about the NorthConnex, with some combining of
existing concessions from upfront contribution by governments to deliver a road
alongside the existing concession holders. There have been expansions of networks,
and one looks down to Victoria for the City Tulla widening that was funded through
a modest concession extension, so whilst there is a – there's a set model to those
contracts, I probably dispute that they're totally inflexible. I think we have been able
15 to make upgrades within the network on behalf of taxpayers.

On the regulated asset base model, instinctively, it seems to me that there – a road is
like any other utility. We regulate water systems with a regulated asset base. We
regulate energy systems with a regulated asset base. There's conceptually no reason
20 why we couldn't do the same over a tolled motorway network, where there are
sufficient revenue to cover the costs of delivery and a reasonable risk-weighted
return for owners of concessions. I think there are some pretty big changes that
would be required, including things that are more like perpetual ownership rather
than time-limited concessions, and that there would need to be for concession holders
25 – and by concession holders, let's be clear, that's probably all of us through our
superannuation, or most of us through our superannuation.

If you did a regulated model, you'd have to have protection on the downside, which
doesn't currently exist in most tolling contracts, so, for instance, had we had a
30 regulated asset base model during the COVID pandemic and the shutdown of the
economy, taxpayers would have had to have compensated concession holders
because they would not have met their revenue targets based on a regulated model,
so there would be a risk transfer back to taxpayers or future users through that which
hasn't existed to date. Now, there's a judgment to be made there about whether
35 that's right or wrong, but it's just a reality.

Just on the final point around the complexity of changing what we currently have,
we've had discussions over 15 years or so engaging in these enquiries, and Dr
Cousins and I were chatting before. I think I've been involved in seven of these
40 similar processes over the last decade or so. We have been consistently told by the
equity holders, the concession holders of the roads, around a willingness to look at
reform, notwithstanding legitimate commercial interests, etcetera, and I think that the
government has shown a willingness to be up for that discussion, but I think, you
know, Professor Fels, if you and I – you and I both say we're willing to collaborate
45 to build a rocket, it doesn't make building the rocket any easier, just because we're
prepared to collaborate.

5 It's still a complex task, and this is a very complex task, given the mismatched length of concessions, the different starting position of the concessions, some of the different provisions within concessions, and the fairly diverse ownership of those concessions. This has a high degree of complexity to get from where we are now to any new system, let alone one that is more like a regulated asset base.

DR COUSINS: You mentioned the issue of perpetual ownership there in terms of that model. Can you explain that a little bit more, the point you were making?

10 MR DWYER: Yes. If we look across a lot across other utilities around the world, so things like energy networks, water systems, they've typically been regulated on the CPI minus X model which came out of the UK through water privatisation, and they typically have associated with them either very long leases or perpetual
15 ownership, so a non-time-limited lease. There might be a 99-year lease, but for all intents and purposes, permanent ownership. They're not typically combined with shorter concession length models, and if the objective was to, say, lower tolls in the near term, you would necessarily have to have vastly longer concession periods in order to recoup the costs of delivering those roads, and the effect of discounting, as you know, means you have to go much further than the existing model. So I use
20 perpetual ownership as a broad term that covers something vastly longer than the current sort of 30 to 50-year model that we have.

DR COUSINS: Yes. Okay.

25 PROF FELS: Infrastructure, obviously, covers a lot of things, including, I guess, public transport infrastructure. Have you any views on roads and road pricing in relation to issues about pricing and other things for public transport?

30 MR DWYER: Well, the first thing I've learnt today is don't try and pour water with your left hand whilst holding a microphone in the other. Yes. I think that Infrastructure Victoria have done some really good work on the interplay of pricing across different modes that would be worth the independent toll review reflecting on. Of course, a different context down in Victoria, but nonetheless some very good
35 work on the subject.

I think that to a point I made earlier around the – how easy it is to define a beneficiary of the use of a road, that's a much more complex problem for a public transport perspective, and IPART has opined on this regularly over time, about the societal benefits of access through public transport, access for people at a below
40 economic price point, and as you know, whilst we have a toll road system that collects sufficient revenue to deliver the road, the public transport system is – certainly pre-COVID was about 20 per cent costs recovery on operations, so capital entirely written off, just operations was a 20 per cent costs recovery with a subsidy from taxpayers. But I certainly think that public transport pricing should be looked
45 at in the context of competitive modes, and that should be a consideration around setting public transport pricing, as some deliberation against where it sits against the

other alternatives, but I'm not sure I've answered your question exactly right because I was too busy spilling my drink.

5 PROF FELS: Just going back, however, just for a minute. You already commented on the connection or non-connection even between road pricing matters and tolls to the extent that tolls are a premium product. Are there any things in toll pricing you would not want to happen as part of the wider mission on road user pricing?

10 MR DWYER: I've always considered them quite separate because of the different utility they provide in a network. I certainly don't think we should have a system where we, for instance, carve out the toll road network from broader road user charges. We don't do that for fuel excise. You still pay fuel excise when you drive on the Sydney Harbour Bridge, and you should continue to pay a distance-based charge should fuel excise be replaced with one. So I think that – I think that they
15 should be parallel reform processes, but they should be treated – treated quite separately, but I don't – I don't think that there is a huge potential for distortion through changes to the toll road system for broader road user charging, you know. We're effectively talking about a relatively small number of kilometres in a very well-defined geographic area versus, you know, a road system in New South Wales
20 that is many tens of thousands of kilometres that need to be brought within a rational pricing model.

25 PROF FELS: With your road user charging, would you charge for all roads or just, you know, more important ones up to - - -

MR DWYER: No. Yes. We would – we would say there should be a base level charge on all roads for all vehicles.

30 PROF FELS: And - - -

MR DWYER: You may subsequently choose to say, "Well, these particular roads in a given area at a different time should attract a premium charge," but as a base level, the right place to start that journey is to say, "Well, we have a pretty poor road user charging system at the moment through fuel excise, where there's variable
35 prices for roads based on the technology you choose and the journey you take, but actually we should – we shouldn't replicate the frailties of that system now. We should get the right foundations in and then look to layer on additional – additional components of usage over time." Sorry. I say that because I think the prime problem is declining revenue - - -
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PROF FELS: Yes.

45 MR DWYER: - - - over this, and that should be the prime problem we're seeking to solve, and that declining revenue will accelerate over the next 10 years.

DR COUSINS: Just on – I suppose related to that is the car registration fee, and certainly I think Professor Hensher is one who's argued previously that there could

well be a trade-off between reducing that and moving to distance-based pricing, for example, in the tollway network. Do you see that as still a relevant idea today to consider?

5 MR DWYER: I – I can comment on that from a broader road user charging perspective. I think we need to – in designing a new approach to road user charging, one needs to be cognizant of the various different futures that could exist, and if one imagines a future where you have a greater degree of automation, you perhaps have the likes of Tesla or Uber having robo-taxes, you can see a circumstance where
10 instead of the average car driving 10 or 13,000 kilometres a year, it might drive 100,000 or 130,000 or many multiples of that.

If you have too much of the pricing balanced in the fixed charge and not enough in the consumption charge, one car paying one rego and doing a million kilometres is going to provide vastly less revenue than if you had a distance-based charge on that car. So we need to have a model that is closely linked to consumption so that you can avoid a circumstance of under-recovery from those vehicles in the future. Therefore, the best model to be robust to different versions of the future is one that has, yes, an access charge, reflecting that that's the sort of standard way of pricing
15 utilities, but probably more skewed towards a distance-based or consumption charge that attract as much revenue for the last kilometre as it did for the first.
20

DR COUSINS: And could you see, though – sorry. Could you see a reduced registration charge as tied to an incentive, for example, to use an off-peak charge on the tollways?
25

MR DWYER: Just expand that for me? So specifically for tolls?

DR COUSINS: To encourage people perhaps to use an off-peak toll, should we
30 have such a thing in place? Maybe there could be a trade-off with a lower registration fee.

MR DWYER: So I'm attracted to the idea of off-peak tolls to induce usage of peak times. I'm not sure I'd trace the logic out to why that would need to be combined with reduced rego, because the discount is in and of itself, set at the right level, should be sufficient incentive to change behaviour. I do think, though, if we – if we talk about time-of-day pricing, particularly off-peak discounts, it's worth the review being aware of the broader constraints on particularly people like haulage operators around off-peak use of roads. It's no good being able to get across the toll motorway network for a cheaper price at 2 am if you can't make your delivery till 7 am because the local council says you can't, and so there would need to be broader reform to derive all the benefits of peak pricing. But absolutely support the idea of peak and off-peak pricing differential, because that's how you extract the greatest throughput of a network, and it's the only way to do that in a way that endures rather than
35 encouraging people.
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DR COUSINS: I was also going to ask you about dynamic pricing, a bit related, but do you have a view on that at all?

5 MR DWYER: As a road user charging enthusiast and someone that is attracted to efficient markets, I think dynamic pricing on tolls is a very attractive model. Some of the hot lanes under operation in the US are well worth looking at. I, however, think that the applicability to the Australian model is quite challenging. The – you have to have a very specific type of scenario to do that, and I think some of the politics on it are quite hard as well.

10

DR COUSINS: Maybe can you expand a little on that?

15 MR DWYER: Yes. See, I think there would be others that would be better placed to give you a sort of academic assessment of where they work optimally, but they appear to work best in a situation where you have a chronically congested road and, as part of an upgrade, the provision of an additional lane with a dynamic and uncapped toll that is set at a level to maintain a minimum service standard on that road. Therefore, the marketing is, in effect, “We can guarantee your journey time on one of the most congested roads in given jurisdiction,” and, of course, one’s

20 willingness to pay a higher toll increases if you have a flight to catch that you’re going to miss.

25 You may choose to go onto the dynamically tolled lane and pay up to your point of tolerance of missing your flight, whatever that toll is. I don’t think we have many roads in Australia that are routinely at that level of congestion, and therefore the economics of that might not stack up, and I also think, as we’ve discussed, we have had a very effective system at building out capacity not just for one lane but for the whole road and using price overall as a demand management tool. So I – the applicability to the Australian context appears to be limited to me, and I think if it

30 wasn’t limited, we probably would have seen unsolicited proposals to meet a demand, and as far as I’m aware, we haven’t had any.

35 PROF FELS: Just one very general thing. Road user charging, you’ve been on about this at IPA for quite a while.

MR DWYER: Ad nauseum, Professor Fels.

40 PROF FELS: And so I guess I was talking to a US expert about this just almost conversationally. He said, “Well, it’s inevitable. Maybe in 20 years it will all be road user charging and dynamic pricing. I’m sure that is fairly certain to happen,” and then you’ve been on about it ad nauseum for 20 years. Not much has happened.

45 MR DWYER: Well, I would say there had been no progress for about 17 of those 20 years and then a fair degree of process in the last three. I think it’s absolutely a mistake to assume it’s inevitable. I’ve got the scars on my back that say that it’s hard in the process. I think that the case – the case has gotten substantially stronger in the last few years because of the accelerating decline in fuel revenue – fuel excise

revenue and the opportunity as seen by state treasurers to gain a new revenue source, so as the federal fuel excise declines, a distance-based charge provides a revenue opportunity.

5 If you're a state treasurer, the High Court over a number of decades has tended to centralise revenue, so your opportunities for new growth revenue streams have been pretty limited, and they've shown over the last few years a strong propensity to jump on one when it appears, and there are few opportunities for growth revenue streams that are CPI-linked that are robust, broadly robust to downturns in the economy, and
10 that are fair in their application. So I can see why state treasurers have been attracted to it, and that's why we've seen it legislated in some jurisdictions and announced in most.

15 PROF FELS: A – but a pure EV charging system would have its shortcomings, right?

MR DWYER: Yes. So we have never intended for the electric vehicle road user charging idea that we put forward to be isolated to EVs. We think that is the first – the first thin end of a wedge in a functional spillover model that would ultimately
20 expand to all vehicles, but it is also true that someone driving in Queensland today in a \$250,000 electric vehicle will be parked at some traffic lights next to someone in your 15-year Holden, and one of those people is paying to use the roads, and the other one isn't. That's demonstrably unfair.

25 It can be corrected relatively easy, and indeed in Victoria it has been corrected easily, and Victoria has the same level of uptake of electric vehicles as other jurisdictions, so it has empirically not retarded the uptake of EVs, and we, of course, want to decarbonise the transport system, but again, it was never about electric vehicles. It's about proving that the sky didn't fall in when that happened, and now we can extend
30 to other parts of the vehicle fleet, subject, of course, to the High Court's decision around who it is that collects that revenue.

PROF FELS: Good. Well, thank you.

35 DR COUSINS: Thanks very much.

PROF FELS: Thank you very much. Very interesting.

40 MR DWYER: Thank you. Pleasure.

MS SIMPSON: Thank you very much. Thank you very much. We now welcome Bryce Spelta from Bayside Council. Over to you, Mr Spelta.

45 MR SPELTA: Thank you very much. I'd just like to begin by acknowledging the traditional owners of this land on which we meet today and pay my respects to elder past, present and emerging. I'm pleased to have been given this opportunity to present on a matter that is of great relevance to the community that I work in and

represent. As mentioned, my name is Bryce Spelta, and I'm appearing on behalf of Bayside Council. Bayside Council was formed in 2016 when the former City of Botany Bay and the City of Rockdale Councils merged. Central to the Bayside Local Government Area is a major logistics and transport hub. The area straddles both sides of Sydney Airport and includes a substantial part of Port Botany.

This location means that Bayside is a major node for the movement of people and goods around New South Wales, Australia and internationally. Motorway linkages are the key to this connectivity, with the M5 East, M8 and the future M6 toll roads all intersecting in the Bayside area. In my capacity as Manager of City Infrastructure, I have direct oversight of the traffic and road safety team of council. My team have consistently heard from representatives of the elected council, business owners, the Bexley Chamber of Commerce, and residents about the negative impacts to our local area following the introduction of tolls on the M5 East in 2020. We received many petitions, emails and phone calls from people that have been impacted by increased traffic on alternate toll-free roads throughout Bayside. We've seen significant changes in the volumes and mix of traffic on numerous roads, including a noticeable increase in heavy vehicle volumes far exceeding any background traffic growth.

The discussion paper for this toll review poses several questions related to the terms of reference, one of those being: are there sufficient incentives for heavy vehicles to use motorways rather than the non-motorway network, for example, for safer, more sustainable and productive outcomes? In the case of the M5 East, the Linkt website indicates that there is generally a projected time saving of between five and 10 minutes when comparing with the – when comparing the tolled and untolled options along that route. For a truck to use this 9.3 kilometres of motorway and save between five and 10 minutes, the cost is currently 23.95 each way, and I think it's clear that for many operators and drivers, this does not present compelling value, and they are choosing to divert to the toll-free service roads where a local community wears the cost of that choice.

The Bayside community has borne the brunt of traffic diverting from the M5 East since the opening of the M8 Motorway in 2020 and the subsequent introduction of tolls on the M5 East. The traffic has moved onto alternate toll-free routes like Stoney Creek Road, Forest Road, and Bexley Road. This toll avoidance imposes many costs and impacts on the community, including increased noise for homes and businesses, accelerated road deterioration, increased accidents, and the need for repairs to properties from increased vibration damage. Rat-running through residential areas has an impact on the safety and amenity of these places and leads to increased congestion and travel delays for local trip generation. The loss of convenient on-street parking in local shopping strips has a flow-on effect within the local economy for businesses and people's livelihoods.

Council's long-held view is that the environmental impact statement on which the planning approval for the M8 was based failed to adequately predict the increase in vehicle movements on the surrounding road network resulting from toll avoidance or provide for any mitigation measures. Since the opening, mitigation measures that

5 have been implemented have focused on improving the network efficiency and capacity of the affected surface roads. These measures, such as intersection reconfigurations, clearways and parking restrictions, have the perverse effect of further encouraging traffic onto these toll-free routes. This displacement has been significant, particularly in relation to heavy vehicles in the neighbourhoods of Bexley, Bexley North, Kingsgrove, and Arncliffe.

10 Motorways are designed and constructed to improve transport efficiency. However, they can only be effective when used for their intended purpose. When heavy vehicles avoid a tollway, the negative impact in terms of noise, air quality, congestion and reduced safety ripples through local communities. We need to think about both genuine incentives for using motorways and deterrents for using local connections, particularly for heavy vehicles. One possible solution to the problem that we face in Bayside, and specifically the avoidance of the M5 East by heavy
15 vehicles, is to mirror what has been implemented for the NorthConnex, where trucks are penalised for avoiding the toll route.

20 There is clear evidence of the positive impact this motorway has had, with a 50 per cent reduction in crashes on West Pennant Hills Road between the M1 and M2, and a 65 per cent reduction in near misses during peak times on both Pennant Hills roads and the surrounding local streets since the tunnel opened. There is a successful precedent for this system which forces trucks off the local network, and council's opinion is that Bayside residents deserve this solution just as much as communities around NorthConnex. Bayside Council wants to see local roads returned to local
25 communities, and in doing so, improvements in air quality and road safety and reductions in noise and congestion. And thank you for your time.

30 DR COUSINS: Thank you. It's obviously a very real problem. Are you able to provide us any data at all in terms of, you know, truck increased usage of these local roads?

35 MR SPELTA: I don't have the exact data with me, but off the top of my head, there's a road, Harrow Road, in the Bayside area which in 2015 was carrying in the vicinity of 610 heavy vehicle movements per day, and in 2020, after the opening of the M5 East, that went up to about 1695 heavy vehicle movements. It was more than a 300 per cent increase.

DR COUSINS: And that followed the imposition of - - -

40 MR SPELTA: The tolling on - - -

45 DR COUSINS: - - - the tolls on the - on the - yes. Is there anything else you wanted to tell us about this? I mean, it's a fairly clear sort of indication that there's a significant problem, if that sort of traffic movement happens, and maybe, again, it's another illustration of the inflexibility of some of the pricing that we're seeing on the toll network.

MR SPELTA: That's right, and I think the only thing I could really add is the M8 road network performance review has recently been undertaken, and we've been – and we've seen a draft of that, and that review recognises that the diversion of these heavy vehicles is happening in certain areas, but at this stage, there's no real mitigation measures proposed, and obviously this review is outside the scope of that road network performance review, so - - -

DR COUSINS: And the traffic – the trucks are mainly coming from the Botany area, are they? Is that – are there any other alternatives for moving freight around your area, for example, rail or anything like that?

MR SPELTA: Well, there is a – there is a goods railway in the vicinity. There's – I mean, they're not all – they're not all carrying containers from the Port Botany area. That's a small part of the problem. They're all kinds of heavy vehicle movements. Some of it Pantech trucks for your grocery-type deliveries, some of it construction, truck and dog type movements, all range of trucks seem to – seem to make that decision to avoid the toll on the M5 East.

DR COUSINS: So – and this problem goes back to 2020, did you say, let's - - -

MR SPELTA: That's right. Yes.

DR COUSINS: When COVID was at its height. That didn't have any impact on truck movements and so on around that time?

MR SPELTA: So about July 2020 was when the toll was introduced, and since that time, there's been a very significant increase in traffic in some of those – in some of those key areas. We haven't done a – sort of an origin-destination study to work out, you know, where that traffic is originating from, but I suppose the traffic counts illustrate that it has been an increase.

PROF FELS: I have some idea of the answer I'm going to get, but I just wanted to check it off. Pricing solutions, lower prices – could you just comment on that? I think it's – I think it's rather complex, but nevertheless, any comments on lower prices?

MR SPELTA: Well, I think pricing – I think pricing would definitely have an impact in the decision for a freight operator. I mean, if you're driving containers from Port Botany over to the western side of Sydney, and you can do, I don't know, two or three loads in a day, if you're going to save five or 10 minutes at a cost of 60 or \$90, it doesn't mean you can do another load or another delivery on that day, so I think that's – that would play into the decision of certain operators and certain drivers. I suppose it's also the immediacy of the – I mean, I suppose there's long-term benefits in relation to maybe fuel savings and wear-and-tear savings on the heavy vehicles, but it's that immediacy of having to pay – to pay the toll when you go through the tollway that people feel and think about.

PROF FELS: Yes. Are there any other mode or solutions that would have a bearing on this that might improve the situation? Rail or something or - - -

5 MR SPELTA: I mean, we – there is a project at the moment to duplicate the Australian – the goods line that runs through that area, so I know there is capacity improvements being made on that goods line, but I suppose without doing that destination sort of mapping to understand whether there is further restrictions or we could force further use of that goods line, it's hard to say.

10 PROF FELS: Okay.

DR COUSINS: So I'll just – I should know this, but the truck multiplier, if you like, that operates in the – in M5 East is three times?

15 MR SPELTA: It's roughly – roughly three times. Yes.

DR COUSINS: Yes. Yes. Thank you.

20 PROF FELS: Well, you've made the points very clearly. Thank you.

MR SPELTA: Thanks for your time.

25 MS SAHAR: Thank you, Bryce and Bayside Council. I'd like to now call Warren Clark on behalf of the National Road Transport Association.

MR CLARK: Good afternoon.

PROF FELS: Good afternoon.

30 MR CLARK: Obviously, our organisation is the heavy vehicle sector, so we live and breathe the cost of tolls every day, I suppose, so I just want to start by predicating that, you know, we congratulate the state government for running this process of the tolling review. We think it's way overdue, and it's a really positive step forward. The road transport industry is extremely competitive. There's a large
35 number of small operators that operate on a profit margin of less than two per cent. It sounds like not a lot to survive, so what I'm trying to get at is about the costing, which is what the previous gentleman talked about. Our industry is being severely impacted by rising costs, record fuel prices, the impacts of disrupted supply chains, and increase in compliance. Tolls are one cost which our members cannot control
40 and have absolutely no input into.

45 Operators, despite what everyone thinks, do want to use the tollways. Generally, they are the shortest point between A and B. Generally, they're supposed to save time, and that's good for productivity, and it's good for emissions. They take heavy vehicles off suburban streets, which makes life quieter for residents and improves safety for all road users. The high cost of tolls, however, is a huge deterrent, and most of what I'm going to talk about is really about the cost of tolls and the negative

impact. They are generally three times greater for cars, and when you take into consideration that heavy vehicles already pay 11 times more than the ordinary motorist for registration charges, it becomes quite high. I have members that refuse point blank to use tolls, simply because they can't afford it.

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It's not uncommon for some of our members to have in excess of \$100,000 toll bill each year, and some of our members actually have that a month. So one of our member companies – just an example of how ridiculous the toll situation is, where it costs more in tolls to distribute – to distribute freight from Sydney's western suburbs to the northern beaches than they actually pay in the driver's wage, all right, so it's a good example of how ridiculous tolls are. The patchwork of charges and incremental but regular rises in toll is a further deterrent to motorway use. For example, the WestConnex toll increases annually by four per cent or CPI, whichever is higher, each quarter. The M5 tolls escalate 1 January, April, July and October by the quarterly Sydney CPI and cannot be lowered as a result of deflation.

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The relationship between these increases and the actual cost of road repair is opaque to say the least. Toll operators are not compelled to show evidence that promised efficiencies and improvements in their motorways have been delivered. What's more, the calculation of the higher charge for heavy vehicles, the multiplier, uses a formula that the operator keeps confidential. Compelling trucks to use tollways is not the answer, and while it's the easy way out that everyone wants to take, it's not actually the answer. Whether the operator is – sorry, where the operator is not constrained by a contract, that cost will be passed directly onto the consumers and small businesses, and they will wear the brunt of it, but in most circumstances, about 60 per cent of freight is carried by small, two-owner drivers, and they cannot pass these costs on and have to absorb the cost of the toll increase.

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So another example, so – where we don't want the trucks forced onto the tollways is that, you know, the New South Wales Government forces them on the NorthConnex tunnel, \$24.59 each way, otherwise the drivers get a fine of \$194, while my members struggle on a two per cent profit margin. The point that we want to raise that in 2021, the Financial Review reported that Transurban made an 80 per cent return on its investment in the WestConnex in the previous year, so two per cent profit margin, 80 per cent return on one investment. NatRoad believes that the solution to the current inequitable regime is two-fold: introduce a variable toll rate that incentivises off-peak journeys or give discounts to multiple journeys, and create an independent regulator to oversee and manage fair and transparent toll pricing.

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Variable truck rates for off-peak journeys or discounts for multiple journeys are a practical way of improving road efficiency, improving environmental outcomes, and making our suburban streets safer, putting the trucks back on the main thoroughfares where they should be. We also believe that the establishment of an independent tolling authority with the power to oversee consistent pricing rules would make it much fairer for the truck drivers and also the general motorist alike. A regulator should have the power to examine commercial-in-confidence contracts for fairness and negotiate variations. Tolling companies should only be able to apply higher

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charges for better quality tollways and if they can show the regulator that they are delivering improvements. Thank you.

5 PROF FELS: One sort of general thing is that we kind of hear claims and counterclaims that the multipliers make sense and don't make any sense. Have you any suggestions on how we deal with that? Do we just look into it as best we can? Do we invite detailed submissions from each side or what?

10 MR CLARK: Well, I think you've got to work out whether you want to use that system at all. That would be the first thing, all right, but if you're going to continue with that system, then you have to look into what they're actually – how they're actually calculating their multiplier effect. I mean, there's been an independent study done by the Australian Trucking Association which shows that the multiplier effect that they're using at the moment is grossly inaccurate. There's a number of reasons
15 why it's inaccurate, but, you know, if you look at a truck, okay, so there's a – there's a single trailer, there's a B-double, you know, the multiplier effect is calculated that the truck is always 100 per cent laden, which is not accurate, so the current system that they've got is not accurate, and it's purely designed to pick a number to deliver a profit at the end of the day. That's how the industry looks at it.

20 PROF FELS: Actually, I should – I should acknowledge there is that study.

MR CLARK: Yes.

25 PROF FELS: And I imagine there will be some back and forth. I suppose one way of looking at it from the other side to you is trucking is an easier target for a higher toll, although maybe one of the arguments is actually one of the reasons for that is that trucks get an economic benefit, possibly a higher economic benefit than other users.

30 MR CLARK: Well, I imagine the – if you look at that, it's in comparison to what, okay? So if there's an economic benefit there, then it's got to be a time or cost saving, which we know it's not the case. I mean, if you look at our freeways, they're basically parking lots, so there's no – there's no time saving to be taking these
35 freeways. An economic benefit, look, our industry – or sorry, our users, as in heavy vehicles, they're not there on joy trips. They're actually there because they are a very, very important part of the economy, and they deliver freight.

40 Now, if we want this economy to be efficient and reliable to be sustainable, then we need to keep these costs down, and we need to be able to get the freight movements in and out of the metropolitan areas with the least amount of fuss. By having high tolls, forces the trucks off those roads onto the suburban streets, and that's what we don't want, so if they're making a judgment call because they're going to pay a \$20
45 toll, you know, they're constrained by time. There's Heavy Vehicle National Law that restricts them from driving certain hours, etcetera, etcetera, so it's got to be – for them to be taking the smaller roads, there's no economic benefit in them to run the toll road.

DR COUSINS: I wonder if you could comment a bit further on Mr Spelta's sort of evidence earlier about particularly that M5 East. Are there sections – I heard your comment about the freeways being clogged – tollways being clogged, but are there particular parts of that network which are a problem in – that you're aware of? I mean, he was alluding to a particular area, I think, where the tolls actually hadn't been in place for that long. Are there other sections in the network that are a problem like that?

MR CLARK: Well, it depends, really. I think he had more accurate data on it in particularly his area, but I think if you looked along that particular freeway or tollway the whole way, the issue was along there. Now, what we want to see is we want to see – how do you put it? So if you don't incentivise a truck to use that freeway, so if you don't make it cost-effective, he's going to find every single possible route to divide – to divert around it, okay? It shouldn't be about forcing people on it because, you know, it's the – you know, it's the right thing to do.

These guys need to have access to routes that are – that are cost-effective and that are efficient. Now, in all the tollways, I think you'd find evidence along the whole – every single tollway in this city where people are trying to divert around it because of the cost. They don't want to be in suburban streets. They don't want to be around schools. They just want to get their job done and get home, and that's really what we've got to look at, that impact, and to reduce that impact it's about incentivising it and keeping them on the tollways.

DR COUSINS: So in that situation, the multiplier is three.

MR CLARK: Yes.

DR COUSINS: We heard from Transurban this morning that that's a pretty common figure across Australia for other tollways, but on the surface, anyway, from what we heard from Mr Spelta is that the travel time savings were, you know, five to 10 minutes, and that's not going to encourage the trucks to use the tollways, so what should the multiplier be, if there should be a multiplier at all? What would encourage trucks to move?

MR CLARK: Yes. I think the Australian Trucking Association report they did in 2019/20, I think it was, spells it out to be about 2.67, along those lines, so there's evidence, you know – and I just don't have the figures here in front of me, but they indicate that the multiplier is there, it's not accurate, and it's not reflecting the upkeep and the maintenance to those roads like has been stated by, you know, the tolling companies. And when we say it's pretty consistent across the country, there's only one main toll company in this country that has control of all those tollways, so that's why we say that, okay, if you're in a situation like that, then there should be an independent regulator looking at the cost of those tolls, so let's get it accurate. Let's get it fair. Let's get it to the actual cost and maintenance of those roads, and if there's increases, there is an increase because it's a time saving or there's an improvement.

DR COUSINS: And whatever the learned state examinations tell us, we have the evidence of the impact on the roadways, so – anyway, I haven't seen your – the trucking study you're referring to. I should have, but we'll need to get a copy of that, I think, if we don't already.

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MR CLARK: Yes. I think we've sent a copy through to your office, actually.

DR COUSINS: Okay. Thanks very much for that.

10 PROF FELS: Just a kind of general question. Other motorists – there's a level of complaint about trucks on tollways and just more generally. Even on tollways, people, other things equal, prefer there not to be trucks. They feel less safe, for example. Have you any comments on that?

15 MR CLARK: Look, I think if you – if you look at, you know, the economy or the society in general, that basically everything that gets to your house is delivered on a truck. Now, there's a Heavy Vehicle National Law that's very strict on trucks, and the rules and regulations are very, very onerous on the drivers and also the owners of those trucks. Now, when we look at what we're trying to do with trucks, I think this
20 industry has shown that it's not just another road user; it's an essential service to this economy, and it was shown through COVID that basically we kept the country going.

25 Now, when you've got big vehicles and you've got multiple vehicles on roads and freeways, they may appear – they may appear intimidating, but there's also a lot of studies that, you know – just anecdotally, that 80 per cent of accidents are not caused by the truck driver, they're caused by the cars that don't know how to drive around trucks and pull out and cut them off and, you know, indicate too late and don't – you know, there's a myriad of reasons, you know, how it is. Now, sure, the general – the
30 general perception is that, you know, trucks appear big and scary and dangerous, and they take a bit to stop, but, you know, we need to be able to use the roads.

We need to be able to deliver the stuff to the supermarkets, to the pharmacies, we need to be able to get out of the DC centres, etcetera, and, you know, it doesn't
35 matter where you move the freight. It comes into the – you know, Port Botany there, and it goes out to a DC centre, but at some stage, it's going to have to come back into the city to be delivered at your home, so we need to work out a way that trucks and cars can cohabitate on these roads and do it safely, and that's about driver education and facilities and roads. There's a myriad of things that we have to do.

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PROF FELS: Is there any data on how safe truck drivers are when they're professionals?

45 MR CLARK: Look, there's a – one of the major insurers, NTI, does a study each year on crash statistics, and that breaks down, you know, all the crashes that are involved with trucks and their – and they insure most of the heavy vehicles in the country and what relates to those crashes, and, you know, it's fatigue, it's

mechanical, it's other driver, etcetera, etcetera. They would be the best source to get those – that type of information from. When it looks – when we look at making drivers and making them safer, it's about education and proper training, and something this industry has been banging on for many, many years is about tying qualifications not to a licence but actually training. At the moment, they get a licence, and they've got a licence to drive a heavy vehicle without a lot of practical training, and that's something that needs to be looked at very carefully by all state governments and the Federal Government, harmonised across the country.

10 PROF FELS: All right. Well, thank you very much.

MR CLARK: Thank you.

15 PROF FELS: Very well put.

MS SIMPSON: Thank you very much. We'll take a short break now, and – what's the time? We'll be back just after 3 o'clock. Thank you.

20 **ADJOURNED** **[2.51 pm]**

RESUMED **[3.00 pm]**

25 PROF FELS: So in conclusion for today, I just wanted to say that it has been very helpful to hear in person testimony from people with various different interests and preoccupations. We have had 250 written submissions, and we will be reviewing them all carefully, and I'm also impressed with the fact that we have had several
30 hundred people online watching this today, also indicating what is well known, there's a very high level of public interest in this matter. I don't think I should try to sum up the evidence that we've heard today, but maybe I could make one general comment. Some people say that the solutions are clear, providing we state the problem simply and clearly. Once that is done, then the solutions emerge. I wish it
35 were like that.

My own impression is that there are a number of problems, and if we took any one of those problems and solved it, it would be in conflict with some other problems that exist in the system. So we will be drawn into looking at some of the trade-offs that
40 are involved as between possible solutions, and from that point of view, it is very useful to hear from as many people as possible. So we will continue tomorrow in Parramatta from 10 until lunchtime, and then in the following day, on Thursday, we will have a hearing at Penrith from – starting at 2.30, taking a break in the late afternoon, and resuming at 5.30 for people who want to come during the evening,
45 5.30 until 7 or something like that. So thank you very much for those who have attended or watched online. More tomorrow. Thank you.

MATTER ADJOURNED at 3.02 pm UNTIL WEDNESDAY, 12 JULY 2023

**PROF ALLAN FELS AO, Chair
DR D. COUSINS AM, Deputy Chair
MS R. SIMPSON, Facilitator**

NEW SOUTH WALES INDEPENDENT TOLL REVIEW

PARRAMATTA

10.12 AM, WEDNESDAY, 12 JULY 2023

Continued from 11.7.23

DAY 2

MS R. SIMPSON: All right. We might get going. If – are we – are you ready to go if we - - -

UNIDENTIFIED MALE: You're right. It's okay.

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MS SIMPSON: - - - start. Yes. Okay. So thank you, everybody, and welcome to the second day of public consultation as part of the independent toll review. I'm Rachel Simpson and I will be your facilitator this morning. Before we commence, I would like to acknowledge that we are meeting today on Dharug land, and I pay respect to elders, past, present and emerging, and particularly any Aboriginal or Torres Strait Islander people that may be participating today. This morning's session will start with a quick intro from our review chair and deputy chair, Professor Fels and Dr Cousins, and then we will head into stakeholder – hearing from you, our stakeholders.

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We will start this morning with representatives from Parramatta City Council, so thank you very much Councillor Prociv for attending this morning. We will start with you. We will then be hearing from the NRMA, and then we will be hearing from the Australian Logistics Council. There will be an opportunity for members of the public with a Q & A session a bit later in the morning. This morning isn't livestreamed, but it is being transcribed, and a summary of the proceedings from this morning will be published on the toll review's website, and just to – also to note that we do have media present this morning. So that's enough for me. I will handover to Professor Fels. Thank you.

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PROF A. FELS AO: Thanks very much, Rachel. Welcome to you all. I acknowledge the traditional owners of the lands on which we are – of the land on which we are meeting, and pay my respects to their elders, past and present. Just a few introductory remarks. We're very pleased to be at Parramatta. We certainly didn't want the inquiry to be held just in the CBD, and tomorrow we will be in Penrith. Tolls have become more pervasive in recent years, and that follows the construction of all the new motorway developments in Sydney. Sydney is, in fact, the most tolled capital city in Australia, and possibly in the world, and at a time of high inflation, rising living costs, Sydney's toll roads are becoming increasingly costly, they increase every year, and especially so for people who have less access to public transport.

One of the notable features of the Sydney system is that virtually every tollway has a different system of charging, an access fee to get on it, a distance charge, and in some cases just a flat rate to be on that tollway, and that can cause complexity and confusion, and there are issues, questions, about whether something could be done to rationalise the system. On the one hand, there is one operator, Transurban, however, it is partnered with numerous other enterprises, especially superfunds, and their views are very important in this. Now, tolls are usually brought about following negotiations between the private sector and the Government. Those arrangements have not been fully transparent, and we would like to see them more transparent.

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We also want to mention that cost recovery is not the only reason or factor that should drive tolls. Toll roads also have an important role in generating efficient use of tollways, for example, reducing congestion, and there's a strong need to see if the system can be simplified in some fashion, and also motorists have better information about what they're paying, what they will pay if they go on to a toll road, and other bits of information, and it should highlight any alternatives available to motorists. So for these reasons, and more, the New South Wales Government has asked Dr Cousins and me to conduct an independent review, and we're looking at the efficiency, the fairness, the simplicity, the transparency of tolls, and at this stage we are having public hearings and consultation to hear from various members of the public, and various stakeholders, their views on what the challenges are, and what might be done about them.

There was some work done by the previous Government. We've published a summary of it, and we've just published a discussion paper, and then we will be making recommendations to the Government probably next year, and I will just invite my colleague, Dr Cousins, if you wanted to add anything.

DR D. COUSINS AM: Thanks very much, Allan, and welcome, everyone, here today. It's great to see that you've all found your way to this great building actually with Western Sydney Uni. Never been here before, so it has been a treat to come, and also to experience more – some of the roads – the toll roads that operate between here and the CBD. I don't want to say – repeat really what Allan said, but just to emphasise perhaps a couple of points. One is the independence of the inquiry with Allan and myself leading it. Admittedly, supported by Treasury and Transport Department staff, but we regard that independence as a very important element of this inquiry. The other element that's really important is the public nature of the inquiry.

Previous work that was done was largely inhouse, so we think it is very important to have a public inquiry, and so this is certainly the first part of that, these hearings, if you like. We spent a couple of months really getting on top of the work that was previously done, and so this is now the first element of our publicness. The public interest is the guiding principle, I think, for us in this inquiry. Without again repeating what Allan said, we are seeking public submissions. We've had quite a lot over the last day or so with the media interest in the inquiry, and so we're looking for submissions by the end of this month really. We will do a – an early report for the Government before the end of this year, and probably a final report about the middle of next year. So, again, thank you very much all for coming. I'm looking forward to hearing from the speakers today.

MS SIMPSON: God.

MS P. PROCIV:

MS SIMPSON: That's okay. The floor is yours.

MS PROCIV: Thank you. Really.

MS SIMPSON: Yes.

5 MS PROCIV: You will be sorry. Hi. I'm Patricia Prociv. I am the ward councillor
for Rosehill Ward in the city of Parramatta. Rosehill Ward has Parramatta Road, the
M4, and Victoria Road in it, and so – we've also got James Ruse Drive and parts of
Church Street. So we have a lot of traffic, and the big thing that we have noticed is
10 residents – "I won't use it because I'm philosophically opposed to the toll", and
there's taxi drivers refuse to pay the toll, which I find a bit amazing. That people
didn't stop catching public transport. It became really difficult to catch public
transport because the buses were always late, and I mean, you know, like, half an
15 hour late. Not just a couple of minutes, but – and our services aren't that regular that
you can afford for the bus to be late, because the only way – people from Rosehill,
and from my ward, need to get to Parramatta efficiently, so they can then move
around the rest of Sydney to get to their appointments and to get to the – to get to
work, and stuff like that.

20 Also the effect of the toll was that we have more trucks on our suburban road who
are avoiding not only the toll, but all the major intersections that are now clogged as
a result of the toll. The actual road surfaces around the residential areas are in
terrible condition because of the trucks, and the increased traffic, so that the – so, for
council, that – that's a big thing because all of a sudden these trucks – their continual
25 braking and stuff like that, you end up with holes in the road, which – and for people
who – we lost our railway line at the same time we had the toll. So more people,
more cars, because we've got more development, and also we had the Parramatta
Road strategy at the time which was supposed to make the section of Parramatta
Road between Church Street, down to around James Ruse Drive, more liveable, and
30 there was a proposal to make Parramatta Road more friendly.

Well, all the toll being increased has done is make it more congested, and the
Parramatta Road strategy, as such, of making it much more liveable, and to make the
surrounding area of Granville, sort of, more residential, more – to – more – less
35 industrial will never happen, I don't think, because the road itself will always be
congested, and, you know, everybody knows what Parramatta Road is like and it's
only getting worse. Yes. For the – for public transport, and an area that I represent –
Wentworth Point – I was always hopeful that the toll road could actually become a
conduit for public transport, because Wentworth Point has one road in and one road
40 out, and the amount of traffic on that road for – I think there's about 15,000 people
live there at the moment need really good public transport.

So the toll road could be used to provide efficient public transport, and I believe –
I've advocated that for about five years, but nobody seems to be interested, and also
45 it's a way of allowing people who don't have access to public transport – efficient
public transport – to be able to get around the place. Like at Marsden Park, for
example, there's no public transport, but there's the – is it the M2, Marsden Park.

That's one way of getting people around. They do it in Los Angeles and they did it in the 90s, which I thought was really good. So I suppose to finish up, that this toll road has really effected the residential area, and also the streets and the surface areas of the areas – and, you know, surely the cost of maintaining and replacing major roads – apparently it's very expensive when you have to dig up roads and replace the surface – outweighs – you know, there must be something between the toll and the cost of actually doing this, and of putting – like, for people going to the races now, they can't get on the public transport.

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10 So they all drive, and all that has happened is they've put an increased right-hand turn lane off James Ruse Drive into the racecourse because there's so many people driving. So that has been, you know, how that problem has been solved. Not increase public transport. That's about all.

15 PROF FELS: Well, thank you very much, and I just want to ask you a couple of questions. Apparently there's a mic – anyway. Yes. So I'm doing that because they're – we're recording this.

MS PROCIV: Okay. Right.

20 PROF FELS: And, I mean, I found that a really interesting and significant presentation from you, and, indeed, I sort of wanted to slightly reinforce it by saying, well, you know, you say some people won't use toll roads on principle, and for other reasons – price – but it only takes a relatively small number of them to have a big side effect.

MS PROCIV: Yes.

30 PROF FELS: So – I mean, let's say it's only 20 per cent of the users that divert. On a side road that has a very big effect, it seems - - -

MS PROCIV: Yes.

35 PROF FELS: - - - to me, which is not always picked up just by looking at the potential raw number that there might be. Of course, I just wanted to ask you the impossible question. It's – for us – what should be done about it.

40 MS PROCIV: Well, before we paid – the toll came back on the M4, it disappeared after the – it was paid, and it was a busy road, and it was noticeable. When that – the day that toll came on the road, people stopped using it, and the buses started to be late. I mean, it happened overnight. So it's the toll, and, I guess, people – it seemed amazing to me because it's not just the local people. Our local area is pretty average, but it – because of – but it was also people who normally use – would have normally used that road, all of a sudden didn't. They stopped using it because of the toll –
45 because for a short period of time they didn't have a toll, and maybe they can't afford, maybe like half our neighbours they're philosophically opposed to it. I don't

know their reason, but that was just the fact of what happened. Because I catch public transport, that was how I noticed it so much. Yes.

5 DR COUSINS: Can you tell us anything about – does Council monitor traffic in anyway. I mean, does it liaise with Transport over monitoring of traffic, because what - - -

10 MS PROCIV: I don't know about that. Council officers would be able to answer that. I'm not the person to ask about transport. We have an officer here, but I don't know if - - -

MR M. JOLLON: I can answer that.

15 MS PROCIV: You can. Yes.

MR JOLLON: with transport. Yes.

DR COUSINS: Sorry - - -

20 MR JOLLON: I will - - -

DR COUSINS: Maybe you could just - - -

25 MR JOLLON:

MS PROCIV: Yes.

30 MR JOLLON: ways of transport that certainly – and particularly around customer complaints, which we will talk to Transport about. We have conversations all the time.

MS PROCIV: Yes.

35 DR COUSINS: It does seem to me you're raising some really fundamental points about adequate planning, adequate monitoring of arrangements, and so on, and, you know, we should be able to look at the data on that and see what people in Transport can tell us about this, because I can see it's quite a severe, sort of, issue. Look, I was interested in a number of things. I think you raised a number of really important points. You said you – your comment about the lost rail at the time - - -

40

MS PROCIV: Yes.

DR COUSINS: - - - the tolls came in. Can you tell us a bit more about that.

45 MS PROCIV: It was after the tolls came in, but it was when the Government decided that Parramatta needed a light rail. The Carlingford line was torn up. The Carlingford line, which ran from Clyde to Carlingford, also carried the people to the

5 races – to – at Rosehill, but also it was fairly well used by people going into the city because it was a way – you get on the train at Rosehill, you get off in the city. Early in the morning there were direct trains to the city. So when that went, like, it was – it’s sort of like a cumulative effect. It happened after the toll was introduced, but then with the buses being late and there’s no trains, people then buy another car and it’s this roll-on effect and fragmentation that’s really effecting everybody. You know, like, people will catch public transport if it’s there and it’s efficient, but it stopped being efficient when it disappears.

10 DR COUSINS: And what were the reasons for the – tearing up the rail tracks.

15 MS PROCIV: I’m not sure really. They put in – there has been a – the light rail was proposed, and the light rail went in, and the light rail bypassed Rosehill and it doesn’t go to the city. If you want to go to the city now you have to get a bus from – on James Ruse Drive, which is frequently late because it has got to come down Parramatta Road from Lidcombe, and that’s how you get into Parramatta now from Rosehill instead of being able to catch the train directly into the city. So people are late because the – because of the buses, and also Parramatta Station is really crowded in the morning, and the trains are really crowded.

20 So I – like I said, it’s this flow-on and knock-on effect that is – and it – it’s related to the toll because if people are looking for ways – because they won’t pay the toll and then they’re looking for other ways to get somewhere, and the public transport’s not adequate, then they buy another car and go down Parramatta Road, or they go down
25 the side streets. They don’t have any choice in an area that’s not – they’re not well served.

30 DR COUSINS: And do you think the demise of the light rail had – was influenced in any way by the imposition of the tolls on the M4.

MS PROCIV: I think – I just think that local people – I think the loss of heavy rail – the introduction of light rail is not going to benefit us at all because it doesn’t serve our area. We just lost the heavy rail full stop.

35 DR COUSINS: Yes.

40 MS PROCIV: And it was a service that was – it was there. Every day, the train came, and every day the train will bring you home. It – at the same time. But if you can’t do that on other modes of public transport then you buy a car, because, you know, like I said, you’ve got to get to work. People try. I know they try because I talk to them, but, you know, it’s just – and I’m sure Rosehill is not just – not an isolated area. I know there’s areas around Richmond, and places like that – Marsden Park – because I used to teach out there and it’s – it seems endemic in some ways. Places like Wentworth Point, who don’t have adequate public transport, the people
45 have got cars. They go to Parramatta Road.

They do not catch – get on to the toll road. They’re also philosophically opposed to – there’s a lot of people who have thought long and hard about whether they want to pay the toll or not, and they’ve decided they won’t. And some of it’s the pressure – economic pressure. Yes. Probably a lot of it.

5

DR COUSINS: You also mentioned, sort of, things that were done in the past, apparently, on the M2 and were done in Los Angeles. I’m not sure whether this was a point in relation to the buses on the freeways, but can you talk about - - -

10 MS PROCIV: When I was in Los Angeles – I think in 1998 – and we caught a bus along the freeway, and they had – underneath their freeways, they had parking stations, and people got on and off the bus and got in their cars. So, obviously, it worked – you know, they had a – some sort of bus system that took – that – where they used the freeways to get to places. I thought it was fantastic. I had never seen it
15 before.

DR COUSINS: And that’s not the case here, that - - -

MS SIMPSON: No.

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DR COUSINS: That there’s no regular bus - - -

MS SIMPSON: No, and it would work for the people of Wentworth Point really well because they do have access to the freeway, and a bus service in that area,
25 people would use it because they’ve used it in the past and it has been taken away, and they would use a bus service if it used the freeway to get – and I actually put a proposal to Council about that and it was knocked back by Transport. Too hard.

PROF FELS: I was just going say that I personally have caught a bus that has got a
30 bus lane in Sydney, and I can recall - - -

MS PROCIV: The M2.

PROF FELS: I think it was the - - -

35

MS PROCIV: Yes.

PROF FELS: Yes.

40 MS PROCIV: Yes. And it works really well, and they’ve got bus – they’ve got car parks beside the M2.

PROF FELS: Yes.

45 MS SIMPSON: There’s no car parks beside the M4. But for a suburb like Wentworth Point where we – that – where we can’t provide public transport, it would work.

PROF FELS: What I remember was there were maybe 40 people on my bus - - -

MS PROCIV: Yes.

5 PROF FELS: - - - and it was a Friday night, and we went past 100s of cars that were in a car park situation virtually.

MS PROCIV: Yes.

10 PROF FELS: It was interesting to weigh up, you know, the numbers involved in each bit of it. Actually, I was also going to ask you another thing. I mean, I think – really, your points are really important and make some impact on me, but I suppose the other side is that the tollways – or motorways bring a significant benefit here.

15 MS PROCIV: Yes.

PROF FELS: And someone has to pay. Maybe the users. So there's some weighing up to do. But, I mean, I get it from your comments that there are significant side effects which are often very negative, and some people don't want to use or pay tolls, and someone - - -

20

MS PROCIV: I think we had it for nothing. Like - - -

PROF FELS: Yes.

25

MS PROCIV: - - - we paid and then it finished - - -

PROF FELS: Yes.

30 MS PROCIV: - - - and then it came back in a – with a vengeance.

PROF FELS: Fair enough.

MS PROCIV: Yes.

35

DR COUSINS: And part of that was related to the widening of the M4, presumably.

MS PROCIV: Yes. It – no. It – the wide – the M4 has been widened at various points since it was built. I don't know how many decades ago. So I don't think people, sort of, worry about whether it has been widened or not, because it's always a nightmare. You widen it and, you know, you just get more cars on it, and actually the way that it's – is at the moment, more people spend more time missing the James Ruse Drive turnoff, because it's so badly signposted. You end up out at Wentworthville anyway. So, you know, there's lots of reasons why people – I don't think the widening was a reason, but it was the reason given for the toll coming back on, and also it – that impacted heavily on my local community, too – the widening.

40

45

You know, that was a good reason not to use the toll because of the impact that it had on the community while it was being built.

5 DR COUSINS: Just a final question for me, you mentioned the impact on Council. Again, I don't know whether it's possible, you know, to give us a little bit – or for Council to give us a bit more detail in terms of just what – how it assesses that impact as being – whether that's possible to do, whether that – it shows up in the budget for road maintenance in the area or what, but something just really to put some more bones on that argument - - -

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MS PROCIV: I'm sure council - - -

DR COUSINS: - - - that we could then look into a bit more detail.

15 MS PROCIV: Yes.

DR COUSINS: I think some of the points you've raised, I think, we will certainly raise with the transport department people - - -

20 MS PROCIV: Yes.

DR COUSINS: - - - and just follow up and see what sort of explanations we get.

25 MS PROCIV: Well, we know – we knew locally. We – our roads are in terrible condition. They're not – they're not – but when trucks and – and they go – they tear up the road like you wouldn't believe, and we noticed that our roads weren't in that good a condition, just local – just in the local area. But the cost – the cost to council, I am sure council officers would be thrilled, because I believe that – that the cost of maintaining roads is pretty high.

30

DR COUSINS: Okay. Thank you very much.

PROF FELS: All right. Thank you very much. That has been very helpful.

35 MS PROCIV: Thank you.

MS SIMPSON: Thank you very much, Councillor. I've just got coming down now representatives from the NRMA.

40 MR S. GIDDINGS: Good morning.

PROF FELS: Good morning. Welcome. Go ahead.

45 MR GIDDINGS: Thank you, Professor Fels; Dr Cousins. Just for introductory purposes, my name is Sam Giddings.

PROF FELS: Yes.

MR GIDDINGS: I'm the NRMA Senior Manager Partnerships and Head of Government Relations, and my colleague here, Wal Setkiewicz, is our Principal Advisor Infrastructure and Economics and also a transport economist. Would you like us to make an opening statement.

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PROF FELS: Yes, please.

DR COUSINS: We won't hold that against him.

10 MR GIDDINGS: Thank you.

MR W. SETKIEWICZ: We won't hold it against you either.

MR GIDDINGS: No. Well, thank you. On behalf of the NRMA, I would like to thank the review and the chair and deputy chair for the invitation to contribute today. A safe and functional road network is one of the primary underpinnings of our economy. It's critical in supporting safe and efficient movement of people and goods. In regard to tolled motorways, the NRMA would like to bring three opportunities, in particular, to the attention of the review. Firstly, we are now close to having a connected and functional motorway network which provides the opportunity to look at pricing as a total network concept.

Secondly, more transparency around the conditions for price setting and independent oversight of concessions would improve public knowledge and confidence. And thirdly, a toll-free period of one month for new motorways or major enhancements to existing motorways would give motorists the opportunity to utilise and evaluate potential benefits. Toll roads are a key component of the road network, providing access to important institutional and private funding to ensure we have access to the best available and most efficient road infrastructure for motorists and also for freight and logistics. Over the past several decades, governments have increasingly relied on private sector investment to support roads and transport, bringing projects forward and increasing travel choice.

Private sector involvement supports broad economic outcomes and will continue to play a vital role alleviating pressures on government budgets so that public funds can be increasingly directed to social infrastructure and services. While tolled roads are a key component of the road network, development has mostly been on a project-by-project basis which has given rise over time to pricing and efficiencies, given new road and transport projects and, therefore, dated assumptions. Pricing structures are effectively anchored to concessions and have been put in place to be reflective of projects for specific considerations which has increasingly brought to light disparate pricing, inconsistencies and inequity for users.

Primarily due to geographic location, NRMA members in Western Sydney, where we are today, the South West, North West and the Blue Mountains feel most disadvantaged by toll roads. Given current pricing structures, members in Western Sydney, in particular, are more likely to actively avoid using toll roads than in any

other area. Further to these issues, there is a lack of public understanding around price setting for toll roads. Less than 10 per cent of NRMA members understand how tolls are calculated. Governments over many years have sought to address price inconsistencies through a number of ad hoc initiatives, including rebates and
5 reductions. However, it is becoming increasingly necessary to look at a broader and more substantive reform with a holistic review of toll roads as well as the entire road network.

10 The overwhelming majority of NRMA members support tolling reform. Broad pricing reform based on a more progressive model underpinning by user-pays approach provides the opportunity to holistically and continually consider current and emerging mobility needs while consolidating and rationalising current fixed distance-based and time-of-day tolling charges. Most NRMA members support a
15 user-pays approach to tolling. While toll road consolidation and rationalisation could provide significant community and economic benefits, the NRMA ultimately supports a network-wide road-pricing model which factors in distance, location, time of day and vehicle type where price adjustments can be considered over time to ensure sustainable funding for roads and transport infrastructure and maintenance.

20 Such a model could also benefit from multiple pricing caps. The NRMA is committed to work with this review, private toll road operators, policy makers and other stakeholders to progress network-wide pricing reform and other key issues to improve equity and provide motorists a simpler proposition. The NRMA is equally
25 committed to educating and publicly highlighting the need for change to lower some of the barriers that effectively need to be overcome to support acceptance and implementation. Once again, thank you for the opportunity to contribute, and we're happy to answer your questions.

30 PROF FELS: Well, thank you very much, and that's pretty interesting, we found, what you have just said and hardly know where to start on it. You mentioned that you felt the incidence, the impact, the pain, if you like, of tolls varied across Sydney. What is the basis for that conclusion, and do you do many surveys or have much information about your members and their attitudes to tolls?

35 MR W. SETKIEWICZ: Wal Setkiewicz. We did a survey – I'm not sure – two year ago on tolling issues. And what came out was that, obviously, Western Sydney, a lot of people were concerned about the rising costs of motoring, in particular, tolls. The issue also was related to one of the calculations, which is the indexation factor which goes up every quarter. And now, obviously, in the current environment where we've
40 got relatively higher inflation, that is obviously impacting on our members in Western Sydney and their choice of, "Should we actually go onto the motorway or should we go onto the local road network?"

45 So that is a major factor which is, you know, impacting on our members in Western Sydney. Western Sydney, I think the other issue to note, is, obviously, they don't have the same level of public transport available that other areas of Sydney have. So I think a lot of the Western Sydney people are forced to get into their motor cars to

travel to work so, you know, obviously – and other functions also. So I think that also came out. We will give you a copy of those results to look through.

5 PROF FELLS: Thank you. And as we're going for another year or so, we would be very interested if you have any further information coming through from surveys and so on, and we're interested to hear kind of an independent party, not necessarily the government or the operator, trying to find out, as best they can, things about the attitudes of motorists to all of this.

10 DR COUSINS: Thanks very much. You've sort of highlighted the development of the network, I think.

MR SETKIEWICZ: Yes.

15 DR COUSINS: And it's sort of pointing to – I don't want to put words into your mouth – pricing inefficiencies; that's the way I saw it. But I'm just wondering whether that's really the reason or whether it's just inherent in the concession agreements under these VPP arrangements. They go for a long period of time and they're fixed. And is it inherent in those sort of agreements that you will get, you
20 know, pricing anomalies that vary over time?

MR SETKIEWICZ: Well, that is correct. You do get anomalies. What our members are saying to us is, obviously, when these adjustments are made or new bits are added to the motorway network or enhanced, it creates an inconsistency. You
25 know, people evaluate, obviously, the various motorways where they're travelling on to see whether it's value for money to travel on or not. I also think that the way – the ad hoc nature and the way these things have been developed over time has created this sort of, you know, complexity, and then people find it hard to understand. So that's why we, the NRMA – we think it's a good opportune time to actually review
30 the whole network and see whether we can actually reform the pricing structures to give a better outcome to motorists and other users, but also just whether it's a more efficient way. Because obviously, pricing the network is one thing; the utilisation of that network is also another thing.

35 Obviously, there are – I think, as you've – as you're hearing today and through your endeavours over the next couple of months, you will hear inconsistencies how people interpret, you know, the various pricing structures; the various conditions that are imposed on users of the network. So all those complexities just, you know,
40 obviously, create a lot of – I wouldn't say – not tension but a lot of conflict in terms of, you know, what's the best way to go forward. So we at NRMA think we should step back now and have a good hard look at the network and see whether we can actually make it – price it more consistently and whether we can actually start to get more optimal usage out of the network as well. Now, some of them can be short-term measures; some of them can be long-term measures as well.

45 DR COUSINS: Yes. So we're looking at toll road and tolls, of course. But do you have thoughts on the interaction with the rest of the road system, if you like? And I

will even throw in public transport, even though, perhaps, that's not so much your concern. But - - -

MR GIDDINGS: I'm sorry. Could I just add there in relation to public transport.

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DR COUSINS: Yes.

MR GIDDINGS: The NRMA fully supports Parramatta Light Rail Stages 1 and 2 and the West Metro. I will just put that there.

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DR COUSINS: All right. Well, that's – thank you. I really just was picking up on the previous speaker's concerns about the impact of the toll road on local roads and so on. Do you have any thoughts on that as a general issue? I'm sure that must happen in other places.

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MR SETKIEWICZ: Yes. And obviously, I think one of the things I'm hoping this review brings out is some of those issue there to see, you know, how we – like, you know, we talk about network – having a network charge. We could have a network couple of charges. It doesn't have to be one – it can be one simply charge across an entire motorway network; it can be, you know, a couple, depending on where you live in terms of various zones. So I think that's an important thing to try and flesh out. And obviously, people in Western Sydney, obviously, their characteristic in terms of travelling to work which may differ to those, say, in the North West or those in the eastern suburbs where there are other motorways at present. So obviously, I'm hoping that the review will consider all those issues, and, obviously, public transport is a major factor in this area. And obviously, when you start, for argument's sake, looking at zonal pricing, then, obviously, you need to take into account what the availability of public transport in those various zones as well.

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DR COUSINS: So just mentioning Western Sydney and the factors there, do you have any thoughts on how the problems in the west in that regard – well, firstly, do your surveys sort of give us any indication of why people are travelling in the west? Are they travelling long distances into the city and, therefore, incurring higher costs or what's the nature of the sort of problem that you see?

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MR SETKIEWICZ: Well, I think the nature of problem is, obviously, as our population grows with sort of – or growing into areas of outer metropolitan – and so, obviously, into Western Sydney – obviously, South West Sydney, you know, so obviously – and people need to live where they – where it's affordable for them to live. Obviously, you know, the issues that we have in that space are actually determining whether people can live, and obviously, also, the work requirements too. Obviously, we're all aware that the governments of both persuasion wanted to build cities like Parramatta to try and structure people so they don't have to all travel into town for work and social purposes by trying to sort of having a more diversified, you know, metropolitan area, that that may solve some of those problems. But yes, people in Western Sydney will travel where, you know – obviously, if the jobs are in town, that's where they all travel to. If there's jobs locally, they will – you know,

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they will try and get those jobs there. So it's – you know, it's the price of economic development in some respects where we've got this problem occurring in Western Sydney.

5 DR COUSINS: Your surveys don't pick up reasons for people travelling or, you know, don't cover that.

MR SETKIEWICZ: I would need to have a closer look at that, but obviously, one thing I do understand is, obviously, availability of public transport in Western
10 Sydney. It's not like it is in the inner areas of Sydney. So people have more limited choices.

PROF FELS: You mentioned the need to have a more flexible pricing system, and I think I heard you say there needed to be independent oversight. Could you say a
15 little bit more about that. I suppose, also, you mentioned long term/short term. Looking back, one might say, well, when they set the tolls originally, they should have either provided for that or built in some arrangement, but that, as far as I know, has not been built in. In an ideal system, how would you – would you have IPART or someone like that overseeing?
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MR SETKIEWICZ: Yes. I think, given my experiences in working in a couple of other government utilities, ie, you know, water and electricity, where, obviously, you – it has the same sort of – exhibits the same sort of, you know, monopoly tendency in terms of the providers, I think that would be a good model to evaluate to see – you
25 know, because, obviously, at the end of the day, I think people want to have confidence in the system, and then if there's independent insight from a regulator, that will probably help in that process. And, yes, and obviously, people would be more – people would become more knowledgeable and understand that there has been an oversight to actually go through these issues and put on the table how these things are structured.
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PROF FELS: We heard a similar view in more detail yesterday from Professor Locke.

35 DR COUSINS: You talked a bit about education and people's understanding, that it was less than 10 per cent understand how tolls are set, which is really interesting and sad.

MR SETKIEWICZ: Yes.
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DR COUSINS: I know the NRMA itself does a lot of work in educating motorists and so on on different things. Do you have any thoughts about what might be done? I take it, you know, one point is if we can simplify the whole – what tolls look like and so on, that will help. But do you have any thoughts beyond that as to what might
45 be done in the education area?

MR SETKIEWICZ: I think, also, we should – you know, we have looked at and been encouraging both the government and other key stakeholders to provide as much visual information so when people are travelling on the road network. So you're coming towards a point, where you have to decide if you go on the motorway or whether you go on the existing road network, it would be good to say, Look, okay," you know, "What's my best option," you know, "in terms of where I travel?" Because obviously, the roads do get congested and there are incidents on the motorway every now and then.

10 I think that level of information would be great to help motorists and make a – "Okay, well, today I'm not going to go on the motorway; it's going to take me, potentially, 20 minutes longer than what it would normally do, so I'll go on the local roads." You know, as Sam pointed out before, we're a firm believer in public transport, so we want our members to use the best of alternatives. So, you know, maybe the journey is part 1 on a motorway and then you get to a transport hub and you want to get a bus or a train interchange. So, you know, we firmly believe that our members should be given choices and they should be able to make sound logical decisions based on the day of travel.

20 DR COUSINS: So these days, there's a capability for fancy apps to – for people to look up where they're going and perhaps find out what – which is the quickest and - - -

MR SETKIEWICZ: Yes, agreed.

25 DR COUSINS: And indeed, where there's a cost involved, they should be able to do that, as well, these days. So is that something that NRMA would do or is it something a government should do?

30 MR SETKIEWICZ: Well, I think in the first instance, you know, governments should do it because it's – they're responsible for the road network in this State. And, you know, obviously, anyone else that wants to assist in that process should be able to. Obviously, the government, through the Transport for NSW, has a live traffic feed app that's available, so that, obviously, members can use that. But I think NRMA is always wedded to new forms of technology that are able to deduce information to our members on a more quicker, you know, just-in-time basis. So we support anything that allows that to happen.

40 DR COUSINS: And I understand Transurban itself has been experimenting with that. Have you been aware of that, or is that widely known about in – among members?

MR SETKIEWICZ: I'm not sure. Yes.

45 DR COUSINS: And maybe it's something that's better to come from someone who's seen to be a little bit more independent.

MR SETKIEWICZ: Yes, I think I would agree with that.

DR COUSINS: Yes. Thanks.

5 PROF FELS: Do you have any views on day/night pricing?

MR SETKIEWICZ: I think we would like it to be evaluated, obviously, modelled to see what the results would be. Obviously, we will support any form of pricing reform that actually assists in trying to remove some of the inconsistencies in terms of current pricing structure. So yes, you know, we would support that review. And obviously, it would be interesting to have a look at the modelling results when that occurs.

15 PROF FELS: I suppose that one view is the world is – in 30 years, there will be road-use charging in general. Tolls will have – toll roads have a particular place in that world. There may even be real-time pricing, dynamic pricing or whatever, a bit like we see with airlines, with Uber; all those sorts of things. Again, I will just ask if you have any thoughts on these matters because it will have an effect on motorists.

20 MR SETKIEWICZ: Obviously, we would like that to be considered, and obviously welcome the – you know, what you could find out on that issue. Obviously, we – anything that improves the running of the network and obviously assists in people making better decisions, I think, is a win for everybody. And obviously – I think, you've pointed out in one of the discussion papers – it's obviously something that's fairly new and obviously needs to be seriously looked at for future opportunities.

DR COUSINS: Two other issues I wanted to just ask you about – different – one is on trucks on toll roads and so on. Do you have any views? We've heard from a few people now about the impact trucks that have been avoiding the toll roads, if you like, driving on local roads are having on communities. Do you have a view on that? Should there be an element of compulsion to make the trucks use the toll roads or are toll roads, you know, priced too highly for trucks? Is that why they're not using them?

35 MR SETKIEWICZ: I think, from a user-pays perspective, you know, trucks should be paying the amount that they do damage to the road, so, you know, hence the expression "user-pays". So I think from that perspective – now, what that – obviously, I'm not a road engineer, but I understand that, obviously, heavier vehicles do more damage to the road network, so, obviously, they have to pay for that damage. Now, what that factor should be, you know, you need to be talking to sort of, you know, road engineers who are experts in this field. In terms of restricting trucks from using the network at various parts of the day, well, that's, you know – that's an issue, obviously, for government to make from that perspective.

45 But we would like to encourage trucks to actually use the network, say, potentially, overnight where there's obviously less congestion on the motorway and gives them a better opportunity to get in and out of Sydney. Like, I know that everyone would

like to travel between, you know, peak and off-peak – you know, in peak periods, but, obviously, you need to spread the load sometimes because, obviously, you know, everyone can't be travelling at the same point to get to their location at the same point in time.

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DR COUSINS: And do you anything about – we've been told again of restrictions that mainly local councils seem to apply in terms of access of distribution centres and so on in off-peak hours and so on for reasons of, presumably, amenity, noise and other things. Trying to avoid that, they impose, apparently, restrictions on deliveries, you know, in off-peak times. So providing an off-peak tariff for trucks is not going to be much use if they've got nowhere to deliver.

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MR GIDDINGS: It would depend on the usage case.

15 MR SETKIEWICZ: Againand obviously, we don't make specific comments on trucking operations because we're not a trucking organisation. But obviously, they are issues which obviously need to be looked at, and from my – I'm aware, obviously, local council, their particular jurisdiction for their roads are obviously of a lower quality compared to motorways. So obviously, you know, this is an issue that we're coming to grips with in terms of, you know, the user-pay concepts of the various grades of roads.

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DR COUSINS: Yes.

25 MR SETKIEWICZ: And it's something that needs to be addressed, and obviously, we need to have a good look at it.

DR COUSINS: Okay. The last issue I was going to just ask you about was toll relief. Do you have any views on toll relief; how effective it is, when it should apply and so on?

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MR SETKIEWICZ: We welcome any measures that the government introduces to provide relief to our members. And we obviously – anything that helps our members, you know, travel and get some relief from the rising, you know, costs and inflation, you know, we would support. In regards to which ones – which type of measures are better, we don't actually get into the nitty-gritty of those schemes. It's an issue for government to deal with.

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DR COUSINS: Do you think the fact that we've got a number of toll relief schemes – we seem to have more as we go along – is just another sign that we've not got it right in terms of the setting of tolls?

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MR SETKIEWICZ: I agree. Obviously, as we've said numerous times, the ad hoc nature of the way this motorway network has been delivered – and we are seeing different pricing structures, and we're seeing different packages – relief packages which have occurred over time. So it's all systematic of a problem which has just

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basically been created because we haven't had a good, solid look at the entire network.

DR COUSINS: Thank you very much.

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PROF FELS: Okay. Well, thank you very much.

MR GIDDINGS: Thank you very much.

10 DR H. PARSONS: Hello.

PROF FELS: You're going to have to take a seat.

15 DR PARSONS: I'm going to do a presentation, so, if it's okay, I will stand up here. Is that all right?

PROF FELS: Yes, whatever you like. You can stand there or sit. Most people tend to sit, but if you prefer a platform – yes.

20 DR PARSONS: I will do this because they haven't got a – they don't have a machine for me, so I will just - - -

UNIDENTIFIED FEMALE:

25 PROF FELS: Okay. Good.

DR PARSONS: No, you will go nuts. You will go nuts if I do that. But thank you for the offer. Thank you.

30 PROF FELS: Over to you.

35 DR PARSONS: Professor Fels and Dr Cousins, thank you very much for allowing us to participate in the independent review. It's extremely welcome to the Australian Logistics Council. My name is Hermione Parsons, and I'm the chief executive of the Australian Logistics Council, and it's great to be here, so thank you. I was asked to do a presentation, and I was very happy to do a presentation because one of the things that has been picked up already by the previous speakers and, of course, your questions is that we're dealing with systems here. A road is a linear construct, but – and it fits within a network of other roads. This is a city system in a spatial system, 40 so it's a very important issue to the freight logistics industry to get this right.

45 So I'm going to take you through a presentation, and the idea here is to share our views. I might say that I am from Melbourne. My colleague is from Sydney – Rhys – thank heavens. But one of the things that I think is important, as a – I'm a systems researcher in this space, and even understanding the system of tolling in Sydney is difficult. It is a very complex system. And what I thought I'd start with is a basic question. Do Sydney's toll roads operate as a well planned and considered system on

5 a daily basis supporting growth and helping to meet the productivity, sustainability and resilience challenges we face as a nation and as a state? And often, too often, the toll roads here in Sydney do not work for the freight industry for reasons of cost, efficiency and productivity. At the outset the freight logistics industry is prepared to pay, and user pay is something that they embrace, and the companies embrace. That's not an issue. The issue for us is how can costs be recovered, how can efficiency be achieved, and reliability of service be provided.

10 So I thought I'd give you these quotes and these quotes are the ones that I've picked up in my research for this day: that Sydney is addicted to tolls; Transurban owns Sydney is one point which I think is a problem for anyone that learned Monopoly as a child; you pay but it doesn't deliver; and then – you can scroll down and read these – but by the end of it we're getting to the last viewpoint: year on year price increases and there's not enough value relative to the cost of labour; costs without benefits and productivity, why would we do it; we're forced to use the tunnel but the
15 seven-minute improvement in travel time doesn't cover the cost of – of the toll.

20 Trucks are tolled higher to subsidise the cars and the voting public and it's not working. If that was working as a pricing mechanism, the trickle-down effect, then the toll – the truck companies would be using the tolls. But it clearly is not working and there are reasons why. The companies can't pass the costs on, the higher costs on. The freight logistics supply chain world doesn't work that way. These are long term contracts and it's a highly competitive industry. It comes down to the cost of labour versus the toll costs. A lot of driving time needs to be saved to warrant a \$35
25 per trip toll. So it's always this issue of marrying the costs of the trip versus the cost of the toll.

30 These are – supply chain freight logistics are – are complex systems, and we need holistic thinking. Sydney's – it would seem to be from my – my – my work in the area that Sydney's rapid growth has not been planned. The history of rapid growth, fast road construction, and then that responsibility being given to the private sector puts pressures on all users, but many things could change to improve it. It is the heaviest tolled city in Australia without doubt, and the most complex. One part of the toll network doesn't talk to the other. It's not a system. It's not a system that
35 works and it's a system that is very difficult to understand. I think symptomatic is the recent announcement of Appen, a suburb or not even a suburb in the west, far, far west; 13,000 new homes are to be built there. It's basically land without infrastructure. We need systems approaches to infrastructure.

40 The toll roads are not working as they should for the freight industry. The cost of using them doesn't make sense, given efficiency, gain and impact. Most often the – the cost cannot be passed on to customers. These are major long term commercial contracts, and those costs cannot be moved on. We believe the government's role to – should be to facilitate an increase in freight productivity as it underpins the New
45 South Wales and Australian economy, and I know that the – the New South Wales government is very keen on the productivity improvements. So we believe change is needed, therefore we very much welcome this independent review.

I thought what I'd take people through is a really simple description of freight logistics transport supply chain. People know about it from COVID but pretty much it was the hidden enabler until 2019. No one really knew about it, even in government. Not much attention went to this space at all. Then COVID hit, centre
5 front and stage. Now we're going into COVID amnesia where people are forgetting about COVID and forgetting about what was learned about the importance of supply chains.

So, very simply, what is freight transport? We have four modes. Ships for imports
10 and exports. Planes for imports and exports. We're an island nation, we need them. Trains, hardly used in Australia, it's such a shame, except in the mining industry. New South Wales and Sydney has a very special opportunity above other cities and other cities in Australia. It has a dedicated freight rail link from the port to the major western industrial areas of Sydney. That is a huge opportunity for modal shift.
15 Every container that's put on a train reduces the number of trucks. It is a huge opportunity in the system.

What is logistics? Logistics is the systematic organisation of goods and services, so these are the people needed to work the truck schedules and work everything out
20 using a whole set of tools, including a truck or a train. And supply chain is the marriage of supply and demand, and this is where our contracts are formed, the marriage between supply and demand, including forecasting and investment. So companies operate at different levels. At this level the truck driver might be making some decisions, at this level the logistics planners are making it, and at this level the
25 supply chain contractor managers are making the decisions, so it's a complex area.

We see it as like the DNA of underpinning – the DNA of our economy, and these are the factors that are fundamental to supply chain thinking. So these companies, our
30 companies are working on all these levels, and they welcome the idea of effective tolling systems. So this is what supply chain and freight logistics involves and it's why I'm so fascinated in the subject. It is an extraordinarily complex area and, as we know through current times due to our politics, global economy issues, they're centre front and stage in terms of business decisions.

The freight activity in Sydney, I thought that this would be important to take you
35 through the growth, container growths in New South Wales. So, freight comes in different shapes and containers is the, you know – the usual storage facility that brings cargo to us, and container volumes in New South Wales are forecast to grow to approximately 4 million 20-foot equivalent unit by 2031, in eight years, so in eight
40 years basically doubling the numbers of containers that would be moving through the port to all different parts of Sydney, but also from all sorts of different importers and exporters working within the domestic supply chains as well.

The types of trucks on our roads – because often we don't realise the complexity of
45 the task, so what types of trucks are on the roads and what's in those container boxes? Everything is in the boxes that can fit in a box. All container imports can be in there. All container exports can be in there. Wheat used to – grain used to be in

bulk but now it's in containers. Containerisation is the way of the globe and global trade. But we also have these vehicles, and I got one of my colleagues to give us lots of pictures. She could have kept going for about four more hours and then she wanted to wrap them around the screen.

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But if you look down at the far, far left you'll see a little black one. That's an ecommerce-type local delivery van. The next one, coming towards me, is a 30-tonne truck that might be working, say, in the local food industry. Then there's an Auto Logistics vehicle. Then there's a – a B-double with containers, two containers on it.

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Then there's a pantech refrigerated vehicle. Then there's the bulk hauler, and then there's a fuel tanker. These are just some of the trucks on our roads. So which roads are we talking about, and which trucks are we talking about? Each one represents a fundamental different supply chain, a completely different supply system, yet they all need to access every part of Sydney. Every part of Sydney is serviced by these vehicles, not because they want to go there but because people want them to go there, and customers want them and importers and exporters.

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Liveable cities need two main things from our perspective. They need industrial land in the right places so that costs are minimised, and they need planned, efficient, affordable and interconnected freight transport networks. Our transport industry, our freight logistics world is very keen on multimodal. We want the best tool at our advantage, and rail is a huge opportunity. Without industrial land in the right place and without these types of networks costs go high and impact becomes negative on local communities, and we don't want that. We want to separate freight from sensitive local communities. We don't want that. Safety is our number one issue for all our companies. Safety is absolutely paramount. We don't want to go where a – we want to be where the roads are for the type of vehicles, and industrial land is critical.

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So tolling plays, actually, an important part in increasing productivity but our methods and assumptions need to change, and tolling, I think, could be shown how it is so important to the city. It's not just about one vehicle moving conveniently or one truck moving inconveniently, it's about a whole system. In this map you'll see, if I had a – I'll just point if you don't mind – you'll see here is Port Botany and then you'll see concentric circles, 10 kilometres, 20, 30, 40, 50. So this is the far western suburbs. And you'll see all the dark blue and the dark blue is the industrial land in Sydney. You'll also see these red dots with a percentage in it. From Port Botany only nine per cent of the freight is within – required within this concentric circle, and so on and so on.

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So you can see from this diagram that for Botany the freight needs to go to these places all throughout Sydney, and the heavy blue is where the industrial land is, so the industrial land is not where it conveniently needs to be for us. It's out there. Now this is a part of urban planning and urban planning of cities, and Sydney has not been planned with a clear notion of where industrial land needs to be. This also tells us that there's another important issue here. The – only four per cent of all land in eastern Sydney and eight per cent is zoned for industrial uses, so that means the

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freight industry has to work where the industrial land is, and where the ports are, airport, seaport, etcetera.

5 This makes it very tricky for our industry – and if I could and I couldn’t do it because I just couldn’t do it on a computer – if you put the ring road – you put all your toll roads here and that sort of ring effect that it has, you can see how important those ring – those toll roads are to this industry. This industry wants to use them. It wants to use them. They’re good roads, we like good roads. They’re – they’re beautiful roads, but we can’t use them because the tolls are wrong. The tolls and the
10 assumptions underpinning the tolls are wrong, and productivity and efficiency gain is paramount in the businesses of supply chain logistics. I’m going to take you through three examples, and I’m going to go back to this map, but I’m going to take you through one example of cost changes from a very simple directly, to a further out link, to a much further out link in the western suburbs.

15 So, if I go back. If the Port Botany takes the containers from here to Alexandria, 12 kilometres away, it’s \$122, one container direct delivery, 122, so if it goes from here to this blue patch. If it needs to go to Auburn first because the transport depots are here, say it’s a retailer, a major retailer, the container goes out to here but then it has
20 to go back to Alexandria, then that represents \$561 or a 357 per cent increase on the base cost. If the container has to go from here right out to Erskine Park where the big distribution centres are, and then come back into Alexandria here, then the total cost increase is \$1000 for the cost or 720 per cent increase on the base cost.

25 So what this means, I hope you can see, is that these businesses, more than anything else, want to be able to have productive and efficient freight transport systems. The use of the toll roads is such an important tool to our industry if the costs enabled it to work commercially. And this - - -

30 PROF FELS: But - - -

DR PARSONS: - - - has big consequences. Sorry.

35 PROF FELS: Just a quick question on it. The costs here are not obviously just tolls, there are other - - -

DR PARSONS: Yes. These - - -

40 PROF FELS: There are other - - -

DR PARSONS: These are not just tolls, I’m sorry.

PROF FELS: - - - wages and time and all the - - -

45 DR PARSONS: Exactly.

PROF FELS: Yes.

DR PARSONS: And that's why tolls are so important, because they would reduce these costs or minimise the costs. It's so important to have an efficient freight system. So industrial land being close to the consumer is what we want but we don't have it, therefore the importance of toll roads and good road networks and good rail networks is imperative. The next thing that I thought I'd take you through is the lack of system planning in Australia and in Sydney, the impact of tolling changes – charges, and our recommendations to this independent inquiry. I have an Urban Planning degree and therefore I'm allowed to comment on these things.

There is, in my view, a profound lack of urban planning that ensures cities function well in Australia and certainly I would say also in Sydney. And I'll take you through – walk you through this – this logic. One major retailer I'm going to give you as an example here in Sydney has over 100 delivery curfews instigated by local governments and more stores with the local agreements, and even on new stores as they are opening there are curfews operating. And this is a problem for all supply chain companies, not just retailers, not just any company you can think of, but every other.

Curfews are such an impediment to – and it's a system issue. And one of the reasons we have curfews is because the trucks are not able to use the roads because it doesn't stack up commercially, the toll roads, so they do use the back roads because it stacks up commercially and therefore it causes issues in terms of local areas. Meanwhile back at the ranch those trucks have to deliver into those communities so – and pick up from those communities, so it's very important to all those local areas. It's important we understand curfews, and tolling is actually a direct relationship in many cases.

Why are curfews needed? Very often local government people will say it's usually a noise issue, it upsets the community; amenity issues, it upsets us because we don't want to see trucks; and safety issues, which usually is not correct. Recent research shows a lack of logic and a lot of unintended consequences with curfews. We've done a lot of work in that space. As I was saying before, before 2019 supply chains were the hidden enabler. COVID-19 hit centre front and stage. Everyone now knows the importance of them and how we all rely on them for everything; every good, every service. But there is a lack of awareness and formal university education in urban planning faculties in across Australia and Sydney, and there was this research with I think is terribly important to each of our cities.

The Planning Institute of Australia accredits 26 university undergraduate and postgraduate courses in Australia, in Australia's universities, their planning courses. In 2017 and the research was repeated in 2022 by QUT it showed that not one of those courses across Australia formally taught freight logistics supply chain or the economic enabler of our cities and our society. They do talk about transit transport which is usually public transport and active transport which is walking and bicycle riding. So, those things will be taught but not the fundamental economic enabler, that layer of activity that is so poorly understood across our society.

Amenity, therefore, in many university courses in urban planning is about the pleasantness or attractiveness of place. It focuses on amenity, not on the fundamentals that then you can build amenity upon once you've got the realities worked out. And urban planning principles ranked very high in the development of Australia's first National Freight and Supply Chain Strategy in 2018. That work is currently about to be reviewed and urban planning principles are even more important now to try and lift the understanding.

I captured this – I wanted to find out how many local councils operate in Sydney. Greater Sydney – and I found this quote last night:

Great Sydney covers 12,000-plus square kilometres, is made up of 35 local councils, more than 900 state suburbs.

35 councils, they all have urban planners, and they all have urban planners who are taught about the bicycle riding and active transport, not an amenity, and social planning, but not about supply chain and freight logistics and that whole economic enabler for every part of our city. So how well are they making the decisions about curfews? On what basis of understanding are they making those decisions? And this quote down here, you'll see these councils – this is just because I wanted to know how many councils – says they are –

They are largely linked by complex transport networks including heavy and light rail services, public and private bus services, ferry services, taxis, road and cycle networks.

Where's freight transport? Nowhere, and that is our constant across Australia. Understanding the tolling charges, these are – this is my second last slide, I'll go into recommendations next – the increased costs with decreased productivity is forcing freight back to the secondary road network.

The – the need for regulatory solutions to mandate the use of toll roads through access restrictions suggests the benefits of tolls don't outweigh the – the costs. If preferred non-use of tollways clearly indicates they're not working the industry seeks productivity gain. So we're seeking this productivity gain, this efficiency gain. We talk about sustainability in our city. If we don't work better on these things, we're not going to have sustainable freight and supply chain systems, nor are we going to have productivity on global markets. Remember, freight supply chain is – Australia is only one country working on global markets. Our costs are high. Our costs of living are high. We need to do much more in this space.

There's a misalignment of costs of building the roads versus the value of using the roads. New roads promise to increase productivity, but our members tell us they don't deliver, it's very rare. We need to increase the amenity of land in surrounding suburbs by removing freight from secondary roads and – and allowing them to use these wonderful new structures. The value is captured by residents, not Sydney's freight requirements. Transport operators are unable to pass on the costs to their

customers. There has been a view that they're taxed heavier, trucks are taxed heavier, three times a car, and that's generally accepted.

5 There are some other assumptions in there about the damage caused by one articulated vehicle equals 6000 trucks. We've never seen evidence of that. We'd like to see that. We're – we're not sure that's true. But what is certainly true is that the notion that “we will toll trucks much more than a car because the drivers vote, whereas freight doesn't vote,” and the trickledown effect will mean the freight companies and transport companies can pass on those costs to their customers, is
10 wrong. It's fundamentally wrong. That's not the way business works. Our custom – our members, and they're large members, but so do SMEs, they're often on year-long contracts.

15 Those contracts cannot accept increased prices and tolls from every month or an overnight increase, such as, in one case the – the new toll came in overnight, it was mandated, and this lifted the costs of – from 5.5 million per year to 7 million per year in that period of contract for the transport company to incur the cost and never to be able to get it back. There's no way. So these sorts of costs are the ones that compel us and compel our industry to seek alternatives.

20 The government's transparency and all of the things that you were saying before, Professor Fels, and the other people have been saying about the lack of consistency, the lack of reliability, the lack of systems thinking, is absolutely mirrored by our – our thoughts too. But if we don't fix this what will be the impact? It's easy to say
25 consumers will suffer. They will. They'll either see increasing costs, so costs of living, or they'll see reduced services, or we'll see businesses going out of business. These costs are very serious on top of all others.

30 So our recommendations, as we see tolling as a tool of the New South Wales society to make things better, these toll roads that happen to be owned by private companies, like Transurban, but they are a fundamental part of our city and this city and therefore what we need to be doing is changing the way in which tolling occurs in this city. And it can be designed – tolling in all sorts of different parts of the world is used to drive behavioural change, and we encourage that behavioural change.
35 Significant change is needed if this is to occur in Sydney, more consistency, etcetera. Drivers and managers have to frequently avoid the cost impost.

40 But these curfews cause a real problem because, when you have very expensive tolls therefore trucks are using the – the back roads, therefore there is a problem that the local planners see, therefore a curfew is slapped on, therefore we have more and more costs and less and less opportunity to let the freight flow in the quiet hours, the back hours where it can achieve so much and have less impact on our society. So, incentivise the use of the back hours through time of day concessions and introduce dynamic incentives in pricing. We believe this is a really important opportunity.

45 Many customers of our freight companies – and many of our members are big retailers or big manufacturers – many customers require daytime delivery, so the

back hours won't work in those supply chains, but many other businesses and customers can utilise the back hours and so the back hours would work for those businesses. What it would mean is less trucks, or trucks more evenly throughout the 24-hour period of the day, and it does not mean greater damage, it means less damage to roads, and it means a lot of improvement for the community, very significant improvement for the community.

Often curfews are put up with unintended consequences. The thought is, "We don't want the trucks there because of noise," so we've put electric vehicles in there that are quiet and then the comment will be made, "Ah, yes, but we can't hear them so it's dangerous," but they're in the back hours. And there are other ways that you can manage safety and our companies are extremely committed to safety and dedicated to that investment. We could encourage trucks off the back streets. A decrease of five and six minutes is important when paying \$120 per hour for a driver, so if you can save five or six minutes by using the toll road this is a really important thing.

What our industry would like: let us drive trucks at quieter times, let the freight flow, let us work our assets harder. Stop putting curfews on us and restrictions that mean we can't use our assets and that means our costs have to go up. It's – it's an obvious relationship. We need to manage the tolling network consistently as a system of toll roads and a system of other roads. It's not just one road and a linear network. It's a whole system of secondary roads that feed it, and communities, and we need to start seeing this for the system that it is.

There are different ways you can do all sorts of things that people have been referring to that other cities use: slip lanes onto main arterials that prioritise freight; dedicated freight lines onto latent lanes on toll roads; wherever possible, shift freight onto rail and reduce the numbers of trucks and the reliance on trucks in cities; freight shuttle services using high productivity freight vehicles to and from a port, and one distribution transport centre in the back hours makes enormous value; and rail is needed in this type of planning. So the current challenges cannot be solved by pricing alone, but holistic solutions are needed in the way we see tolls. They're a really important tool to help this city function better. So thank you for listening to my presentation.

PROF FELS: Well, thank you for that excellent presentation, most informative and giving us a holistic view. I suppose one question that comes to mind is, what proportion of traffic is freight? And we don't know on the spot, although an interesting indicator – I think I had heard a number in the tens – sorry, I think I had heard a number in the tens as a proportion, but the toll collection was much higher, maybe in the twenties, something like that. But it's just interesting, that – that point.

DR PARSONS: There are different – can - - -

PROF FELS: Yes.

DR PARSONS: There are different studies that you can – that we can refer to. Is that making sense? Can you hear?

PROF FELS: Yes.

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UNIDENTIFIED MALE: I think if you - - -

DR PARSONS: There are different studies – sorry.

10 UNIDENTIFIED MALE: - - - push the button, I think.

DR PARSONS: Can you hear me now?

UNIDENTIFIED FEMALE: Yes, sorry.

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DR PARSONS: There are different studies that we can certainly bring to the independent review and share with you. It's – often I found the studies are interesting because, say if you take to be – I'm from Melbourne and – say if you take West Gate Bridge or Bolte Bridge, different studies over time have looked at, say, the traffic on the Bolte Bridge and people say, "Too many trucks, too many trucks," and put it all down to maybe looking at it as a port issue. But then, if you look at it, it might be one in – one in 100 would be a port container, but there might be a petrol – a fuel tanker, there might be, you know, a construction vehicle, a cement mixer, there might be a whole lot of little ecommerce delivery vehicles. So it's becoming more and more complex as the – the numbers of vehicles change, but we can dig into that and find out the proportion.

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PROF FELS: Again, I don't want to ask for things that can't be done, but just an observation. Supposing there's a small proportion of freight is diverted off tollways. That's not quite the end of how you calculate the matter because that small diversion may be quite a large proportion of the traffic and the addition to traffic on side roads. So, you know, five per cent go off toll roads but on side roads that's an increase of 15 per cent. And what's more, because roads operate at fairly high capacity, say a 15 per cent on a road operating close to full capacity has a very big effect. I just want to mention it. It's an obvious elementary way of looking at it.

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DR PARSONS: Yes. I – I agree.

PROF FELS: Now, on a rather trivial point, but you – just touch on it for a moment, about planning, I suppose your point about the emphasis on amenities is also matched, I think, by, you know, the huge emphasis given to bikes these days, for better or worse. But it is interesting, having heard your concerns, your complaints, your critique and your emphasis on the importance of the points you're raising. The relevant emphasis on bikes as opposed to problems you're raising.

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DR PARSONS: It has something to do with men in lycra. That's my guess. That's my guess. But I do think it could be actually who creates the courses at universities,

5 who's teaching it, whos' doing what. But on a – on a serious note – on a serious note, when I first saw the term “active transport” I had to – I didn't know even what it meant and I thought it was an extraordinary thing that our university courses didn't teach anything about the economic special systems of our cities and yet they talked about the recreational or physical exercise necessities of the men in lycra. So I thought that was interesting in itself – and women wear lycra too, of course. But I think it showed to me that we're really missing out on some of those terribly important points about special systems, urban geography, urban planning and, really, we don't have it. We just don't have it.

10 And there are many cities where have all sorts of – the similar issues are happening everywhere, it's not just Sydney, but it's worse in Sydney because of the industrial land use issues and especially because of the lack of commercial land in Sydney as well. That's actually a point that you might be interested in which actually makes tolling more important if it can be commercially reasonable rather than totally unreasonable and an ad hoc, fragmented, inconsistent, unreliable system. But at the moment commercial land, which is a big issue in the freight and logistics industry, is – is at the very, very low level in Sydney. Across the western developed world, industrial land vacancy rates are usually at about 2.6 per cent. Australia is the worst country in the world for the vacancy rate of commercial land and Sydney is the worst city in Australia for the vacancy of – rates for industrial land. It's at less than .3 of a per cent. About six months ago it was at .6 of a per cent.

25 The amount of vacant land is being eroded so quickly and often bought up by maybe land developers or property developers that want to move in to this industry and then break up the parcels of land to even smaller parcels which are no good for the big businesses. So this issue of commercial land and its lack of availability is a problem for us because, again, it means you're going further out to the further – the further part of the outer metropolitan areas and that means you've got to move your trucks even more to and from to service customers in the community.

PROF FELS: That's a terrific presentation, thank you.

35 DR PARSONS: Thank you.

PROF FELS: I wonder if you could – I don't know whether it would take long to fire up, I'd like to have just have a look at one of those – the little map that you had there with - - -

40 DR PARSONS: This one?

PROF FELS: Terrific. Now, I know you're not from Sydney, but that railway line that you referred to going from Botany to - - -

45 DR PARSONS: Yes.

PROF FELS: - - - the west, are you able to roughly - - -

DR PARSONS: Yes, I'm going to try. Okay. I – I do know it because it's freight so I've just got to find it. I've got to find it. But it goes from Botany and it is such an important thing. This is Nirvana in the freight industry, to have a dedicate freight line. That means it's not passenger as well, it's – all other cities have the two
5 combined and passengers always get the priority. Passenger freight always gets the priority and always gets the priority for new capacity. So you might build a new lien for freight but then it will quickly move across to passenger. It's – by law. So here we have Port Botany and the freight line, I'm probably really wrong, tell me if I'm wrong, Rhys – but the freight line goes – I think this is Moorebank out here. I'm
10 presuming that's Moorebank. But the freight line pretty much goes out to Moorebank, if that's Moorebank, and I think it is, but it also goes all the way through to Chullora and Yennora and – are they the right names, Chullora, Yennora – they go – it keeps going. It's a marvellous – it's an extraordinary opportunity. And it – what it means is you have freight – rail freight and road route into modal facilities all
15 the way through that corridor of Sydney.

Now, this is hugely important. Previously I was a strategic planner at the Port of Melbourne developing the landside strategy. If you use this properly for shuttling of – of containers to and from using the – the rail line from the port to these distribution
20 facilities, let's say that's Moorebank, let's say this is Yennora or wherever, but I'm sorry I'm not – I'm not familiar so much with the geography. But if you use the shuttling in the back hours for rail, that also is a huge, huge value opportunity because you take the – you take the freight off the – off the trucks and off the roads. So there are so many ways, and I'm happy to share anything like that with you. But
25 it's a very important thing. Intermodal – even truck companies, traditional truck companies, really support intermodal because they want to be able to have efficient road networks. So intermodal in terms of switching and modal shift to rail wherever we can is terribly important.

30 PROF FELS: I suppose the obvious question, if it's the case, why isn't that used more in the freight industry?

DR PARSONS: Because we have – the shipping companies have schedules and the schedules of the shipping company is up to the shipping company. No one changes
35 that. This is an important point, actually. As an island nation, we have no control over global shipping and we have no control over global aviation. None. Zip. Nietta. Nothing. So those two systems work independently of any country and any country's needs, whims, interests. So the ships arrive at Botany. They arrive on the schedule according to what they want to do and when they arrive. Separately we
40 have rail schedules and the rail schedule is set and set according to all the business that is happening on that day using that track. It could be – and so what happens when the ship schedule changes, it means that the rail line is not able to be used anywhere near as effectively as it could be because the ship hasn't come. So there is that sort of complexity in why but I think it's a really important opportunity for the
45 New South Wales government and the New South Wales people to really look into how that line could be really developed for future growth, never mind current situations.

PROF FELLS: I think any – anything more you can give us on that would be useful.

Yeah.

5 PROF FELLS: More than useful. Obviously we've been hearing a lot of stories about the impact of trucks on some of these particularly local roads and so on.

DR PARSONS: Yes.

10 PROF FELLS: But it's a bit distant, maybe, but it's obviously – the less pressure on having trucks on those roads, the better.

DR PARSONS: Yeah. We can certainly help you with – we can share stuff with you about that.

15 PROF FELLS: Just a question on the impact of tolls on – what's the impact that tolls have on the productivity of vehicles? I'm thinking particularly on the incentive for companies to run bigger and bigger trucks which, presumably, are going to – I'm thinking of those pictures of yours because, you know, I've heard about B-doubles
20 and I've even heard people talking about wanting to get triples on the road and so on. You know, if you want to – if you're paying a fair bit for tolls, your incentive, I take it, would be to try and maximise what you can actually carry on the road.

DR PARSONS: Most definitely. And if you look at the truck types over here that
25 are just being used at Botany you can see – I used to have a comparative slide but these percentages are really changing over time as the companies are attempting to really improve truck utilisation. And if you link that back to the very, very simple issue, we have a terrible workforce issue here, huge issue. We don't have anywhere near the truck drivers in our country that we need. We have some very, very serious
30 issues in terms of truck driver shortages. That's just one of our workforce issues. But this is an important point because if you have one truck driver commanding new and – sort of new generation good, large vehicle, heavy vehicle, heavy product, high productivity vehicle, these are extraordinary pieces of machinery and can do great things and they're – they're very safe and sustainability can be built in. So there are
35 really big opportunities there. So what the companies are interested in doing is improving truck utilisation in any way and in every way.

Truck drivers are paid a lot of money in some cases and, you know, a fuel truck
40 tanker, that's on about 180,000. That's – that's a lot of money for one driver and that driver is a highly skilled – highly skilled worker. So – a high – you know, the most reliable of all. So what – what we have here is a huge opportunity for – our business want truck utilisation. They want to improve efficiency, improve productivity because, of course, they're businesses. So if they improve their productivity and their efficiency, that's going to be so much better for them as businesses and these
45 are the ways that we can do that. And tolling in Sydney is an impost and a tool that they can't use as they'd like to use.

PROF FELS: I certainly wouldn't like to see a triple-decker on the local roads.

DR PARSONS: No. They shouldn't - - -

5 PROF FELS:

DR PARSONS: But no truck driver, no company would want them there. This is all about fit for purpose. On local roads, you have these, that's what we want on local roads, and these ones going to the local shops. You don't want these on local roads, of course not. We don't – these people are family people, they don't want to drive anywhere near children or schools or families. They – the don't want that. They want to be able to drive on really beautiful roads like the toll roads, you know? They don't want that at all. So this is – this is where safety's a really important issue. Our industry is 100 per cent dedicated to safety. Safety – I cannot tell you how important it is to every one of our companies. It's at the forefront of thinking with massive investment in it at all times. So safety is not just for the driver, safety is for the community and safety is to make sure that everyone gets home at – at night. This is terrible when there's an accident or something goes wrong. So I – you know, and this is one – a very dangerous industry so we need to be totally committed to safety. And fit for purpose vehicles on fit for purpose roads is what we're after. Yes.

PROF FELS: Thank you. Just maybe a last question from me about curfews and you – you spoke about that issue and – and the 35 councils and so on that – local councils are imposing these curfews, I guess. So do you have any suggestions on how that might be addressed? Addressing it one by one seems to be a long process. Are there any other thoughts that you might have on that issue?

DR PARSONS: Well, I think that, as I was saying about the national strategy, is emphasising urban planning principles. And these urban planning principles are developed to help local governments understand these issues and these systems in new ways and to guide them in their thinking. We would certainly be very keen to tackle each one by – one after the other after the other because they're unnecessary, usually there's unintended consequences. So, for example, if a – a delivery curfew is put on local government – local area and the decision is that no truck is allowed to go into this particular area from 10 o'clock – 9 o'clock at night till 6 o'clock in the morning. So no trucks allowed anywhere near it until 6 o'clock in the morning, yet there are major supermarkets in there and major retailers and fruit and vegetable retailers and all sorts of businesses that might be in that area. The trucks have to be there waiting at 6 am to – because they've got a whole schedule of delivery.

But what it means is that the unintended consequence is the truck, therefore, has to arrive in the peak hour. The truck has to arrive, say, at a local supermarket when mothers and fathers are with children in hand racing in to get lunches that they didn't get the day before. The peak hour traffic but also the very beginning of activity at the beginning of the school day, why would we want trucks anywhere near that point of community activity? We don't. And yet the curfews force that and that's part of

the unintended consequences. It's also a danger issue, extraordinarily dangerous. So if we could use the back hours, and with new generations of trucks we can – they can be quieter. But if you live next to a shopping centre, the chances are there's going to be a bit of noise because you live next to a shopping centre. If you live next to an airport, there's a chance you're going to have a bit of noise because it's an airport. So to then say "I don't want this noise" is a problem because our society wants those community shopping centres and our society wants those retailers. So we have this problem with curfews that very often they lack logic and very often they have unintended consequences and they certainly reduce the efficiency of our freight supply systems.

DR COUSINS: Just a comment, not a question, with the Moorebank that you were talking about before, shallow impression is that that opportunity has not really been exploited that well over the years. I don't know whether it's something to do with local politics or something has gotten away – I knew I was going to ask you a completely different question.

DR PARSONS: Let me tell you about Moorebank.

DR COUSINS: Yes.

DR PARSONS: So Moorebank is a very interesting – very significant development is Sydney and it started about 12, 15 years ago. It's a federal government – it was defence land and it became a major intermodal opportunity: road, rail, direct links to the – the port. And Moorebank is the same geographic area as the whole of Sydney CBD. It's a massive chunk of land. And it's in the western areas of the industrial areas. For the last 12 years, it's been developed and developed. It is phenomenal and it's worth – it's actually worth – if you wanted to go, I can organise a guided tour. It is phenomenal because, first of all, it has a – it is on the rail line that is the dedicated rail line, freight, that goes from Port Botany to Moorebank and then onwards. But this is one – one aspect of it. So we actually have the situation where an automated..... business can have freight containers lifted automatically on to the rail.

For that to go on a dedicated freight line, not – not upsetting any community to get to Moorebank and then an automated..... business at the – at the Moorebank end unloading. From that point, the automation can continue because in the Moorebank area are major distribution centres, huge distribution centres, and these are capitalising on thisglomeration of activity and it is sensational. The same sort of intermodal facility is now being planned for Beveridge in Victoria, possible Truganina later on in Victoria, Ebenezer at the other end of the inland rail in Queensland, and these inland intermodal facilities are incredibly important for the efficiency opportunities for supply chain. They – they're really – they're mind-bending.

DR COUSINS: Just going back to the more general thing. You've given us some – a fairly comprehensive view of the challenges. Just on the pricing, you talked about

having a system approach. Do you have any reactions to the actual pricing system that exist because each tollway tends to do it differently and so on?

5 DR PARSONS: Yes. It's – it's just – some road – the way the – the anecdotal
evidence is some roads are better, they might be used better; others no way, you
don't go near them. Some are hardly used because they're overpriced. Some are
highly congested and therefore you can't put a truck anywhere near them because the
extra costs of being in traffic is the last thing efficiency measures would want. Also,
10 of course, emissions go high and you don't want that. So in terms of pricing, very
often the comment that I have come across from our members and from different
people that I've been speaking with in this industry is that it's just too costly. You
can't – to pay \$35 for a trip when it's going to maybe save two minutes or be the
same cost of time means there's no value paying the \$35. So without the value
15 coming in reduced time – reliability, reduced time, there is no way that the \$35 is
valuable. And then there is the example that I gave you about one new tollway – it
was a tunnel was opened, it was mandated by the state. On that day, one company,
their toll bill went from 5.5 million to 7 million a year. That – that is huge. That is a
huge impost but it was mandated by the state.

20 The – the logic problem with that is the idea that you tax the freight industry higher
by putting higher tolling process on them so that it will trickle down and they can
recoup it with their customers and that's what the industry's been told. But they
can't do that because they're on long-term contracts. And a freight company –
supply chain's all about the power dynamic between one company and another by a
25 big brand and a bigger brand. And basically even the biggest brands of transport
companies have to work with their customers and they form contracts with their
customers. Those – those are enduring relationships. You can't just knock on the
door and say, "by the way, the toll sin Sydney have changed again and we need to
get more money out of you" because that's not the way it works. So we need to
30 have, I think, a very mature understanding of those contracts and those relationships
as you both, of course, do from all of your work. But that's not being understood
here.

35 So time and time again in those first – if I can go back to those first quotes, those
first quotes were all these people telling me stuff and in here you can see a series of
them. "We have fixed term contracts and we cannot just pass on higher toll rates to
our customers. It doesn't work that way. Fuel and labour costs and CPI are
increasing as well and commercial customers won't take the extra cost of tolls. They
just won't." The – some roads, like the M7, are better value in distance and time
40 versus cost, so its distance and time versus cost compared with other sections like
M4 which are not as good. The reliability – if a truck driver is going into a
congested road, just like any other, and they can see they've got a massive congested
toll road in front of them, they're going to get off as quickly as they can because if
they're stuck in traffic for a few hours, they have a job, they have to deliver
45 according to schedules. The pressure's on.

So this toll's a part of a much bigger system and they involve people and people within the industry that also need to be accountable for their deliveries and reliability's very important. We are forced to use a tunnel but the seven-minute improvement in travel time doesn't even begin to cover the cost of the toll. So I

5 think these are the sorts of comments – I can come up with loads more if you wish. I was besieged by them. And they were for all – all different bits of the road network. I like the one particularly, “A beautiful road but too expensive. We'd love to be able to use it”. I thought that was a nice one.

10 PROF FELS: Thank you very much for coming here – coming all the way here and an excellent presentation.

DR PARSONS: Thank you very much. Anything we can provide, we will happily do so. Thank you.

15 MS SIMPSON: All right. Well, thank you very much everybody. That brings us to the end of the morning session. We do have some time after lunch that's set aside for members of the public should they wish to come and either ask questions or make presentations. So we will play that one a little bit by ear. So we'll take a – a break
20 now for about half an hour or so and either we will come back, if members of the public have – would like to make presentations, otherwise we will come back and wrap up. So thank you very much.

25 **ADJOURNED**

[12.07 pm]

**PROF ALLAN FELS AO, Chair
DR D. COUSINS AM, Deputy Chair
MS R. SIMPSON, Facilitator**

NEW SOUTH WALES INDEPENDENT TOLL REVIEW

PENRITH

2.13 PM, THURSDAY, 13 JULY 2023

Continued from 12.7.23

DAY 3

MS SIMPSON: Well, thank you very much everybody for attending this afternoon. This is our third day of public consultation. This is our first day in Sydney. We were in Parramatta yesterday, and we're very pleased to be in Penrith this afternoon. I'm Rachel Simpson, and I'll be the facilitator for this afternoon and this evening.

5 Before we begin, I acknowledge that we're meeting on the land of the Darug people. I pay my respects to elders past and present and particularly welcome any Aboriginal or Torres Strait Islander people that may be participating this afternoon.

I've given the agenda to the reviewers, but this afternoon we will kick off hearing from representatives from the Transport Workers' Union, and then, after the dinner break, we will also have an opportunity for members of the public who have registered to come. Before I hand over to the TWU, I'll ask Professor Fels to make some quick introductory remarks.

15 PROF FELS: I too acknowledge the traditional owners of the land on which we are meeting, and I'm very pleased to be out here at Penrith, which is some recognition that the impact of tolls is felt differently in different parts of Sydney, and in many ways is felt particularly strongly out here. We have some terms of reference about fairness, affordability, efficiency, avoidance of congestion, simplicity and
20 transparency as being desirable aspects of tolling. Issues about trucks will also come up, including things like multipliers, but other questions about trucks.

And it's an independent review. Dr Cousins and I are responsible for the recommendations. We'll get some help from people in the government in doing the
25 report, but it will be our independent views on what should be done, both immediately and also some long-term perspectives that we hope will be helpful to the public. So I'm very happy to have things start this afternoon. I'm really pleased TWU, who we've already had some discussions with, is coming along, because they've got quite a bit to say on this topic, and we are very interested in it. Thank
30 you.

MR R. OLSEN: Well, thank you again, and thank you for the opportunity here this afternoon to put forward our views from the Transport Workers' Union on tolls. I begin by acknowledging the traditional owners of this land. I pay my respects to
35 elders past, present and emerging. The TWU would like to give thanks for the opportunity to speak here today. We also welcome the current New South Wales Government to provide transparency into the failed tolling work completed by the previous government and for initiating a review into the tolling system.

40 As an industry leader that represents tens of thousands of workers across New South Wales, the TWU has always had an interest in any developments for the tolling system, to ensure the fairest possible outcome for motorists, those working in the transport industry and small businesses in particular. Today we will provide a collection of thoughts, concerns and commentary that the TWU has cultivated in
45 relation to toll roads. We aim to provide insight into what the TWUs submissions

will cover. Those submissions itself will discuss further topics and go into more detail on what is discussed here today.

5 Our union has fought long and hard in the past against the increases in toll road costs, or the development of new toll roads, in the pursuit of what is the best for New South
10 Wales motorists and those working in transport. In the past, TWU members across the board have been vocal in the face of increased toll costs, and have gone so far as to demonstrate solidarity in coming together against these rises. Today we find that toll roads are still a significant burden to our members, which remains unsurprising
15 in the wake of consistent price increases.

15 The TWU is interested in the effect that tolls have on small businesses. We are facing a cost of living crisis, and increasing toll costs are a huge part of this. This is especially relevant for small business owners in the transport industry, as they are responsible for all costs associated with running their vehicle, including toll costs.
20 Historically speaking, TWU have been vocal to the union organisers and leadership regarding the truth behind toll cost burdens.

20 Some small business owners in the industry have opened up to union officials. Despite operating what could be otherwise be considered a profitable business, some find themselves paying for tolls on credit. Other cases have seen operators making many personal sacrifices by having some form of direction or necessity to avoid toll roads altogether due to the cost.

25 The TWU has seen examples of large companies such as Toll Transport Group directing their drivers to avoid the toll roads. In the past, there have been directions from management to workers indicating the avoidance of toll roads altogether. The Toll Transport Group toolbox briefing to truck drivers reads:

30 *We thank you for your cooperation in reducing toll road use. This is a reminder to ensure you are not to use toll roads unless you have authorisation to do so. In most cases, the costs of toll roads outweigh any benefit we receive from using them.*

35 This was distributed to Toll workers in a Woolworths distribution centre in Western Sydney. If the largest transport operator in the country, that carts freight for the largest retail company, is avoiding tolls due to cost, then what does that mean for small business operators? This illustrates a serious fairness problem.

40 Toll costs already serve as a considerable cost imposition on small business operators. Rising toll costs is one thing, but when they're combined with the increased cost of living in all areas, the issue is then further exacerbated. This is the primary concern of TWU, particularly when the price of tolls have been increasing consistently in an arbitrary way and in an unfair manner.
45

We would like to note that Transurban in their presentation to this toll review on Tuesday alleged that the average weekly cost of toll roads for commercial users was

5 \$101.06. This figure is inconsistent with the real experience of the TWU and its members. It is not unusual, in our experience, for truck drivers to be imposed with costs of about to \$300 a day in tolls alone. We would advise this committee to be wary of focusing on averages, as they do not reflect the true cost of frequent toll users, especially in a commercial context.

10 We would also like to note that it should not be presumed that toll costs are being borne by the large players in our supply chains, such as Aldi, Woolworths and Coles. TWU experience and research shows that at the top of the supply chain pass on additional costs to those at the bottom, the workers and small businesses. This in turn has safety impacts on our roads, an impact that cannot be underestimated.

15 The other key of interest to TWU is the proposed revision of heavy vehicle group multipliers. Currently, all heavy vehicles are grouped into one class, class B, with the multiplier set at three times the passenger vehicle toll, or what can be described or otherwise called and referred to as class A. The definition for class B describes a vehicle that exceeds class A dimensions.

20 Work conducted by the previous government considered axles to be generally correlated with vehicle height or weight, which is noted to be one of the main contributing factors to road wear and tear. As such, the previous work proposed to revise grouping of heavy vehicles. To summarise, the group ranged from group 2 all the way to group 5. The cost multiplier increase as the group numberand group 5 would be subject to a price multiplier by 5, that is, of the class A toll price.

25 We find it important to note that the previous government had used our suggestion of reviewing calculation of heavy vehicle pricing in the context of three times being the highest multiplier as a means of bringing forth the five times multiplier proposal, among other revisions. They have deliberately screwed the TWUs suggestions and have delivered a proposal that fundamentally works against what we had recommended.

35 It is also to say that a five times multiplier is extreme and unfair. Currently, the highest multiplier heavy vehicle in general is three times. Rather than elevate that even further for the heaviest of vehicles, the TWU believe it may be best to revisit the creation of the heavy vehicle and to ensure a fair pricing scheme, particularly considering the current levels of expenses brought about by tolls.

40 We suggest this for multiple reasons. First, as mentioned, the TWU believes that a five times multiplier is grossly unfair, particularly when the highest current multiplier is three times. This would impose an unreasonable additional cost. Even Toll Group and Woolworths do not want to pay the current price of toll costs, yet they do not face the same struggles in costs recovery as those at the bottom of the supply chain – the workers and small businesses.

45 The TWU does support revision of heavy vehicle classifications, particularly in pursuit of fairness. A specific concern is the consistent of the subject of wear and

tear on roads. One particular factor to note is that truck drivers who operate small vehicles, such as those with two axles, have a much smaller impact on wear and tear, yet they're still paid at the same rate as drivers driving a truck like a B-double.

5 Additionally, drivers of two-axle vehicles do not earn a salary or wages comparable to a B-double driver. As such, it's unfair for those drivers to be paying the same three times rate as they are currently. We find it is also relevant to highlight that in addition to already paying the price that is generally three times higher than the class A, trucks already pay up to 11 times more than other motorists for registration of vehicles. Just how many inflated costs will truck drivers have to suffer?

15 Additionally, the TWU find it necessary to outline that toll operators keep their calculations for higher vehicle charges confidential. We believe transparency is necessary on how multipliers are determined and should be disclosed. That said, as mentioned, the TWU believe that going beyond the current three times multiplier isso although the TWU supports heavy vehicle revision, it does not come from a necessity of increased prices, but rather lower than current multipliers for a specific type of heavy vehicle, particularly in reference to size and/or weight. This remains consistent with the stance we took in previous toll submissions.

25 Night-time discounts that were proposed in the previous government's work would serve to combat rat running, which essentially describes the tactic to avoid traffic by using residential streets or arterial roads rather than toll roads. Night-time discounts are projected to achieve this by encouraging toll road users through lower costs. The issue behind this proposal is that night-time discounts are unlikely to outweigh the cost associated with work the applicable hours and would also serve to create considerable drawbacks to current operations.

30 The night costs of the labour during night-time hours is a significant barrier to this proposal. We know that a night-shift truck driver is paid 37 per cent more than a day-worker. Savings in tolls would need to, at bear minimum, offset these costs to provide any sort of incentive for businesses to operate at night. This is without considerations towards the influence of curfews and the internal changes that companies may need to make in response to increases in night-time operations. Additionally, the transport industry is highly unsociable, with demanding hours already being a significant contributing factor. Shifting to night-time operations would only make this worse.

40 Non-toll road restrictions were proposed by the previous government, and they made a reference to the current process for NorthConnex. We would again like to reference Transurban presentation on Tuesday. Transurban, in addition to the previous government, have focused on the free alternative to toll roads. This is not the case for truck drivers on NorthConnex, which is entirely unfair.

45 TWU had concerns with the 10 pricing principles outlined by the previous government through – they are all relevant to some extent. There are three in

particular that stand out: principle 8, truck tolls at least three times higher than car tolls; principle 9, regulations could be used so trucks use new motorway segments; and principle 10, un-tolled alternative arterial roads remain available for customers.

5 Principle 8 implies that the three multiplier is a minimum that could be applied for a truck driver, which, as explained earlier, the TWU found issues with. There should be no increases to the three multiplier. Principle 9 applies registrations to force trucks to use certain motorway segments and is completely unfair. This in combination with principle 8 is a clear indication that the intention was to use truck
10 drivers to increase Transurban profits. Principle 10 implies free alternative roads should still be available, though, as demonstrated earlier, this is not the case for NorthConnex.

15 With those specific points discussed, the TWU would like to take this opportunity to provide a few key recommendations to the review. Firstly, changes should be made to the industrial law to ensure fair distribution of costs recovery in supply chains, as well as for small businesses and those at the end of the supply chain to recover costs from their contracts. A review of the multiplier for heavy vehicles to ensure fair costs for all types of vehicles, with respect to the current three multiplier
20 remaining the absolute maximum, resulting in a fair and equitable multiplier based on vehicle type.

25 Transparency in how the heavy vehicle multipliers are determined or altered with regard to the formula or philosophy used. A cap on the frequency of usage, specifically a daily toll pricing cap for a multiple 24-hour trip on the network, to maintain fairness for truck drivers required to make multiple trips. Ensure there are free alternatives for all road users, including heavy vehicle drivers. Night-time discounts need to and should be considering the financial impact of labourI
30 thank you for this opportunity.

35 PROF FELS: Okay. Well, thank you very much. There was quite a lot in there that will require further consideration. We've got some questions, so just a few things that come to mind. Could you tell us where your \$300, as opposed to 101, comes from? How did you calculate the \$300?

40 MR G. WEBB: So my name is Gavin Webb. I'm the chief legal officer for the Transport Workers' Union New South Wales. That's from evidence that's been given to us by some of our members that have had to frequently use toll roads completing multiple trips in one day, and that is not an infrequent or uncommon experience. And we will be able to give more on that when we file our submission.

45 But in relation to Transurban's figures that they provided on Tuesday, considering that a return trip from Campbelltown up north is something like – I think it's a \$60 return trip or something. If someone is doing that twice a day, or once a week, or once a day, whatever it is, the 101 figure for a weekly average cost just doesn't add up to us, which is why we said there should be some caution given to averages, because that includes the use of infrequent toll road users.

PROF FELLS: Yes. I get it. By the way, give us – you gave us a good example. Have you got any other sort of hypothetical examples of why it comes out at 300? Could you make one up, so to speak.

5 MR OLSEN: Well, we had evidence from one of our drivers, our members, that, Gavin, you just talked about, where they were using toll roads on six separate occasions in one 24-hour period, and that added up to the \$300. Now, that person is not alone in that, and we will be able, if so the wishes of this committee, to provide further evidence of small businesses doing multiple trips on the toll roads.

10

PROF FELLS: Another thing you mentioned was that you kind of wanted a review of multipliers, and I think I got it, but could you say again why you ask for it and what you want out of that review?

15 MR OLSEN: Well, firstly, we want to ensure that the multiplier by three would be a maximum, not a minimum.

PROF FELLS: Yes.

20 MR OLSEN: So we've got that. Secondly, from my point of view and from the evidence which we have gathered, a two-axle truck, carrying capacity of eight tonnes or so, is charged the same rate as a B-double. Now, that is so different. That's apples and oranges. The six-tonne truck – its carrying capacity is something like, you know, only 20 per cent of a B-double. So the earning capacity of the two is remarkably different. The wear and tear on the roads is totally different. How can they have the same price?

25

PROF FELLS: And say we put ourselves in the shoes of an operator, and they decided to, you know, maximise their take or that sort of thing in, you might say, a cold-blooded fashion, and arrived at a price independent of the costs. I suppose trucks are not a bad target.

30

MR WEBB: Well, they're – yes.

35 MR OLSEN: We're a very easy target.

PROF FELLS: Yes.

40 MR OLSEN: And I think that's what the previous government thought when they were sitting down having their private talks with Transurban. It makes perfect sense. We've got nowhere else to go, especially when we were banned on different roads – take Pennant Hills Road, for example – and other congested roads are already congested by other consumers. It makes it very difficult for transport to actually operate.

45

So we're forced onto the road. In any way you like to think about it, you're forced onto the roads, and you've got to pay the price, and not only pay the price for one

return trip on a 24-hour basis, but we can do a multitude. You can do, four, six, 12 trips a day return, depending on where you are and what you're doing. But you'll be paying full price each and every time. Unfair, and certainly unfair in the way in which that is shared.

5

PROF FELS: You mentioned there something about the multiplier was confidential or invisible or something. I think I know what you were getting at, but just say it again.

10 MR OLSEN: Gavin.

MR WEBB: Yes. This forms the basis of our previous submission to the 2021 inquiry. There's no information or evidence around why the three times multiplier was settled on, or none that we could find. It just appears to have been arbitrarily picked out of nowhere. At least that's the assumption we have to make. So if it's a matter of fairness, then really there should be some transparency around why there is a decision to charge heavy vehicles times three and why that number in particular has been calculated. I think that's there's a general exception, you know, that there is a different impact on the road from heavy vehicles and that might affect the cost, but not to the extent that there currently is.

15
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PROF FELS: But do you know anything much about the history of when a differential came in for trucks and how it got to three or anything? You probably don't, but - - -

25

MR OLSEN: No.

MR WEBB: No. And I think that's the point really. It's very difficult to justify, and then therefore our members kind of sit there and go, "Why is this happening? Why are we paying so much more? And how did that come about?"

30

PROF FELS: I've got a couple of others - - -

MR WEBB: Yes. You're right.

35

PROF FELS: - - - but did you want to ask anything, David?

DR COUSINS: Sorry. Professor Fels may have asked this. When did that three times figure come in? Do you know? Is that a recent thing, or has it been a long-term thing?

40

MR OLSEN: I think it's a long-term - - -

MR WEBB: As long as we can remember, I think.

45

MR OLSEN: Yes.

MR WEBB: Yes. As long as we can remember. I think it's the same on all of the roads. There might be some variations, but, yes, as long as we can remember.

5 DR COUSINS: Yes. Do you have a philosophical view about tolls, whether – you know, some people do. We heard about that at the last session.

MR OLSEN: Well, yes. Well, firstly, I don't believe – I don't think that it's necessary to charge heavy vehicles the rates which are being paid, and I think that if we look at what the design of tolls or toll roads are, is to get heavy vehicles in particular off other roads to ease congestion, then why are we charging a higher rate in the first place, and should they be paying one at all, considering what they're already paying in different ways to be on the roads. As we've said, we're already paying 11 times in rego. I understand that doesn't go to a private company; it goes to registrations.

15 MR WEBB: Roads.

MR OLSEN: But throughout that, that cost could have been some or all shared with toll operators. Whether or not they need to be owned by a private operator or the State Government is a different matter as well.

20 DR COUSINS: I suppose that's what I was sort of getting at a bit there. I mean, well, it could be a user-pay system, whether it's own privately or by government. I guess I was really asking do you have a view in terms of whether it should be a user charge at all in terms of operating on the tollway.

MR OLSEN: Well, we'd like to see one that is not, and I think there are a couple of roads being made now where there has been – made public by the State Government now, that there won't be a toll on those roads. So I think that's a step in the right direction. At the end of the day, I guess somebody has got to pay for whatever comes around, but it's about fairness, and truck drivers are not being treated fairly on our toll roads at present.

30 DR COUSINS: So I don't want to put words in your mouth, but I think you're saying, well, you're not philosophically opposed to the idea of a toll and the user pays in that sense; it's more the fairness, as you see, of the tolls.

MR OLSEN: I certainly don't want to argue with either, no.

40 DR COUSINS: Sorry?

MR OLSEN: I don't want to argue about the point either, that, look, there have got to be – somewhere down the road - - -

45 DR COUSINS: Yes.

MR OLSEN: - - - someone has got to pay for it, cop that part. We pay 11 times already, as heavy vehicle operators. That could have been taken into consideration when we were looking at tolls on these roads, bearing in mind that these toll charges as such were made independently of anybody, and it was a deal done between the
5 State Government and Transurban behind closed doors. It is wrong in fact. It does not give fairness to the community at all, and it increases prices to people where it ought not to be because of the fact of what they did at that time. And this is an opportunity that we can make that correction.

10 DR COUSINS: So, in an ideal world, how would you see the toll system operating, if you like?

MR OLSEN: Well, I think we will go into that in some detail when we do our final submissions about that specific point, so if I could leave that for that time, I'd
15 appreciate it.

DR COUSINS: Yes. No, that's no problem. You know, we've had suggestions put to the inquiry that toll roads, say, should be subject to IPART, the independent
20 regulator, to provide transparency and oversight.

MR WEBB: I see.

MR OLSEN: Yes. That is someone - - -

25 DR COUSINS: But, anyway, we'll wait for your submission on that one.

MR OLSEN: Yes. That'd be great, yes.

MR WEBB: I was just going to add that the thrust of our presentation today and our
30 submission is based on the fact that toll roads are here.

DR COUSINS: Yes.

MR WEBB: We're not particularly concerned at the moment about having a
35 philosophical debate about why they arose or whether that should or shouldn't have happened. We might have something to say about that, but for the purpose of this review, we accept that they're here, and this review is about making sure that they are fairer and that the pricing mechanism is fairer for all road users, in particular truck drivers, and also that there's greater transparency around the pricing and the
40 use of toll roads.

DR COUSINS: So I was interested in the point you made about rat-running, and I wasn't sure whether I fully – you were saying if – let's say the tolls were reduced at
45 night-time. I understood you to be saying that you would think that that would increase so-called rat-running.

MR WEBB: Yes.

DR COUSINS: And then you pointed to the costs of operating at night. Employee costs would be significantly higher, and the toll reduction would need to offset that. I think that was the argument.

5 MR OLSEN: Yes.

DR COUSINS: But I just didn't understand why you would necessarily get more rat-running if you reduced the toll.

10 MR WEBB: No, I don't think that's what – I think what we said was that was what the intention of the previous government's work was, that night-time-based discounts would serve to combat that. I - - -

MR OLSEN: Yes.

15

MR WEBB: Yes, would combat that. I don't think we would say that those would make it worse, that night-time.....would make it worse. I think the key point though is that whilst it may be a well-intentioned proposal, we actually don't think it will have any demonstrative effect on what it is intended to do, because there will be increased labour costs.

20

Night shift is an extra 30 per cent on ordinary rate of pay, plus they get a paid break, which is where we got to the 37 per cent figure on their ordinary hours, so that I think for an average person, you know, it could be something like \$80 a shift, \$90 a shift. If you're proposing to provide a cheaper toll rate at night-time, any discount would have to offset that, and I can't imagine that a \$90 discount, for example, is going to apply in any recommendation, because it would pretty much wipe out the whole cost for the trip.

25

30 So I think that – and when we're seeing already, like we said, companies like Toll Transport and Woolworths are directing their own drivers to not use toll roads now, you know, I just can't see that night-time discounts would actually incentivise transport operators to run freight at night, plus all the other issues which, you know, we saw the ALC raise yesterday, about curfews and things like that would have to be combatted. But purely from an economic and commercial perspective, I just cannot see how that would offset the increased labour costs.

35

PROF FELS: When does the night shift kick in?

40 MR WEBB: It depends on the industrial instrument. Traditionally in New South Wales, it's if the shift commences - - -

MR OLSEN: After 4?

45 MR WEBB: Before 4 am, isn't it? It really depends on each industrial instrument, which we can provide, and we'll provide further details in our submission. But what

we're looking at – it's really if you're finishing after around 10 o'clock or so, it kicks in, so - - -

MR OLSEN: Yes. Between 10 and 6.

5

MR WEBB: Yes. It's about when the shift starts and when it finishes, so it's not – if all of the – if even part of the shift was towards a night shift, then they would incur the additional labour costs.

10 PROF FELS: For the whole of the labour, or the extra hours?

MR WEBB: For the whole ordinary hours performed by the driver, yes.

PROF FELS: Yes. Okay.

15

MR OLSEN: And even before that time, of course, you'll have afternoon shift, which still carries further penalties.

20 MR WEBB: Yes. So the shift allowances can be anywhere from early morning shifts, which are shifts that, I think, commence before 4 and 5 am, normally, for most of the major transport operators. You have a night-time shift. I can't remember off the top of my head what that is, but that's an extra 30 per cent. And then you have afternoon shift, which is 15 per cent on top of the normal average ordinary hour pay. So the discount would have to be significant, and, yes, I just can't see how it would
25 actually offset the increased labour costs.

PROF FELS: By the way, do you know if those differential shift rates have much effect on the structure of traffic – I mean, do they cause owners and so on to use daytime rates more, or - - -

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MR WEBB: I think for operators that operate on an employee model, then yes.

PROF FELS: Yes.

35 MR WEBB: But it also depends on the demands of their customer. So, you know, things like a retail distribution centre like a Woolworths or Coles – they just need to get the freight out sometimes, and they will pay the cost, although, obviously, in some instances, they've directed them not to use the toll roads to do it. But for small business owners or owner operators, they don't have the night shift issues, so for
40 them it might make a difference.

But in saying that, you know, there are current laws in New South Wales that deal with costs recovery for those types of operators, so any change in their behaviour would still have had to consider that factor as well, that there may be the ability to
45 increase their costs by, you know, a costs recovery sort of mechanism through our industrial laws.

MR OLSEN: The majority of the work though is done primarily by day work small afternoon.....small night shifts to carry out the requirements of the customer, but the majority of the work is always day work.

5 MR WEBB: And I think there's also a safety aspect behind that as well, because, you know, driving during the day as opposed to at night-time – there are different safety considerations and risks that have to be taken into account as well.

10 DR COUSINS: I wanted to ask a question about the Woolworths/Toll notice that you - - -

MR WEBB: We can bring it back up if you want.

15 DR COUSINS: What was the context in which that was issued, if you like? I mean, it was May 2021, COVID time, was it?

MR WEBB: Yes. So we gave evidence of this in the previous government inquiry - - -

20 DR COUSINS: Yes.

MR WEBB: - - - and it was used extensively in their report, which – we'll reference that in our submission as well, so you'll get the details of that. So during COVID, as we know, the increased level of retail, particularly for groceries, was exponential.
25 The growth was huge. We were seeing a significant growth in the use of trucks that deliver groceries to stores, because, you know, it was going gangbusters at Woolies and Coles during COVID. So in that context, when there are actually more trucks on the road and more demand for groceries, even in that context, Toll, operating for Woolworths, were directing their employees generally to avoid using toll roads in
30 performing runs to and from grocery stores.

The way it was delivered – this is what we would call a toolbox talk. So in the morning, you know, once a week or whatever it is, they might give a briefing to employees about particular matters, and on this day, as we said, they are thanking
35 people for reducing toll road use, and I think the most pertinent aspect for us was that it said that, “The cost of toll roads outweighs any benefit we receive from using them.” And that's – you know, they're directing their employees, basically, “Don't use it, because it's just going to cost us more money.” The time savings are not commensurate to the costs of the toll road.
40

DR COUSINS: Yes, that's clear from the notice. What I was wondering – I mean, if it was during COVID, presumably there were a lot of cars that weren't on the road. People weren't travelling around.

45 MR WEBB: I mean - - -

DR COUSINS: Would it have been the case, for example, that it was easier to drive on local roads at that time, and therefore – I’m just putting myself in the - - -

MR WEBB: Yes. That’s not our experience though with companies like Toll.

5

MR OLSEN: Yes. We understand what you’re saying.

MR WEBB: Yes. I understand what you’re saying, yes.

10 DR COUSINS: Yes.

MR WEBB: But I think May ’21 – that was before the second lockdown as well, so things were starting to sort of get back to normal, and then in June/July, I think, of ’21 is when we went back into the heavier lockdown, when things would have been
15 quieter on the roads. But our experience generally with the larger transport operators is that, even today, they do direct their employees to not use toll roads.

MR OLSEN: So it hasn’t changed.

20 MR WEBB: No.

DR COUSINS: Well, that was going to be my next question, because I think that’s
- - -

25 MR WEBB: Yes. And it’s not limited to, like, retail freight. So I had an example where Toll – well, it’s no longer Toll. They’re called Global Express now, which was the parcel delivery arm of Toll, which has been splintered off as a different company. They engage a large number of owner drivers directly. And previously they used to give them an e-tag and say, “Just go for your life,” but then about a year
30 ago or two, they’ve taken them all off them and just said, “We just don’t want you to use the toll roads any more.”

And that’s for, like, parcel deliveries. So they might have to get out from the distribution centre out to different residential areas and things – or business areas,
35 and they now direct their – at least in the Sydney distribution centre of over 100 owner drivers, “Where possible, do not use it, because we don’t want to pay for it.”

DR COUSINS: So we heard a lot of evidence - - -

40 MR WEBB: Sorry. Just before I forget, I wanted to - - -

DR COUSINS: Sorry.

45 MR WEBB: The only thing is that they might direct them “because we won’t pay it”, but some people choose to keep using it and wear that cost themselves because they feel like they don’t have a choice, or there are time pressures as well in the transport industry placed on drivers to complete particular runs, and that they just

don't want to face, I guess, the ramifications of that as well. So some just bear the costs themselves.

5 DR COUSINS: We heard a lot of evidence – witnesses yesterday and the day before talked quite a lot about the problems of trucks on local roads, as they saw it, and it was clear that, well, they thought trucks didn't have sufficient incentive – operators didn't have sufficient incentive to go on toll roads.

10 MR OLSEN: Funny that.

DR COUSINS: And I think from what I've heard you'd agree to that.

MR OLSEN: Probably.

15 DR COUSINS: Do you want to say anything about the sort of local road problem and how to fix it?

20 MR OLSEN: To start with, obviously, our drivers vehicles want to use the quickest mode of transport roads that they possibly can. And, of course, with that, it's also got to be the cheapest way as far as possible. So, you know, I think that us using whatever road is available – I think our people would say they would prefer to utilise toll roads where possible, providing it's cheaper enough to actually do it. But that's not happening.

25 MR WEBB: Well, yes, I think there needs to be a greater incentive for transport operators to use toll roads, because our experience is that they're not – or where they are, they're pushing that cost onto smaller operators to bear that cost. But there needs to be a consideration of the costs impact of that.

30 What we can't see is a replication of what happened with NorthConnex and Pennant Hills Road, where the answer apparently is to force truck drivers to use a toll road. There's all this spruiking about having free alternatives, and that's a very stark example of where there isn't one, and it targets a particular part of the community and the economy, and they unfairly are burdened by that additional cost.

35 So I think we need to be careful that if we are looking at going down that path and forcing heavy vehicles to use toll roads, there needs to be a consideration of the financial impact of that as well, and also – you know, the heart of this inquiry is around fairness, and whether that is a fair burden to place upon transport operators.

40 MR OLSEN: And I think if we talk about the last mile of freight being delivered, they are obviously going to have to use roads other than toll roads to deliver the freight. So we've got to get in and out as well. But we think that there's got to be a maximum which our heavy vehicle drivers should be subject to in using the toll
45 roads in any 24-hour period, because they're using it quite a considerable amount of times, especially these lower class vehicles that we're talking about, delivering into all sorts of shops, retail outlets and private residences. And they're in and out on toll

roads and other roads, and they're just getting smashed with costs. There's no consideration for that whatsoever.

5 MR WEBB: Just to go back to your question earlier about the shiftwork
arrangements, I've just looked it up while I was here. So for Linfox and Toll, which
are two of the largest heavy vehicle operators in the country, in New South Wales at
least, a night shift is a shift that starts after 4 pm but finishes before 4 am, and that
would incur a 30 per cent premium on the labour. An afternoon shift is one that
10 starts after 10 am or before 4 pm, and then that gets a 17 and a half per cent loading
on top of that. And then early morning, which we said earlier was a shift that starts
between 4 and 5 am.

15 Because the ordinary hours of work for road transport workers is between 5 and 6 pm
Monday to Friday, and everything outside of that incurs a greater labour cost, to
recognise, obviously, the unsociable hours that those people would have to work. So
if you're looking at an off-peak premium, the problem is that's a very – 12 hours of
when it must commence, you know, 4 pm – they're going to be hit up with that
additional cost, so - - -

20 PROF FELS: Just – you talked about NorthConnex and all of that. I was just trying
to think about the point across the whole network. I suppose there are some where
you'd think the tolls are so high it forces drivers off, and there are others where it
makes more sense to get on the toll. Can you talk about that and where, I mean,
25 you're almost forced off on some things, and others you wouldn't worry about it so
much.

MR WEBB: I think it depends upon things like time of day, what the traffic
conditions are, and also, I suppose, the customer demands, as well as the significant
30 impact on what transport operators are deciding to do. I think in terms of examples
of where it's – I think there's a – I mean, it's hard for us to comment. I mean,
obviously, this example is very concerning.

PROF FELS: Yes.

35 MR WEBB: I mean, you know, there's – this is based out of – there – the
distribution centre is based out in Minchinbury out in Western Sydney, not far – just
down the road from here. So they would be frequent users of the M7, WestConnex,
and they're delivering to Woolworths stores all around Sydney. So they would be
40 using every single toll road, almost, probably, that they can, and they're choosing not
to do it.

45 But I think – it's just anecdotal, but, I mean, you only have to drive past the Church
Street exit on the M4 every day, every peak hour afternoon, to see lines and lines of
trucks, and motorists, lining up to get off that road before they hit the tollgate. And
that is every day we see that. I drive past it every day, and I see it, to and from work.

5 So there needs to be – I think there are varying factors, but I think that we’ve kind of – unfortunately, that tipping point is starting to go down where the – we’ve hit that tipping point where the cost is just not worth it. And I know some people are forced to do it, or they feel compelled to do it, but I think we’re seeing a significant number choosing not to, including the biggest transport operators and retailers in the country, so - - -

10 PROF FELS: I had a different question, just as sort of background. Union coverage – by the way, I assume union coverage includes quite a few owner operators.

MR OLSEN: Absolutely, yes.

MR WEBB: Our union does, yes.

15 PROF FELS: What’s the extent of coverage? Most drivers? Some drivers?

MR WEBB: You mean in terms of density or, like - - -

20 PROF FELS: Being members, yes. How many people driving trucks are members of your union?

25 MR WEBB: Well, because we cover not only road transport workers; we also cover bus drivers as well, and also aviation workers. But we would have over, what, 4000 owner driver operator members – close. That’s owner drivers. And then at least over 10,000 – this is in New South Wales?

PROF FELS: Yes.

30 MR OLSEN: Yes.

MR WEBB: Yes. At least probably over 10,000 employee road transport workers.

PROF FELS: So that’s probably a fairly high percentage.

35 MR WEBB: Yes. In New South Wales, we have very good density, particularly amongst the larger transport operators, yes, close to 70 per cent, if not better.

40 MR OLSEN: And they use both modes. They use both employees and owner drivers within their mix.

PROF FELS: Yes. Okay.

45 MR WEBB: Which is why a big focus of our presentation today and our submission is also focusing on the impact on small business operators, which isn’t limited necessarily to owner operators.

PROF FELS: No.

MR WEBB: It's also anyone over 15 employees. So some of those small operators as well. And, you know, we do represent or provide representations on behalf of other small business owners who may not be members of the union, but we definitely recognise the impact that this will have on them as well.

5

PROF FELS: Yes.

DR COUSINS: Just one more question. I'm interested in this issue of trucks on smaller – it's not just local roads; it's sort of ancillary roads as well. But, I mean, what – and what level the tolls should be set at. So one argument is that tolls should recognise the value of time saved, and I wonder whether truck drivers make this implicit calculation. Do they look at the toll and see what time they would save going on the tollway, and that's the calculation they perform? And if they're not going on the tollway, that suggests that either the toll is too high – is the road congested, and therefore the time saved is not sufficient to justify it? Or what factors are driving all that?

10

15

MR WEBB: I think there are competing interests in that between operators, drivers, owner operators. They all have different factors that they would take into account. An employee who might want to get an extra hour's overtime might decide to drive on Parramatta Road instead of the M4 because he's picked up an extra half hour driving it, but his boss might say, "No, don't do that, because we'll save a half hour of labour, and that might offset the cost of the toll." So it really depends on the interests of the people involved.

20

25

But I think thatexample, but obviously there has been some level of review of that for Toll Transport in their deliveries for Woolworths, looking at do the – because time is money. That's the saying. But it's also labour costs, and there will be fuel and maintenance costs as well that might be reduced by using the toll road. But, for whatever reason, they've made a decision that commercially it doesn't provide a benefit to them.

30

So yes. The answer is yes. I think, depending on who you're looking at, they do look at the time saved, but, again, it was that tipping point I'm talking about, where at the moment it seems like the time-saving benefits are not being matched up by the costs benefits or the costs impost that comes from that.

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MR OLSEN: And that's been demonstrated, I think, on many occasions, over the past two days as well by other speakers, quite possibly, that that window that if we were to agree, which we don't, that there is a benefit in using a toll road overall at all times, I think the window has really gone down far, that maybe, you know, between 6 am to 8 pm, that window of really being efficient and going to make a whole heap of money by using the toll roads – that window is very, very narrow, because a lot of that time, 6 am, 9 am, you're sitting there. It's a car park. The same again in the afternoon, you know.

40

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5 So there is only a very short window in the middle of the day where you might get a real good run and a transport worker would utilise the toll road if that was the case, because the driver knows, the boss knows, and the client knows that it's going to be worth its while. But that window is so small. And what we're talking about – we want to widen that up by giving the incentive to actually utilise it more and more so that we get off the other roads and allow the other consumers of roads to utilise those and use the toll roads more frequently because they're there, if it's worthwhile.

10 MR WEBB: Just adding two points, I think one thing to acknowledge is that companies Toll and Linfox are very sophisticated companies that use, like, algorithms and all these types of things to determine which runs are best, which is the best route to use. Like, this is not – we're talking about, like, quite sophisticated businesses who are trying to, you know, basically squeeze every profit that they can out of every trip. That's their job, right? And so I think that's something to
15 acknowledge.

The second thing I think is a significant factor and why I think that tipping point is starting to be reached is that we know that a lot of the contracts between operators like Transurban and the government provide for tolling price increases linked to CPI.
20 Now, I don't know many transport operators that have been successful in achieving similar review mechanisms in their contracts with retailers.

25 Their contract pricing is linked to CPI. We know that companies like Toll, Linfox and others – they don't have that. And, similarly, wages for workers – it's very rare to see their wages linked to CPI. So you have people's costs – or, I guess, their revenue is increasing at a rate that is much lower than the cost of tolls and how they're increasing, because that is matched to CPI.

30 MR OLSEN: So we've got this situation now in the NorthConnex that it's around \$28 each way on the NorthConnex now, going to somewhere near \$75 each way by 2048, by the time we've paid off that road, and there's no cost recovery mechanism for a small business to actually recoup that moneys.

35 MR WEBB: Well, it's very difficult.

MR OLSEN: And there is no public alternative. That's grossly unfair.

DR COUSINS: Yes. No, that's been very helpful.

40 PROF FELS: Yes.

MR OLSEN: Thank you.

45 PROF FELS: Thank you very much.

MR OLSEN: Thank you so much.

MR WEBB: Okay. Thanks.

MR OLSEN: Thanks for letting us in.

5 PROF FELS: Look forward to hearing from you further.

MR WEBB: Cheers. Thanks guys.

PROF FELS: Good. So we're having a break.

10

MS SIMPSON: No, we're not. We're going straight into – where's my piece of paper that I gave you before?

UNIDENTIFIED FEMALE: So we've got Nathen Marabani here.

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PROF FELS: G'day, Nathen.

MR N. MARABANI: Thank you, gentlemen.

20 PROF FELS: Thanks very much. So go ahead.

MR MARABANI: All right. My name is Nathen Marabani. I previously had a company called Marabani Transport. Now, for the last 10 years running that company, I've had an E-Toll account. Now, E-toll account was always paid and always had money in it. So I had a bit of an issue with Transurban claiming that I hadn't paid tolls. Now, through my toll account, it proves that the toll has been paid. So this is going on four years now, this has been going on for. They took me to court without my knowledge over Christmas time, because I was going through a divorce, and my accountant was looking after my business.

30

Now, every toll notice that they handed to the court had an administration charge on it. Now, I've been backwards and forwards with Transurban, as well as the Tolling Ombudsman. Now, I've discussed the issue with this Tolling Ombudsman of what's happened. This was the previous Sydney Tolling Ombudsman. Apparently now they've closed, and the Queensland Ombudsman is looking after this situation.

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PROF FELS: Is this a government-appointed ombudsman or industry - - -

MR MARABANI: Well, their Tolling Ombudsman, which everybody should know that Transurban funds, more or less.

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PROF FELS: Yes.

MR MARABANI: Okay? So I've lost my business because they claimed that my tolling account wasn't paid. They went to court, like I said, without my knowledge, and the judge agreed to the \$13,000 administration fee. That's the claim that went to the court. Now, with that, I've got 10 years worth of the tolling receipts, and every

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single claim that they claimed to the court is shown in my tolling bill as paid. On top of that, I also paid the debt collection agency, so I've paid this debt twice. So there's no debt at all. There was never any debt.

5 Now, Transurban's problem is whenever they take these matters to court, in the tolling legislation it states that photographic evidence must be supplied to the judge. It never was. So their claims – even half of their claims was for a vehicle that I didn't even own, and the paperwork was supplied to Transurban to prove that fact, and it still wasn't taken off the bill.

10 Now, the Tolling Ombudsman, in my honest belief, should be a government agency that actually looks after it. Now, on top of that, when you want to try to fight against Transurban, there's nothing in legislation or in the tolling legislation that states that Transurban is to be held accountable if they're in the wrong. There's nothing at all that states that.

15 Now, on top of that, Transurban are aware that their tolling tags only have a battery life of two years. That's in the manufacturer's recommendations, that the battery itself only lasts for two years. Now, they've been slugging motorists for more than 20 five or six years in regards to if your toll doesn't beep, that that's up to the consumer. That's not the case.

25 So when I rang up Fair Trading about this tolling tag, spoke to the manufacturer – yes, that's the recommendation, that the battery life is only two years – the question to Transurban was, "Why is it that you're not like a bank? And, if you're aware, if a bank knows that their bank card is about to expire, they proceed and give you a new one, which you're not doing. You're passing that charge onto the customer, which isn't fair at all."

30 Now, in my situation, my business that took me to court over, has cost me my marriage and cost me more than \$1.3 million for my vehicle and all my belongings that were taken for no reason at all. Now, regardless of speaking to Transurban, they don't even want to overlook the tolling bill. And at the end of the day, I'm a consumer. If I've paid it to E-Toll, the issue is between E-Toll and Transurban, not 35 from me, the consumer. So, as a small business, who do you turn to?

40 Now, I've been to the Transport Minister. I've been to Chris Minns. I've sent the majority of the people that were on the board for this an email in regards to it. And I think this matter needs to be brought up in Parliament. Because a small company, a small transport company, shouldn't have to lose everything on false claims by Transurban, when they can't even provide what's set out in the legislation.

45 Now, on top of that, a lot of people in Sydney don't understand that when you're a small transport company, at NorthConnex, we're pushed to use it now. We're more or less pushed as a small transport company. We have to pass on that. Now, with that, that comes great sacrifice, so we have to pass that on and we're contracted to the – contracted to the bigger companies. They expect us to take it on – take that

5 loss. Now, when we're paying for the price of fuel, and when you consider that green slips have jumped up in the last six – or last – for the last – last year and a half, they've jumped almost 100 per cent for the green slips, close to 100 per cent of that, plus our fuel bill, plus our maintenance costs and everything else is up, and then we get slugged with this from NorthConnex.

10 So not only does it cost us smaller transport companies business, it all – also leaves us with inflation, because that has to be passed on to other people. We can't keep on taking these costs constantly. And we're getting beat up about it. So where do we stand? They don't look at that. They – Transurban can't have the monopoly on the Sydney – on the Sydney roads, like, on the transport system like that. We're urged to use it, you know, we – we're there to share the road with motorists and everyone else. If we do end up going up Stoney Creek Road, we're upsetting everybody. We – we can't use Pennant Hills Road. The – all the – the major other ones, we've been
15 pushed off more or less to use these free ones, and it's – it's killing us. When you're looking at, you know, some toll bills up to 4000 a week, if we're running around. Something needs to be done about it. It needs – I can't – I don't understand why it can't be capped.

20 PROF FELS: Could you – just one thing that – on all that. Just give us the numbers again. What were you – what was claimed against you in terms of - - -

MR MARABANI: Basically what - - -

25 PROF FELS: What – how much?

MR MARABANI: How much?

30 PROF FELS: Yes.

MR MARABANI: Honestly, this is the honest truth, and I could – I could – I'm happy to supply anyone in the government the paperwork for it, the original tolls were \$265, okay, that they claimed. They claimed \$265.

35 PROF FELS: Yes.

40 MR MARABANI: My E-Toll account, every single one that they claimed against me, has been paid from my E-Toll account, and it shows that. The administration charge was \$13,000 to administration, when I got a tolling account. Now, when I spoke to the transport administrator at the time about it, he actually sent me out a bit of paper, and I read it to Transurban. Now, the actual legislation part reads that if you're a toll holder, you can only be charged 75 cents, not the \$20 of administration charges that they like to pass on for each and every one that they're doing. So it's a bit – makes a big difference.

45 It adds up. That \$275 – and when I tried to argue the point that, wait there, half of these that you've charged me, you actually should be reimbursing me, because it's

not my vehicle, and I even showed him the paperwork from the RTA. “But that’s what our gantry says”. Yes, but that’s what your gantry says, but my actual toll account shows that that has been paid. Now, when I went back to Transurban, and I said to Transurban, out of curiosity, I said, I know – and I’ve looked up everything on you guys, everything, legislations, everything in the media, how many times have you charged New South Wales drivers for people that were using the toll way in Melbourne, and you’ve got them – you got the number plates mixed up. And they’re aware of that. They want to put their heads in the sand about it. But this is where some – some government – somebody in the government needs to actually overlook the issues of Transurban, because I’ve lost their business, and nobody in the government wants to look at it. I’ve lost everything, and I can’t fight it. How can I go against Transurban and fight them in court?

15 PROF FELS: So just trying to get the numbers in my head. The 13,000 is more or less admin fees?

MR MARABANI: Admin fees, \$13,000 admin fees.

20 PROF FELS: And then that’s because you paid a lot of money, but it wasn’t registered or whatever?

MR MARABANI: No, no, no.

25 PROF FELS: They deny it.

MR MARABANI: No, no, no. Well, what it actually has happened, my bill – there is no debt. So the \$13,000 shouldn’t have even went to court.

30 PROF FELS: Yes.

MR MARABANI: And this is what I’ve said to them, how can you charge me for something that has already been paid for?

35 PROF FELS: Yes.

MR MARABANI: I – there is no debt there. So your claims for the port, is false, because the actual money that I owed is zero. I don’t owe you anything.

40 PROF FELS: Yes. No, I accept that.

MR MARABANI: Yes.

PROF FELS: I’m just wondering what they claimed the debt was. I’m trying to - - -

45 MR MARABANI: Well, when I – see, when I argued with them, I even said, look, I’m happy to come in there, sit down and show you guys the paperwork.

PROF FELS: Yes.

MR MARABANI: To prove that you're incorrect, that your billing system is wrong.

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PROF FELS: Yes.

MR MARABANI: Because E-Toll – I've got the printout. That's the same date, same time, same gantry point.

10

PROF FELS: Yes.

MR MARABANI: So where are you getting your figures from if E-Toll have already received payment? And the easiest way I could put it to the lady at Transurban was, okay, if I go to McDonalds and I've got my bank card, and I buy a meal off McDonalds, and McDonalds have got to get the money from you guys, which is my bank, and you don't pay them, but I've already paid you, that's the issue between you two.

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PROF FELS: Yes.

MR MARABANI: It's not the issue between – for me. So where do you turn – who do you turn to in the government?

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DR COUSINS: Thanks very much, Nathen, for coming in, very distressing story, but you've raised some really important things for this inquiry. So there are things that we will certainly be able to look at. I mean, it's not an inquiry where we're looking at individual matters as such, but your matter, sort of, highlights other issues that it is within our terms of reference to look at. I just wondered if – just pick a couple of those, sort of, matters. You made some comments about the transport ombudsman.

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MR MARABANI: Yes.

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DR COUSINS: And I must confess that I hadn't caught up yet with the issue of the Queensland ombudsman actually performing that role now in New South Wales, but it is a, in effect, a self-regulatory arrangement, as I understand it. But just a question on that, did the ombudsman there, sort of, propose or have the capacity to set up an independent media – well, a mediation process between you and the company?

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MR MARABANI: No.

DR COUSINS: If the company won't - - -

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MR MARABANI: He wouldn't do that. I asked for that. I actually asked for that.

DR COUSINS: Yes.

MR MARABANI: But there was nothing out of – I – the only person who has actually really helped me now, honestly, out of all the government agencies, be it – I’ve been to ASIC, I’ve been to consumer affairs. I’ve been everywhere. Transport Minister, everywhere. The only – only real person who can give me a hand and who
5 is trying to help me at the moment is the small business ombudsman, you know, that’s it. There’s nobody else that looks after Transurban that holds them accountable, and that’s something that needs to be put in the legislation, that they need to be held accountable if they’re – if they’re in the wrong, like that. Like even my boss is the same. Jason Clinton. He was in the news as well. They took – I
10 think it was – off the top of my head, might have been \$60,000, they double dipped, and they didn’t even return the money. They give him credits. So - - -

DR COUSINS: So I think the small business ombudsman is a good place to go. I mean, if you were in – a private individual, as opposed to a businessman, one avenue
15 you could go to would be a financial counsellor, who, as a matter of course, would try acting on your behalf, seek comments, mediation, arrangements with the company involved. Now, the small business ombudsman does have the capacity to undertake mediation arrangements, and certainly I would urge you to pursue that line. I mean, I think you did raise, sort of, another – you know, some really
20 important points about organisations that have substantial power, and what accountability – transparency and accountability on their activities exists, and for us, you know, is there sufficient, sort of, oversight, avenues for disgruntled consumers or small business to pursue, you know, what they see as, sort of, redress of wrongs. And, I mean, that is an important issue. And what I can say, of course, also about,
25 and you’re probably aware, the government has – does have a policy that it’s looking at this very issue that you’ve raised in terms of the way, you know, so-called unpaid accounts are handled, and the administration charges that are associated that are multiple notices and so on. So there’s – the government is, I know, looking at that very issue right now. Not going to help you personally, but - - -

30 MR MARABANI: Is that in – is that in the legislative council at the moment, or - - -

DR COUSINS: No, I don’t think it has got that far yet. It’s just something that I
35 know - - -

MR MARABANI: Okay. A proposal, is it?

DR COUSINS: The government has said that they would look at that, I believe, and
40 that is happening right now.

MR MARABANI: Great.

DR COUSINS: So your experience, as bad as it is, it certainly has been highlighted
45 and people are looking at overcoming those situations. But, as I say, I think it’s really good that you’ve come forward, because, you know, you have highlighted some really significant issues for us.

MR MARABANI: Thank you.

PROF FELS: The - - -

5 MR MARABANI: Thank you, thanks very much.

PROF FELS: Thank you. Thanks very much

10 MS SAHAR: I think we might break now

PROF FELS: Yes.

MS SAHAR:

15 DR COUSINS: Yes, yes. So we're just going to have a short break for those that are, if you like, just attending for the – we're waiting for another witness to attend. Okay.

20 **ADJOURNED** **[3.24 pm]**

RESUMED **[5.32 pm]**

25 MS SIMPSON: This evening's session, we are recommencing. Welcome back, everyone. We're starting with Mayor Tony Bleasdale from Blacktown City Council, who is here with Kerry Robinson, the CEO. And then we will be hearing from Charles Casuscelli..... Charles, who is the chief executive of the Western Sydney
30 Regional Organisation of Councils and then after that, Martin Ticehurst following that this evening. Do you want to say anything else do you have

PROF FELS: I'm just

35 MS SIMPSON: So – yes.

PROF FELS: So I'm trying to create the impression of thousands of cameras out there that talk to mybut anyway, we did want to hold some hearings in West Sydney, and we may come back later for that..... such as you're – look, we are
40 wanting from this part of Sydney about the tolls and particular issues. We are asked to look into the whole set of toll prices. It's a review of the tolls, not wider – it's about road pricing. We're very aware this has been triggered in many ways by concerns about the impact on the cost of living, particularly at the time with high
45 prices. We are asked to see if there's some way that prices could be made fairer cause less congestion and also less confusion clearer and simpler and more

transparent. So we're hearing a range of views on this matter, and we're looking forward to hearing tonight inthank you.

5 MR BLEASDALE: Thank you. Well, thank you, Professor Fels, and Dr Cousins.
As the mayor of Blacktown City, I'm delighted to be here today to have our say in
regards to tolls. I want to tell you this – we are here today on behalf of 415,000
residents of Blacktown City. And, of course, over 30,500 registered businesses
supporting more than 136,000 local jobs in Blacktown City. In the northwest growth
10 area suburbs of Blacktown City, our populations continue to grow rapidly. There
will be around another 200,000 more people moving into our city over the next two
decades. Our people, our businesses, are the most tolled in the country. This is
plainly unfair, and we see there is an opportunity to provide them with some relief.
It is very much the case that many of our residents travel by car outside of Blacktown
15 City each day for work or for educational purposes and opportunities. Sixty-five per
cent of Blacktown City resident workers travel outside of the area to work. They
depend on cars because the reality of busy family lives dictates that they must.

In the northwest growth area of Sydney, inadequate public transport and communal
20 car parking gives thousands of people from Marsden Parks, Caulfield and Riverstone
no other option, and for our businesses too. The challenges loom very large. Our
city remains a significant hub for the manufacturing, logistics, transport and
construction industries. They are a vital part of the \$22.6 billion regional economic
footprint of Blacktown City. At Marsden Park, for example, we have one of the
25 largest pharmaceutical distribution centres in the country. We are home to many
major distribution centres, including retail And census data tells us that in
Blacktown City, there are over 5800 transport, postal and warehousing businesses,
employing over \$16,000 people. Every one of them, of course, relies on an efficient
and affordable arterial road to keep their businesses moving and to keepand
30 trades moving through New South Wales.

Toll roads are a fact of life for Blacktown City. We are here to talk about their
operation, to ensure reasonable and affordable access and toll road management for
all in our community. Blacktown City is intersected by the M7 tollway and the M4
motorway. In 2005 the M7 was installed in response to the growing population of
35 western Sydney. At the heart of this road system is the Light Horse Interchange at
Eastern Creek, which connects the growing logistics and transport sectors in our city
to major roads in all directions of the compass. We are here today advocating for
better. Our residents and businesses require efficient and affordable transport
systems to get to work, to move their and to improve local investment that builds
40 the local economy. We know, too, that toll roads will continue to be less effective if
there are no improvements for congestion – congestion which so badly impacts the
roads and communities surrounding toll roads like the M7.

Here is an example of how bad it is. Transport for New South Wales' own
45 documents – their own documents predict that road traffic along Richmond Road
will almost double in the next five years. Richmond Road at this time, in my
opinion, is car park. In the first quarter this year alone, Transurban toll road data

shows there are over 138,000 truck movements and well over 1 million car movements through the M7 exit and entry to toll gantries on Richmond Road. On Richmond Road itself, there was congestion seven days per week for most of the day. This is a disaster that continues to worsen, impacting people's quality of life.

5 And this will also deepen the impact on the cost of driving businesses forward. Our council, Blacktown City Council, is seeking certainty for the future for toll road users, because we believe this will enable confidence in toll road use and their operation. And this will secure investment in Western Sydney.

10 The New South Wales government has a golden opportunity right here and now. We are asking that toll roads and surrounding feeder roads are managed in a bipartisan way by government for the benefits of all users, because the current situation is this – the negative impact on our residential and business community. The toll road costs paid by the whole community currently outweighs the benefits of using toll roads.

15 Blacktown City Council believes that the cost of using toll roads and the fee structure in its current form needs to be simplified. The pricing needs to be consistent right across the entire network. The fee structure should also be used to manage demand and ensure efficiency and better traffic flow across the network. Fee structures should also be designed to minimise the administrative costs of toll road operators.

20 The structure should not be as it currently is – a extra burden on all toll road users.

Consideration should be made for small businesses – tradies, for example, with limited turnover – should benefit from a threshold where after a certain point they pay a reduced fee for toll road use. A rebate scheme, as well, is a welcome relief for
25 residents – a scheme that considers affordability, demographics and access to public transport. But let's make it easy for all of us to use. Tired tradies or transport workers, at the end of the working week, should not have to face the added burden of an extended process to claim toll rebates. Western Sydney residents are being unfairly burdened by toll road costs while other benefits from the convenience of
30 living in the areas with better public transport. The affordability of toll road cost is keenly felt by family right across the city of Blacktown. We have 54 suburbs in Blacktown. Council supports the changes to the rebate system that consider affordability, demographics, and access to public transport.

35 For Blacktown City businesses and families, efficient transport systems are most essential. Toll roads can be part of a future that supports the provision of better transport infrastructure. Properly managed toll roads can provide a better quality of life in Sydney, and especially in Western Sydney where most of the growth areas are and located. Council sees a number of other problems for local residents that have
40 long been ignored by Transport for New South Wales and the New South Wales Government. Council is seeking a fair go for all those who live in Blacktown City. We have continued to support our obligations to do our best for our community. Now, we are asking Transurban and the New South Wales Government to do the same.

45 Council submits the following points for the inquiry's consideration. We will submit a full submission shortly to the inquiry. In our submission, council nominates the

seven key issues affecting Western Sydney residents. First of all, equity – given the high cost of tolls, combined with the lack of public transportation options in Western Sydney, the large number of industrial premises, and the number of toll roads intersecting in Western Sydney, and given the low and middle income residents, including professional drivers and tradesmen, often have little option other than to travel on toll roads. Western Sydney residents feel that they are being unfairly burdened by the cost of toll roads. These things have created a sense of inequity among residents in Western Sydney.

Affordability – the high cost of tolls can be a significant financial burden, especially for low-income households. This reliance makes residents more dependent on toll roads, as they are often the only way to get to work, school, or other essential destinations. The burden of toll road costs on businesses is also seen as a barrier to driving businesses forward – to make them successful. And then move on to transparency – multiple fee structures and rates are making it very difficult. The fee structure should be simplified, consistent, and easily understood by the general public so that they can make better informed decisions regarding travel options.

And, of course, we come to the toll structure. The road network lacks consistency when it comes to fees. Council believes a consistent fee structure easily understood by the public should be created based on the demand and the efficient effect of operation and funding of the overall network. We have one condition – Blacktown residents and businesses must not be affected negatively or to be made worse off. The fee structure should also be used to manage demand and ensure efficiency of the network. The fee structure should aim to optimise the traffic flow on the motorways by managing the demand to prevent gridlock.

Of course, the fee collection – toll road fee collection should be seamless, simple, and easy to use for all of those in our community. The latest technology should be utilised to achieve an outcome where administrative cost is minimised. Any collection fee should reflect the real cost of collection. Rebates – a rebate scheme much be logical, evidence-based, and fair. The scheme must consider personal and business circumstances. For example, tradespeople with limited turnover should also have a threshold where after they pay a reduced fee. Affordability access to public transport are other considerations. And council, of course, welcomes the New South Wales government’s proposed \$60 per week maximum toll fee. Considering the future, of course, toll roads should be supported for the opportunity they provide to create infrastructure for the greater good of all of Sydney. However, toll roads should not be managed and tolled in isolation as they are presently, but as a part of the overall transport network, providing affordable and efficient access to all.

I would like to advise you of a construction worker who travels from Casula to Mosman each day. First of all, he joins the M5 at Casula. The first fee is \$5.49. Transurban Link M5 tunnel, \$7.98. Transurban Link eastern distributor, \$9.19. The total fee from Casula to Mosman one way is \$22.66. Per day, \$45.32. Six days – total amount, \$271.92. These are some of the issues in the construction industry and others in particular, where people are very fearful of being placed at long-distance

5 projects. So you can see the cost of that is absolutely awesome in terms of how can we have a fair and equitable situation going forward. This, in my opinion, if we continue to do what is happening, will only get worse – and, of course, is a major barrier to trade and commerce. Having said that, thank you, Mr Chairman, for your goodwill and being here tonight on behalf of Blacktown City Council. Thank you.

10 PROF FELS: Thank you very much, Mayor. You had very important things to say there, and also we're looking forward to the ultimate submission. I was just going to begin with a question you possibly can't answer on the spot – there was some previous work done on this by the New South Wales government – the former government. And a summary of it has been published. And one of the points in it was that they had a proposed price system which basically divided Sydney up into five areas, one of which was the west.

15 MR BLEASDALE: Yes.

20 PROF FELS: And in that – sounds like you know about it. But anyway, I'm sure it's a difficult question on the spot. We would be interested to hear from you in your submission, even off the cuff, any reactions to that idea of having zones with different prices.

25 MR BLEASDALE: Well, certainly, Mr Chairman, anything other what's happening would have to be an improvement. And, of course, we would very much like to have a look at the mechanics, the operational side of what's being proposed by the former state government – there's no doubt about that. But at the end of the day, obviously, we need to ensure whatever we do is understood. And it's very simple in terms of its understanding in operational activities within the community. So, look, at the end of the day, we need to seriously find out what kind of system – what can we do to improve the current processes, which are really not in the public interest?

30 PROF FELS: So - - -

MR ROBINSON: Mr Fels, if I could add - - -

35 PROF FELS: Yes, please.

MR ROBINSON: Professor - - -

40 PROF FELS: Yes.

45 MR ROBINSON: One of Blacktown City's key elements of advocacy is equity across the metropolitan area. Part of the reason people of Western Sydney need to travel is because government funds, services and facilities in Eastern Sydney are not in Western Sydney. Let me give you some examples of that. Eighteen per cent of the high education places in Sydney are in Western Sydney, where 50 per cent of the population is. There are only two medical research institutes east of Westmead. There's more than 50 – sorry, west of Westmead. There's more than 50 east of

Westmead. The funding of government creates a system within our metropolitan area which means that there is an unequal distribution of services, so Western Sydney people are forced to travel. In relation to the Commonwealth, 11 per cent of the Commonwealth's population lives in Western Sydney. Western Sydney receives one per cent of the Commonwealth's arts budget. Fifty per cent of Sydney's population is in Western Sydney, and Western Sydney receives about 12 per cent of the combined arts and culture budget of both governments, meaning that not only for work but for recreation, the people of Western Sydney need to travel to the eastern city.

The land economy of cities is such that the rent for land at the fringe is less than at the centre. That means that people with an ability to pay the least must live at the edge of the city, and they are the ones – the people of Western Sydney – who suffer the burden of cost of using tolls roads more than those who are close to the centre of the city. So simplicity, as the mayor said, is really, really important so that people understand, but equity across the whole of the metropolitan area is incredibly important so that the people of Western Sydney pay their fair share and only their fair share.

PROF FELS: Just following up that – do you.....the socio-economic level of Western Sydney is also quite relevant to this situation, too. Now, just I've heard what you've said. I'd just advocate for a minute, but sure you've got a reply. What about the view that high tolls actually cause property prices to be cheaper – they're picked up in a lower price of property, and therefore you should disregard the fact that in Western Sydney, you pay high tolls?

MR BLEASDALE: That – high tolls you say – the view is it could increase the value of - - -

PROF FELS: Decrease, yes.

MR BLEASDALE: Decrease.

PROF FELS: So you go out a long way, and thinking of buying a houseyes, yes. And – all right. Sorry go half. And – yes. It's reflected in the value of the house – tolls – that offsets the equity effect. So the house is cheaper because you will pay less for it - - -

MR BLEASDALE: Yes.

PROF FELS:----- because of the toll.

MR BLEASDALE: Well, obviously - - -

PROF FELS: We have heard that point, so - - -

MR BLEASDALE: Well, I think - - -

PROF FELS: Throw it at you.

MR BLEASDALE: - - - the reality of the last 20 years has – the CBD of Sydney and eastern suburbs in terms of cost for property has increased substantially. And, of course, we’ve had a very strong migrant intake over the last 20 years – 10 years. People head west, where, in fact, land was cheaper, property was cheaper in many aspects. But it’s got to the point now, of course, where values have rocketed, as you probably know, in the last so many years. The issue of the benefit of a level of – level of value being given to those who live in some of these areas, as against the cost of the toll – I would say I’m not quite sure what that really means in terms of real estate and values. I think that’s a question that needs to be dealt with going forward.

MR ROBINSON: So, Professor, if I could – land economy systems are complex, and they don’t start from a ground zero. So if one were to reform the increased tolls, those people who are locked in and have acquired properties on a certain taxation basis – for them then to (1) have to pay an increased toll and (2) suffer the cost of the reduction – theoretical reduction in their real estate values, I would suggest, would be adding to inequity, not making the system better.

PROF FELS: Fair enough. Now, I think some other things to ask about. But Dr Cousins may also - - -

DR COUSINS: Yes. Thank you very much. It’s really important to have your perspective on this, because I know it’s been a big issue of concern in the west. And to understand that more fully is very helpful for us. I will just pick a few things which I – I was particularly interested in – firstly, you referred to demand management on the – I guess I’m thinking first just about toll roads itself. And there’s obviously concern that can be expressed about the actual charges. But what – how would you describe the operation of the toll roads that surround your municipality? You know, you’ve mentioned the M7, the M4, et cetera. I mean, are they operating in a sort of optimal way from the point of view of, you know, flow of traffic, or are they congested? Or how would you describe their operation?

MR BLEASDALE: Well, I think, you know, most of us would agree at times certain areas of the toll roads become extremely congested. Of course, the management of that and the administrative side of that is very, very important for us to defuse those – those situations. But, of course, it’s very unlikely that the average toll user has any communication with the toll organisations. And so, of course, many are driving very much blind in that regard as to our operations – what are the – what are the functions of the toll road operators, other than the main issue, of course, is the cost to the individual or individuals. There’s a lack of communication, there really is, also, from Transurban to the communities in terms of what it all means. You know, they often, as you probably know, increase the toll rates on a regular basis. And I think there’s no justification or there’s no explanation as to why this happens. And I think this is where often the communities become extremely concerned – and,

of course, very, very concerned that there's no equity. There really is a major lack of communication.

5 DR COUSINS: So under the public-private partnership arrangements, these toll roads have been set up with private finance and the tolling arrangements. We're told the government has set those tolls, not Transurban.

MR BLEASDALE: Yes.

10 DR COUSINS: And part of that process has been a built in quarterly indexation, effectively.

MR BLEASDALE: Yes.

15 DR COUSINS: So in a way, you could say that's all been set up and Transurban is the one that's operating the system. But in a way, they're not doing that. So there's a sort of complete lack of understanding of the community of that is really what you're saying.

20 MR BLEASDALE: Yes, of course. Well, obviously, many of us wouldn't expect the community to understand the technicalities or, you know, the components of what was agreed between state and the toll organisations. But I think one of the biggest issues is the Transurban and others not been – not really expressing and shown the communities actually what it all means on terms of costs. What's the
25 breakdown? What's the level of profitability of Transurban and others? You know, are they really – is it fair and reasonable to have the CPI increase on a regular basis based on the fact they are making substantial profits? So, I mean, as you probably know in the recent period, there was a call for the agreements that have been reached with state governments previously to really be – really be exposed to the community
30 as to making sure they understand the reason why the costs are what they are. I think that's been a major problem.

There's a distrust by communities as to why they are paying these – these costs, these tolls, at a level which, as you – as you know – as I pointed to earlier, the costs
35 to the community now in many ways is not balanced in regards to people's ability to pay. It's becoming extremely difficult. And, of course, this will mean that certain sections or major sections of the metro will not be utilised. You can, today, tonight, go in the M8 and you're in there on your own. It's not being utilised because of the cost. Other areas of the – the system, the metro, and areas – people are not utilising
40 them, again, because of the cost. If the – if the rates were fair and equitable, if the rates were – how can you say – based on reality, rather than profit – obviously, they have to make a profit, but there's concern that the profits are absolutely greater than really ought to be. And I think there's not a recognition by Transurban and others that there's a need to take on board community's concerns about the cost. And
45 unless we enter into or they understand the concerns, this is why we have this inquire tonight – today to try and find out what has gone wrong in terms of the – or the concern by communities.

The reality of it is the costs are too high – there is no doubt about that – compared to the costs of living associated with communities and families. Therefore, they will not utilise a lot of the freeways..... which can only get worse because of the down – current economic downturn.

5

DR COUSINS: So in terms of managing the traffic, do you have sort of a sense of whether it would be sensible to look at maybe having lower tolls in off-peak type periods? Would that assist?

10 MR BLEASDALE: Yes. I mean, look, I know there's been an attempt by Transurban to give some assistance, as you know, with rebates and things of that sort. But what we need is something across the board that really will satisfy communities in terms of the costs. You know, look, it's like – it's like everything else. To run a business, you need volume. And of course, at the moment, they're
15 really not maximising their position in terms of the freeways and the motorways. If the volume was in – if the cost was of such a nature, I think the volume for them would be substantial. So I'm not suggesting that you block the freeways and the motorways at a cost which is really is not in the public interest. But the reality of it is at the moment, people feel that the rates and the charges are far too high. And
20 consequently, as you and I know, if you go through some of the tunnels and parts of the freeways and motorways, they're underutilised because of this. Go through the M8. Go through some other areas of the freeways and the motorways. It's like a ghost town in some areas, but certainly not in Western Sydney. We're being choked with the freeways and the motorways on the M5 and the M4. It's quite – but
25 nevertheless, go forward. If you look at the current construction of the metro and the proposed increases, they are quite substantial. So our economicallynot only for towns there but for the communities.

30 DR COUSINS: Are there any sort of plans for public transport improvements, or – would that help relieve some of the problems with the roads?

MR BLEASDALE: Well, it certainly would. But as you know, in Western Sydney, we have a major, major lack of public transport right across the board. The focus, as you probably know, has been on the CBD of Sydney in so many different ways. We
35 in Blacktown City, like most local council areas in Western Sydney, really require much more substantial investment in terms of public transport. But at this time, the – the motor car is the – is the transport for most families in those communities for getting from A to B and the like. Again, it's quite extraordinary how we build – we build residential sort of areas where we – we end up looking at the transport at the
40 end of the day. And the buildings are built in – in various parts of Western Sydney. It's that point where we say, "What are we going to do about public transport?" We're sort of putting the cart before the – public transport needs to be in place before development of communities. And this is problem. By the time the public transport comes in, there's three cars in the driveway. That's what happens. So governments
45 need to work this through as to ensuring that public transport is given a priority. That would relieve a lot of the issue, I believe.

DR COUSINS: But it's certainly Blacktown Council's advocacy position has been that the key piece of infrastructure needed to improve Blacktown City the metro link between Tallawong and St Mary's, which would go through the socially disadvantaged area of the Mount Druitt housing estate, and provide access for those people to high value jobs in the Sydney Business Park, in Marsden Park, in Norwest and in Macquarie Park and ultimately the CBD. And at the same time, would allow those people in those high value jobs to gain access to the Western Sydney Airport. So there's – you're pointing to the case that there's a correlation between what it costs to drive a car and what public transport fees are and..... service of public transport. WSROC has had a strong advocacy position for many years that it's clear that the density of rail lines and the density of railway stations in Western Sydney is less than in Eastern Sydney. It's clear that the density of bus routes and bus stops is less in Western Sydney than it is in Eastern Sydney. And that inequity as part of a system ought be addressed.

MR BLEASDALE: Yes. Absolutely right. Look, Carrie has mentioned the – of course, there's a proposal to run a freeway from Tallawong down - - -

DR COUSINS:

MR BLEASDALE: ----- to Marsden Park and then straight to St Mary's and down to Orchard Hills and all the way to the airport. It comes down – what is it – it's going to, in fact, bypass Mount Druitt. Now, Mount Druitt, in certain areas – there's a lot of disadvantage, of course. So you're looking at maybe 100,000 or more people living in Mount Druitt. The original proposal was to punch it through into Bidwill, Emerton and then to St Mary's. So all of a sudden today, they decided that Bidwill and Emerton are not a priority. I said to people from metro or the construction – the government side – so who's going to get on this train? Are we going to transport moo cows through all the paddocks all the way down to the airport? What about people? People are important.

And this would be a massive economic change for Mount Druitt if that transport was put in place, enabling people to move south and move north. And we see that would be a major gamechanger. But trying to convince people that that would be a positive thing – in government, I'm talking about government – is extremely difficult. But anyway, I've sort of moved away from what we're talking about. But at the end of the day, there is a massive need for public transport. But it's like everything else, as you and I know – it's like old mother Hubbard went to the cupboard and there was nothing in there. So we're not quite sure economically what the current position is with the state government's ability to provide, you know, certain relief in so many different ways. We'll probably know with the next six months as to what that is.

But at the end of the day, as you know, building metros and freeways is a very expensive business. And I understand – this is why the costs appear to be what they are. But as you said, it's a joint venture with private enterprise as well. And, of course, shareholders desire and require to receive the benefits of those investments. But it needs to be more equitable right across the board. And going forward –

whether it be the cost, the utilisation of it, strategically it needs to be – there needs to be a much more think tank position..... all the parties to work out what is in the best in terms of the public interest.

5 PROF FELS: So I think I've got – already several points talked about the inadequacy of public transport. But even more – I mean, maybe if you say what would be something like an ideal public transport system and where you fall short.

10 MR BLEASDALE: Yes. Well, one of the biggest issues, of course, is the lack of focus by the former government in particular who were there for 12 years in terms of providing those services in Western Sydney. And, you know, people did not realise – you know, west of Paramatta – northwest, southwest, and west – 52 per cent of the population – that's where they live. But as Carrie has said, they get the – the least – we obtain the least financial support in terms of federal governments and state
15 governments. Hopefully now with the new federal government and state governments, some of those – that position will change.

We as a council, of course, are expected to absorb another 200,000 people over the next 20 years. Now, the infrastructure required by communities is quite substantial.
20 So we had this ongoing concern, and we constant submissions to state governments in particular in regards to planning and what is required – you know, building suburbs without any infrastructure, no proper schools, no medical services, no – no proper transport. And – but building all of these properties has created enormous problems, because people blame local government for it. They don't see the state
25 government being responsible in any way, manner, shape or form. They blame local government. So we're seeking to try and explain that a local government council, we have very, very limited resource.

So state and federal governments need to understand the growth that's happening in major cities like Blacktown City – we require much greater investment in terms of
30 transportation. And of course, as I have said earlier, if that would be a priority. We would reduce the need to – how can you say – privatise transport in Western Sydney in the future. So I think governments need to understand the lack of equity within Western Sydney. And this inquiry really needs to understand that we lack that kind
35 of support. And, of course, if you look at Blacktown City, the biggest city in Western Sydney – 415,000, 180 different nationalities. And, of course, the more we – the less public transport we have, the more vehicles on the road and the like. And there will be, again, a greater demand for freeways and byways. There's no doubt. But that will not resolve the issues in terms of the cost.

40 We need to – if we're going to be planning more connections with freeways and a metro, we need to have a real concern and understanding that families, in particular at the moment from an economic financial point of view – are under enormous stress. Cost of living increases, as you know, with mortgage increases – one can go on. You
45 know, the pool has been drained of moneys for communities. People do not have the money to pay these costs at the moment. But they would have the money if there was some equity and the costs were reasonable and fair, which would attract volume

for that business to survive. They would still make their great profits, but they would have volume in – on the metro and these other freeways and motorways. The reality of it is people do not understand that they can make the same profit with volume as against what's happening

5

DR COUSINS: Yes. Gets to – what are the elasticities of demand and all that sort of stuff that – which can be a constraint. I was pretty interested in some comments. I thought you were sort of leading to say one of the issues that concerned you was the sort of lack of, if you like, coordination between the planning and the management of the toll roads and the local roads. Do you see – is that a problem?

10

MR ROBINSON: Thank you, Dr Cousins. A very recent example of that was a proposal hidden from the public largely until the very end to widen to three lanes in each direction about 25 kilometres of the M7.

15

DR COUSINS: Yes.

MR ROBINSON: That was given approval the day before caretaker kicked in. And the environmental impact statement for that work totally ignored any external effects of that widening of capacity of the motorway. And we pointed that out to Transport for New South Wales. So in relation to the specifics of the road that the mayor mentioned – Richmond Road – just as an example, we were told don't worry about the externalities of the impact of providing more motorway capacity. That will be sorted out later in other modelling. In what other situation are you allowed to prepare an environmental impact for a proposal which doesn't look at the external impacts of your development? Absolutely farcical. Took into account in no way the induced demand, the consequences of that induced demand – an absolute sham, in my mind, of an EIS process. So that is an example of work on the motorways, I suggest, at the behest of the motorway operator which totally failed to look at the external impacts of that capacity and its induced impacts.

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DR COUSINS: And was that an unsolicited project, do you know?

MR ROBINSON: Yes.

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DR COUSINS: Yes.

MR BLEASDALE: That would really double the issues and the problems associated with Richmond Road. It already is a carpark most days of the week. So it was, as Carrie said – it was inconceivable that people weren't looking at the impact that it would have outside of the M7.

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DR COUSINS: On a completely different note – just get your response to this – one of the suggestions that was put forward – and it's getting to that point about, you know, consumers don't know a lot of what's behind the operation of this stuff.

45

MR ROBINSON: Yes, yes.

DR COUSINS: But also, just on a really basic level of understanding – you know, is it worthwhile me paying these toll fees and saving some time, or should I go on the sort of more local ancillary type roads - - -

5 MR ROBINSON: Yes.

DR COUSINS: The suggestion was, well, why doesn't government actually produce at least a bit of an app which enables people to, you know, make an assessment based on the current conditions and traffic – you know, the times that
10 journeys would take and the cost.

MR BLEASDALE: Yes.

DR COUSINS: Would that be of assistance, do you think?
15

MR BLEASDALE: I don't think anything of that sort would be very helpful. You know, people would have that ability to consider whether they use the freeway or the motorway as against local roads. I know myself for many years travelling from
20 Blacktown to the city, of course – you generally knew all of the shortcuts other than Paramatta Road and what have you. But that was something that you – you know, because you were streetwise, you knew. But there's no reason why governments shouldn't be giving that kind of information to communities as to the best approach, the best way to get from A to b – to adduce the problems associated with blockages on freeways and the like.

25 I must say, though – local roads at this time are very, very congested in so many different ways. The one that gets me if I'm going to the CBD of Sydney is Darwin Street in Moore Park where everyone jumps off the freeway before they go into the suburbs section. So again, it's a classic case of people saying, well, I'm not going to
30 pay, I'm going to get off here. But the congestion along Darwin Street to the city is really something absurd. So however, though, it really goes to show the economic impact on – on motorists and the like – that they will do that and maybe wait another 10, 15 minutes to – to access the city. So we need to have a look at a broad level of opportunities as to how we can effectively move from A to B in terms of its
35 economic impact, in terms of what other options would be available for the community.

MR ROBINSON: Dr Cousins, I don't drive anywhere without using an app called
40 Ways, and that has that functionality. You can ask it for a route without tolls or with tolls and compare.

DR COUSINS: So it doesn't need a government – a new government app. It's already been - - -

45 MR ROBINSON: We might explain to people or educate people on what is available for free.

DR COUSINS: Others have pointed to, well, Transurban has something similar, but it don't necessarily see that as completely independent. And TomTom might do something but not quite.

5 MR CASUSCELLI: I mean, what we require, really, is a partnership with
Transurban – you know. Create that level of connection. But at the moment,
Transurban are seen as aloof from the communities, they really are. So from a public
relations point of view, in my opinion, they have a lot of work to do. They're
10 looking – as this organisation that really doesn't care about communities. You know,
we're set, we're making our we're making our moneys. So there needs to be this
relationship taking on board – they need to take on board the impacts that it's having
economically and then come up with solutions and ideas as to how we – how they
can really continue to do what they're doing but involve our communities in – in
15 being satisfied as to cost. The cost is the big issue. But they seem to be aloof from
communities in so many different ways. This is where the anger and the concern
from communities is starting to develop, you know.

And, of course, the same sort of position some years ago in Scotland where – where
20 there was a major civil dispute in regards to freeways and motorways where people
actually took to the streets in those circumstances, and the Scottish government
actually bought out the – able to buy out the companies involved. So if you go to
Scotland today, there's no tolls on bridges or freeways. But the affordability to be
able to do that in the future in the course of New South Wales would be very, very
25 unlikely. So the answer to the issue is, as has been said, we need this equity where
people recognise the cost, in particular to those who live in Western Sydney, is way
above what it should be.

The issue is how do we reduce those costs in an equitable way compared to the CBD
of Sydney. People, you know, have a much more easier approach. If they're
30 working in the city of Sydney, it's only down the road. And, of course, as you know,
tens of thousands of people do work in the CBD of Sydney. But again, tens of
thousands of people in Western Sydney have long journeys in terms of their
employment and going into the city. So taking on board that 52 per cent of the
people of west, northwest, southwest, live in Western Sydney, there needs to be some
35 consideration because of the distances. And as I did, to earlier quote the problem of
a construction worker, and now there's disputes as to employers being asked to pay
these tolls as well for their employees. And most employers are saying, well, we're
not paying it. And, of course, having to have those trades travel distances now
unless you pay their tolls is becoming a real problem. That's how bad it is.

40 PROF FELLS: Well, thank you very, very much for that very powerful submission.
And we're also looking forward to your actual written submission..... most
worthwhile for us to hear what's happening.

45 MR BLEASDALE: Thank you, Professor.

MR ROBINSON: Thank you.

PROF FELLS: Thank you. Right. Well, over to you.

MR CASUSCELLI: Thank you, Professor Fels and Dr Cousins. I slightly
apologise for the sexy, husky voice that I have. I'm just getting over some laryngitis.
5 One stage

PROF FELLS: It sounds very sexy.

MR CASUSCELLI: Thank you. I just need to make a couple of declarations up
10 from. So I'm representing the Western Sydney Regional Organisation of Councils.
So it's a collection of Western Sydney councils. We advocate on behalf of greater
western Sydney – not an insignificant part of greater Sydney – and, as we all know,
the third largest economy in Australia. I will share some recommendations that the
15 board of WSROC have previously approved, but I would also like to present some
opinions that have been formed from a couple of things that have happened in
previous lives. One was that I was responsible for chairing a parliamentary inquiry
into road access pricing back in 2015. The report was never published due to the
premier asking that it not be so because of the sensitivity at the time of the subject
20 matter leading up to an election. But I was able to dig up a copy and have sent it in
as part of the submission from me at a level. So you have a copy of that. It was a
discussion paper after consulting with industry across the state and the agencies in
the New South Wales public service. So - - -

DR COUSINS: You've answered a query that I've had in my head for quite a while
25 – what happened - - -

MR CASUSCELLI: and the other thing I would like to do is perhaps make a
couple of observations that come about from a visit that I undertook to Portland,
Oregon in the early 2000s. And the visit was on the basis that Portland, Oregon is
30 probably one of the most progressive if not the most progressive state when it looks
at innovation in roads funding. And they had a particular issue in the early 2000s,
and I went over to have that conversation with him. I came back with some thoughts
and ideas and some observations that I think may be appropriate for the inquiry.

35 Can I just quickly – and I will go through this quickly. In 2015, the number one
issue for the mayors of greater western Sydney when we convened a meeting to talk
about what are the regional priorities at a regional scale, was intra-regional access.
So they thought that getting around greater western Sydney – when we talk about
greater western Sydney, we're talking from, you know, the Hawksbury down to
40 Campbelltown to the Blue Mountains and out to Cumberland Council. So it's a big –
it's a big chunk of Sydney.

And they said that with all of the challenging, pressing problems of a case, the
number one issue for them in local government – which was a little bit sort of – I was
45 curious at the time why it was an issue associated outside the normal jurisdiction of
local government – was having enough transport infrastructure that made getting
around greater western Sydney easy for people. Now, that view has not changed. So

our advocacy has clearly – and Mayor Bleasdale previously said – have been around. At some point in time in the not too distant future, if you are to stand on top of a tall building in Parramatta and look east and imagine the transport infrastructure that exists there today – we need to replicate that in greater western Sydney before 2056.

5 And that includes the provision of new roads, railway lines, bus services, our whole range of infrastructure – and none of the plans that I’ve been able to see up until now gives me any confidence that we will be achieve that sort of timeframe. And yet, that is not an opinion. That is fact.

10 In terms of the tolling landscape – I just want to briefly look at Western Sydney. And I apologise. You probably know a lot of this already, but at least it sets the context for some other comments I might make later on. So we all know that Western Sydney residents are Sydney’s greatest users of toll roads, both for commuter and recreational tasks. And, in fact, Kerry mentioned it, not only for that,
15 but just also accessing services in Eastern Sydney. We travel further, longer and more often than other residents of Sydney to access high value jobs and recreational experiences in the city’s east. Just under 70 per cent of Greater Western Sydney workers commute by private vehicle both within and outside the region, making this inquiry particularly relevant to – to Western Sydney. And it goes without saying that
20 current evidence suggests that motorists across the region are paying vastly different amounts for similar journey benefits across the toll part of our road network.

It is unfortunate, but nonetheless it is true, that the default policy of all governments in Australia is that they use chronic traffic congestion as the most effective
25 component of the travel demand management strategy for roads. That’s a simple reality. The outcome of this policy by default is to punish road users equally without regard to the legitimacy of their travel or the actual costs of that travel to the government. It does not discriminate between those who have real choices in mode or time of travel and those that do not. It does not discriminate between
30 discretionary travel and non-discretionary travel, and with few exceptions it certainly does not discriminate between the user of road-based public transport and the private motorist.

We must also acknowledge that the vast majority of the road transport task, be it
35 private, public, passenger or freight, falls upon the non-tolled sections of the New South Wales road network. It’s an interesting thing to keep in mind when we talk about strategies to deal with tolls on – just on tollways. We must also acknowledge that the vast majority of the road transport task – sorry – I’ve just repeated myself.

40 I’ll move onto the question, I think, that was raised by Professor Fels about – I think the question was – someone made the suggestion that higher tolls leads to depressing cost of land - - -

PROF FELS: Yes.

45

MR CASUSCELLI: - - - in the fringe areas, for example. Well, here’s my take on the answer - - -

PROF FELS: Yes.

5 MR CASUSCELLI: - - - to that question. Land prices reflect many factors, including amenity, of which distance from services, access to recreational opportunities and investment in social infrastructure are all components. With relatively fixed capacity to pay, people make trade-offs, which in general see those with the least capacity to pay for homes forced to accept the compromise of less amenity in order to get cheaper land. For example, take Western Sydney's underdeveloped transport infrastructure and historically deficient social infrastructure investments. Take into example – take, for example, the distance from the Sydney CBD and the Eastern Sydney's cultural, social and recreational attractions. All of those things will lead to least cost outcomes in terms of the properties. It is not the fact that there are high tolls.

15 The workplaces which can afford the highest rents inevitably offer higher valued jobs, and these workplaces are generally located close to CBDs. This trade off invariably results in substituting the capital cost of higher price properties towards the east with the ongoing cost of commuting both private and public that includes a payment of substantial tolls on the motorway network. Those with the least capacity to pay, who have been forced to compromise with the lowest cost homes located furthest from Eastern Sydney, are subjected to the highest cost to travel to gain high value employment located within Eastern Sydney.

25 Public transport is subsidised. The pricing dynamics between roads and public transport means that in many cases similar journeys by public transport is cheaper than tolling charges on the corresponding motorways. Unfortunately for many Western Sydney residents public transport is not a practical option. On the question, Professor Fels, that you asked previously about this – this solution of cutting Sydney up into zones and creating - - -

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PROF FELS: Yes.

35 MR CASUSCELLI: - - - these zoning things, Kerry gave an eloquent answer, but I'd like to add to – I think it was Kerry or – or the mayor – one of the two – both interchangeable in my mind. Both relevant. There is actually significant variation, even within those suggested zones, as to access to public transport.

PROF FELS: Yes.

40 MR CASUSCELLI: There is significant variations within those zones to non-tolled access roads – the non-tolled road access as well. So those zones are just too high a level to actually address the real issues, which is at some point in time we need to charge – make tolls at a level which – which also accommodates: What options do I have in using that motorway? Do I have public transport? Do I have non-toll sections of the road that I can have access to?

45

PROF FELS: Could I just cut in - - -

MR CASUSCELLI: Sure.

PROF FELS: - - - on your - - -

5 MR CASUSCELLI: Yes.

PROF FELS: - - - just on that point. The – that – that is a little bit of a concern. So let's follow your analysis through and really what you implied. What do you do about that in tolls? I mean, one thing is take a general splash and say, well, that's, you know, on the whole, that area, even though it's got differences.

MR CASUSCELLI: I've got an answer to that - - -

15 PROF FELS: Yes, please.

MR CASUSCELLI: - - - but later on in the presentation. Can I get - - -

PROF FELS: Sorry.

20 MR CASUSCELLI: Yes. I'm Italian. I'm very simple mind. I like going through things in sequences.

PROF FELS: Okay. Good.

25 MR CASUSCELLI: But – but that – that specific question is addressed. Yes.

PROF FELS: Thank you.

MR CASUSCELLI: I have a solution to that.

30

PROF FELS: Good.

MR CASUSCELLI: Can I also say, look, the other issue about the tolling landscape is not everyone who benefits from tollways pays for them. It has been estimated that over the 40 years concession period for WestConnex alone, and taking into account just 60,000 people in Western Sydney accessing jobs in Eastern Sydney, so we're talking – looking at the commuter task for 60,000 motorists over the concession period of 40 years for the WestConnex. Just those 60,000 getting to and from work over the concession period amount – they would have paid almost \$240 billion in tolls over that 40-year concession. That is almost the equivalent of three years gross regional product of Greater Western Sydney just for 60,000 people.

Now, part of that logic actually led to WestInvest – the WestInvest commitment by the State Government in giving back some of the proceeds that were generated from the lease of WestConnex, for example, and that was our advocacy that said, "Look, it's not fair. It's immoral that over that period of time so much money goes out and paid for the people of Western Sydney just to get to their jobs. What are you going

to give back?" Now, sure, \$6 billion is a long way from \$240 billion, but it was a start. At least that was an acknowledgment by the government that they had a moral obligation to give some of those proceeds back to the people that are essentially going to pay for that infrastructure.

5

There's another issue. Those communities that are adjacent to and, may I say, above and around WestConnex that have seen better air quality, reduced congestion on their roads, improved safety and increased amenity in the neighbourhoods and better property values by virtue of the investment in the toll road have contributed very little to that investment.

10

So if you look at WestConnex, and you look at places like Strathfield and Burwood and Ashfield, who have – where the traffic of Parramatta Road no longer exists except for specific periods of day, which is a – a – a result of perhaps a – an inappropriate tolling mechanism, they have contributed very little, yet they enjoy significant benefits from that investment of toll roads. We need to address that in some way, shape or form.

15

I think, Professor Fels, you also asked the question about – no – sorry. Dr Cousins, I think you asked the question about tolls – tollway operations and how it affects adjacent roads and whether it – it – the operation of that had some sort of bearing on other roads. The reality is that the toll network is a subset of the New South Wales road network. It is a small component, albeit a very, very significant one, but whatever you do on that tollway, whether it's by sending pricing signals through motorway – through tollway charges to the greater market, whether you limit access in – in different ways by constricting or reconfiguring feeder roads in particular ways, the reality is what you do on a tollway affects all of the local roads around it. What you do on local roads around it will affect the tollway.

20

25

The two are so linked, it's hard to make any separation in terms of change a fee for a tollway, you will change traffic volumes on feeder roads. You will either make the metering, which has been introduced as part of the M4, work or not work, and therein lies another issue that I think needs to be addressed. Can I just quickly just talk about – so that – that point was that the two are inextricably linked, and at the moment my view, as a former roads operator for – on behalf of the New South Wales Government, is we're doing a very poor job integrating tollways with the operation of the adjacent road network and those roads that are managed by Local Government. That is not being done well.

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Can I just talk about the technological capability, because I think we're a time in history now where it's no longer an issue of innovation in a policy agenda not being able to be fulfilled because the technology just doesn't provide the capability. We're now past that point. Technology now has advanced well beyond the policy agenda, and I think this is something that you're going to be dealing with.

40

45

The main challenges in trying to achieve fair, equitable and sustainable outcomes from how we charge for our tollways is no longer technological. Just about every

vehicle manufactured from 2016 has a built-in SIM card. It is connected, and there are huge amounts of data being collected by vehicle manufacturers. Hypothetically those motor vehicles could be the basis of a new regime of toll charging where you can – you can charge not only on the motorway use, but you can charge based on
5 origin and destination, traffic volumes, congestion in almost near real time. This is no longer pipe dreams of the policy agenda. This can actually be delivered by technology today, either within the smarts of a vehicle manufacturer from 2016, or with standalone technology. It can be retrofitted in aftermarket style to motor vehicles.

10

Tolls can now be set dynamically – dynamically in near real time to respond to abnormal operating conditions on motorways. This is a technological reality. Over time the need to have any roadside infrastructure to collect tolls will disappear altogether, and it's already starting today. The question is no longer what can be
15 done practically, efficiently, fairly and reliably but rather gaining community acceptance on how it is to be done. Community concerns regarding privacy are not impossible to address. New South Wales have had a good – recently a very good track record of innovation in digital customer services and getting community acceptance. I think the major challenge will be we have capabilities that haven't yet
20 been explained to the motorists, and we haven't started that – that dialogue with them to convince them that, you know, we can actually overcome some of the privacy and data issues that we have capabilities in our vehicles and in aftermarket services to vehicle, we can do stuff that we never imagined we could do a decade ago.

25

So I move now to the recommendations from – from WSROC. We believe strongly that there should be standard tolling across the entire motorway network in principle. Now, we say “in principle” because there will be an exception to – to deal with the issue of equity. But according to the New South Wales Long Term Master –
30 Transport Master Plan, the introduction of a standard per kilometre toll across Sydney's entire motorway network has the potential to deliver significant benefits, including consistency for motorway users, regardless of what part of the motorway network they use regularly or where they live, motorists' charges to use motorways will be directly linked to the level of use of the motorways. New funds for roads can be generated from such a regime, and transparency will actually assist in selling any
35 – enhance any changes to the – the tolling regime over – in the long term.

40

Back in 2015 I think we coined the term “the harmonisation of road tolls”, and it's got – when we use the term “harmonisation” we actually meant how do we ensure consistency across the way we charge for road tolls based on fairness and equity
40 principles? The introduction of harmonised tolling across Sydney's motorway network is supported by many within the roads industry. There's no doubt within professional circles this has been a discussion point since – since when I was in the RTA in 1996. So I don't think you're going to have a lot of pushback from the professionals in this.

45

Infrastructure Partnerships Australia, for example, are in favour of the standardised equitable framework for charging users across the entire motorway network. They

felt that this would provide a more effective way to manage demand on the road network while also raising sufficient funds to maintain current infrastructure and build new roads, and also to fill in the missing links in our motorway network, as well as improving public transport.

5

Are we advocating for just restricting tolling on the existing toll network? No. I think you're going to have a really hard job ensuring fairness and equity that transcends the historical deficiencies of how we funded and financed these motorway networks. I think doing it across the entire motorway network has all sorts of

10 benefits and is far easier to sell, I think, as a proposition to our community. That was our first recommendation.

Our second recommendation was that we would like to – within this standardised per kilometre charge, we'd like to implement distance and time of day-based tolling.

15 Distance tolling, the more you use a road, the more you should pay. Time of day simply is a reflection that we have capacity on our motorway networks at specific times during the day, the non-peak times, that we – if we could shift some of the demand onto those. And the – one of the best ways that the previous inquiry felt was time of day would not necessarily punish people for using motorways during peak

20 periods, but rather to incentivise people into the non-peak periods and forming those structures, and that's an important distinction, because everyone thinks of road usage charging during peak, for example, as being a mechanism to punish as opposed to the opposite which is incentivise outside of those peaks. Varying tolls - - -

25 PROF FELS: So perceived as a discount maybe.

MR CASUSCELLI: Sorry?

PROF FELS: Perceived as a discount.

30

MR CASUSCELLI: Correct.

PROF FELS: Yes.

35 MR CASUSCELLI: That's exactly right. Yes. I love that word "discount". Italians love the word "discount". The other thing is about varying tolls based on time of day would offer a way to manage demand on Sydney's motorways by encouraging drivers in driver behaviour, and I've just spoken about that now. But what it does do, it allows motorists to plan their journeys in advance. You know,

40 those that are on budgets, those who are suffering from, you know, the high cost of living, they wouldn't mind taking some time out and looking at a number of applications, see where the congestion is, see what charges are, and actually say, "You know what, I can plan my day, and instead of spending 46 or 47 dollars a day, I spend \$28 a day simply by changing some – some behaviours." Of course, it would

45 also allow people to question whether that particular journey is necessary in the first – in the first place. So it gives them more of an opportunity to be a little bit more considered in – in using the roads.

5 The Australian Institute of Traffic Planning and Management stated the time-of-day tolling would discourage motorists from travelling on certain roads at certain times of the day and encourage them to explore alternative modes of transport. So this is the other issue that comes out where there is this nexus between how we charge on our roads and what we charge on public transport, and are we doing the right thing in sending the appropriate price signals that says to people, “If you take public transport it’s going to be cheaper for you in amongst all the other benefits”?

10 The next recommendation is implement a scheme that recognises access to alternative travel modes, ie, public transport and/or non-tolled roads. Western Sydney is affected by historical lack of public transport investment. Both roads, rail, inter-regional connectivity are all poor. Investment in public transport infrastructure continues to lag demand. It’s the old story of you don’t have a business case based on existing demand, it’s really hard to get the billions of dollars to – to build a new
15 rail line. And then there are real capacity constraints on morning and evening peak rail services. So even those communities that are almost adjacent to the western rail line, today suffer from capacity constraints on that rail line. So even if we were to increase the number of railway stations to allow increased access to the railway line, we still have capacity constraints on services.

20 I’ve had a look at the – the – the strategic transport plan. They keep changing names of this. They – we – the State has already committed to a metro to – to Westmead from Sydney. It has committed to the metro from St Mary’s to the airport. I’ve yet to see any commitment to increase capacity substantially between Westmead and St
25 Mary’s, which is what you actually need to get more people on public transport from Western Sydney just along that corridor, let alone other parts of Sydney, especially Marsden Park.

30 I think it was eloquently stated that we have a burgeoning community at Marsden Park, and to this day I am baffled by the fact that there is still not a business case for the entire link from the Hawkesbury down to Campbelltown that says, you know, there is a bunch of communities between St Mary’s and Marsden Park, or out to the Hawkesbury, out that way, that would be significantly benefitted by an investment in rail transport infrastructure. And I’ve been asking the government time and time
35 again for a copy of the business case that prioritise the St Mary’s to airport link above the St Mary’s to Tallawong link, for example. To this day I still haven’t been able to get a copy of it. I’m not sure whether it exists.

40 In the interests of fairness it could be argued that a motorist that does not have access to public transport and/or limited road-based alternatives, for example, congested – sorry – for example, congested non-tolled roads, should not be charged the same rate as those that enjoy public transport and other non-tolled road options for their travel.

45 Now, I’ve lived in Western Sydney at Glenmore Park. I now live at Five Dock. Five Dock is the centre of the public transport universe. There was an assessment done by my team where I said, “Look, if I’m a Western Sydney person living at Glenmore Park, and I want to get to a job in Eastern Sydney in a one and a half hour window,

what are my options available to me relative to getting to that same job from Five Dock in that same one and a half hour window?” The analysis that came back, forgetting about the – the costs, because the costs were remarkably different, was that in Glenmore Park I had seven opportunities to get to that job using public transport in that one and a half hours. In Five Dock I had over 75 opportunities to get to that same job, and none of those opportunities from Five Dock required private travel. So that is the sort of differentiation between what a resident in Western Sydney experiences and someone from Eastern Sydney is trying to get to the same job in Eastern Sydney.

So we, therefore, propose a differential tolling scheme where origin and destination is taken into account, and commuters that take public transport either at origin or destination and other road alternatives are compensated by reduced toll charges explicitly.

And the – the last recommendation from the WSROC perspective is we must somehow recognise that not all benefits from a tollway accrue to the motorway users themselves. That there are other communities that benefit from it. We need to quantify what those benefits are and – and – and structure a mechanism to be able to have a contribution from those communities that benefit in that way. When I talk about benefits, I’m not talking about fuzzy wuzzy stuff. I’m talking about a substantial reduction in through traffic on other roads, or the increased efficiency and the movement of vehicles, both private and public, that result in significant local social, economic and environmental improvements.

I use the example of WestConnex and communities of east – of inner west. The inner west has had substantial improvements of the safety and amenity of their neighbourhoods through a reduction in overall traffic volumes and the removal of heavy vehicles from other roads – those other roads that also accommodated pedestrians and cyclists. Traffic noise levels have decreased substantially. The air quality has improved substantially. And all of this has resulted in higher property values. Even public – road-based public transport moves far more freer in – in – in the west of Sydney than it ever did before to the benefit of the residents of the inner west, but somehow we haven’t captured that value and somehow fit it back into the investment.

Can I just make a couple of comments about the longer term, if – if I may. I – I think the harmonisation of tolls across motorways is a necessary first step towards addressing even greater challenges, and I’m – I’m sure these will crop up through the course of the inquiry. And these include things like funding future road network enhancements and deliver sustainable road maintenance programs. Even as a primary source of roads funding, the fuel excise continues to decrease at alarming level. We need to implement an effective demand management tool across the entire road network. You can’t just use demand management tools for motorways and forget about that there are also demand management tools that can be used for other roads as well at the same time.

We need to remove fundamental inequities. For example, road users that can afford the latest fuel-efficient vehicles or the higher-class hybrids or EVs, for example, pay substantially less or nothing to access the road network through reduced fuel excise, or in some case, as the need be, don't pay any fuel excise at all. Those inequities exist. And we need to better understand the true costs of roads and public transport to develop more sustainable funding arrangements.

Now, I believe there is little doubt that at some point some future government will be forced to consider the broader issue of road usage charging, or road access pricing as we called it back in 2015. My understanding of overseas initiatives in this space seems to suggest that at least two, if not more, critical success factors come into play. First, the public requires a genuine dialogue and transparency, not just assurances from government. Well-informed communities are reasonable communities. They are communities willing to work with governments. They are communities who understand that the challenges before their government require their participation in finding solutions, and yet this strategic transport related dialogue with communities is at the moment a fragmented incoherent project-focused process that systematically fails to engage with the very people that are supposed to be the beneficiaries of this process.

Secondly, whether it's just an exercise in the harmonisation of tolls, or whether it's an investigation of different approaches to the future funding of transport infrastructure or, indeed, whether it's the investigation of the best model for some future funding road charging initiative, I believe that the establishment of a bipartisan oversight steering committee would benefit everyone, especially the New South Wales community.

I'll finish off by saying this. In 1999 I visited Portland in Oregon, who I said previously were the leader in transportation funding innovation. In the week that I was there a bridge collapsed. It was not unexpected. It was a surprise, because Oregon has been looking at this issue of not enough funding to maintain their roads infrastructure. Bridges were collapsing. Bridges had limit restrictions, speed restrictions. It was affecting their commerce. At the same time I was taken out to a road that was being – the pavement was being dug up and was reverting to a dirt-based road with a little bit of covering on it, because they couldn't afford to maintain those pavements, and this was happening in a state that was the most progressive in road innovation – in road funding innovation.

When I spoke to people, I said, "Well, what are you doing about it?" I was alerted to the fact that in 2001 they established what they called a Road User Fee Task Force. It was the bipartisan task force that I spoke about earlier, and it's been going ever since. They conducted pilots in 2006 and 2012 about some sort of road usage charging. In 2015 this – that's how long it took between 2001 – it took 14 years to actually get the community on board, get a bipartisan agreement that we needed a better arrangement to fund roads in – in the state. I'm just raising this in terms of this is what it actually takes. Even with a bipartisan task force it took 14 – 15 years.

And they – and they put in place a thing called OReGO. It's a – it's a first kind of pay per mile program for private vehicles, and it's a voluntary mileage-based fee system. The Oregon state has been busy in bringing the state legislation that intended to bring all highly efficient passenger vehicles, those that consume less than
5 7.8 litres per 100 kilometres, including EVs, into the Road Usage Charge Program for model years for 2027 and beyond. So they're already saying at 2027 you're going to automatically go onto this new system that allows us to recoup at least some of the costs that electric vehicles and hybrids impose on the state because they're not getting any fuel – any – any funding from the fuel excise.

10 Now, the reason I raise this, Professor Fels and Dr Cousins, is it may be an opportunity in broader considerations in your inquiry for New South Wales to also consider if a special scheme that would initially not only cover motorways for high efficiency hybrid vehicles and EVs, but also extend to the rest of the road network
15 for these specific types of vehicles that are not paying their fair share of roads maintenance funding through the fuel excise.

Now, the attractors of this scheme – I know that it may fall at the border of your inquiry, but there's a high – there's a very attractive proposition, because once you
20 implement this scheme it becomes self-sustaining, and what it simply means, as a state's vehicle fleet increasingly becomes electrified, or has increasing numbers of alternative non-fossil fuel vehicles, such as hydrogen and ethanol, then the users are charged according to the use of the roads, all – all roads – all roads fairly and equitably. You don't need another system. And over time the old system will die
25 off, and the new system will just grow and grow and grow to the point where the entire fleet is covered by the new arrangement. Just a thought. Thank you.

PROF FELS: That's really interesting. Thank you. And we hope we'll get that, you know, in your submission. There are many points there. Look, one I just
30 wanted to ask you about was this idea of adjusting the fees downwards in areas where it can be shown as a lack of public transport. I see the logic of it. It's quite a good logic actually, so I thought I'd better ask about it. So what about the implementation that's – is it that easily implementable? How would it be done? Would there be almost a different fee for every suburb or different – we'll call it a
35 discount for every suburb or what?

MR CASUSCELLI: The technology will allow you to almost make an assessment at an individual motorist's level – their – their place of residence relative to the place that they're going to. So there are all sorts of ways you can capture that data on a
40 journey-by-journey basis. That – that wouldn't be difficult to do. You can do it in all of – every vehicle that's been manufactured from 2016 automatically. Other vehicles that don't have that – the in-built smart technology of vehicles manufactured after that date, there's after-market technology you can add to the vehicle.

45 And already – to be quite honest, Google collects data now on, you know, when a – an Android phone in a vehicle starts a journey in the morning, and they end that journey, they actually use that data for their own assessment of – of their – their map

application that – that shows congestion levels based on how long that – that particular device took to go along the particular – so the mechanism of capturing that data exists right now. I think the question is do we actually want to make an assessment based on person – vehicle by vehicle level or do we say at a suburb level, 5 Glenmore Park, for example, everyone who resides within Glenmore Park whose vehicle is parked in Glenmore Park overnight, so that gives you an indication that someone lives there sort of stuff, if you don't – if you don't want to breach privacy . and you're otherwise dealing with a privacy issue – and you actually then say, "okay, based on that origin, that person there has a 20 per cent discount on – on the 10 tolls based on a destination in Eastern Sydney".

So you go through the system, you're landing – and take the – actually take the to Mossman? The it starts a journey at Casula, use the road network, gets at Mossman, the system knows.....that date, undertaken that journey across those 15 motorway segments, origin was here, this was the destination. This was the time and date they undertook that – the journey. I now take the standardised tolling thing and apply a 20 per cent discount. It could be that – it could – I know it sounds simple and it actually is as simple as that from a technology perspective.

20 DR COUSINS: One point – one suggestion, an alternative approach which would be standard for all is to have a system of distance pricing but where the charge per kilometre declines with the length of the distance. Would that sort of a system be simpler?

25 MR OLSEN: I would actually – I'd – I'd advocate that we need both. So the commute – a commute task for a resident of Western Sydney is different to a recreational travel task for someone, you know, in between. So I think you need people on the fringes that have the least capacity to pay should actually be reflected in the total distance required. So you'd have a decreasing scale for the total distance 30 but I think there be an acknowledgment that if I live close to the Penrith CBD close – within walking distance of the railway station, that is fundamentally different to living on the southern side of Glenmore Park where there are very limited bus services without having to jump in a private car to get to the railway station. So I think you need both. I think you need a discount for.....total journey cap. So if 35 someone uses the motorway network for a commute task, there should be a commute cap for what someone should pay for the privilege of getting to and from their jobs in addition to recognising the lack of alternatives at the same time. But - - -

40 DR COUSINS: Sorry

MR OLSEN: No. Well, just one thing. What I'm a little bit concerned about is you may run into implementation challenges. Also the usual challenges to a new idea, maybe it take 15 years as you mentioned, and then we have this black and white statement about distance-based charging. Now, on its own I assume distance-based 45 charging would be almost out here, wouldn't it? I see nodding heads. So – so this is base charging on its own

DR COUSINS: Yes.

MR OLSEN: But if I was to say there is also a journey cap based on, you know, distance-based charging as a principle with a journey cap - - -

5

DR COUSINS: Yes. Okay.

MR OLSEN: - - - I think that – that would be far easier to sell.

10 PROF FELS: I just want to mention one idea that's been floated to us was to have distance charging but with a reducing per kilometre rate. So it's, you know, X dollars and then after 10K it's X minus 2 or something. That is being promoted by someone and we certainly spent a few minutes on it. We'd be interested in your reactions to it.

15

MR OLSEN: The – the end result will be the same, wouldn't it? It's another way of implementing some sort of cap on - - -

PROF FELS: Yeah.

20

MR OLSEN: - - - on long-distance users of the motorway network. I haven't thought about that - - -

PROF FELS: Yeah.

25

MR OLSEN: - - - to be honest.

UNIDENTIFIED MALE:

30 PROF FELS: That's – yeah.

UNIDENTIFIED MALE:..... There is a link between public transport pricing and road pricing.

35 PROF FELS: Yeah.

UNIDENTIFIED MALE: It's a system

PROF FELS: Yeah.

40

UNIDENTIFIED MALE: I don't – the community views and presumes that something of the same size. There's no definition of the

PROF FELS: No.

45

UNIDENTIFIED MALE:..... as the second-largest population of any suburb in the state, the largest populationAnd if you just did it suburb by suburb, the distance

that you could be within Blacktown you could be beside a railway station and a bus transitway or you could be three kilometres away from that public transport and they are very different scenarios in terms of

5 PROF FELS: Yes.

DR COUSINS: You go.

10 PROF FELS: Look, one thing you just mentioned, I think you said 70 per cent, we did have some data that's different, it's not necessarily contradictory but I'd just be interested. Transurban, on the first day of the hearing, I think they said their numbers showed quite a small proportion of traffic was to commute to a job, I think.

15 MR HUEY: Yes. I did say that. And – but it was – I'm – whether it was the whole network as a whole as apart from, say, parts of the network but it was very surprising the low percentage of the traffic which was commuter traffic.

20 MR OLSEN: Okay. So I use the M4 at.....in the morning to get to Blacktown from myresidence and I see congestion M4 going east in the morning between 6.30 and 9 o'clock. I don't think they're going to the beach, I really don't. And, to be honest, when I was head of roads and we were looking at the M4 and the patterns that were being generated, the traffic patterns on the local road network, trying to figure out where all this traffic was going, we came up with – the reasonable conclusion from that was, even without – and we were looking at data from..... at
25 signalised intersections. So we were getting traffic counts at every signalised intersection.

30 The evidence that I saw back in 2000 about where the M4 users were going predominantly from Greater Western Sydney were that they were being spread out to the southern, eastern and northern parts of the eastern parts of the city, okay? There it was a significant amount of people within Western Sydney, west of Paramatta they're going to Paramatta because Paramatta was a job centre in its own right, but predominantly that's where they're going. The other thing I would actually say about that is why in heaven's name is the state government building a metro between
35 the CBD of Sydney and.....and Paramatta proper if it isn't in recognition that there's a whole bunch of people needing to get to jobs along that corridor between Paramatta and the CBD? So I don't know where Transurban – how they got the data to make that statement, but I vehemently oppose it.

40 DR COUSINS: Well, I just have to make the qualification that it's possible I've misunderstood the – the comment, so – but we – we'll check that and follow up on that.

45 MR OLSEN: I'd be interested

DR COUSINS: Allan asked about implementation, and obviously you're well aware of the concession agreements and so on. So what implementation issues do you see in that and have you got the magic way to get round those?

5 MR OLSEN: You know, I used to be an optimist once in this space and I remember in 2000 I actually convened the then motorway operators at a meeting at the transport
10 Management Centre and I said, "look, we need to start the conversation about how we better manage integration of motorways into the rest of the road network and I had the job of making sure it all worked together. And we got
15 together and we started establishing protocols about how we can actually operate and integrate motorways with local road networks. In amongst all that I came up with the idea that..... should have a discussion about is it possible to get together and make more sense of how we charge for our motorways. Now, that wasn't in my remit but back then I actually just had this idea.....get them all in the room and have a decent conversation about how we could actually do this.

Well, that lasted about three minutes having that approach. But I think the only way you can address this now, given that, you know, we do have long-term contracts in
20 place, there are commercial benefits being derived by the concession holders, is that the government's got to get involved and it's – I think it's best describe as creating almost like a shadow tolling regime where people using motorways pay the government and then the government distributes that according to any negotiated arrangements between motorway operators and the government..... And the
25 government would then manage whether than was a – through a mechanism of rebates or – I don't like rebates, let's get rid of rebates and just put in place appropriate tolling fees then get the government to – everyone can pay the government, the government then pays the toll operators according to the negotiated settlement of these things. I think that's probably the only way you're going to be
30 able to do it, to be quite honest. That wasn't my idea, that was Kerry's idea. A very good idea, I might add. I – I can't think of any other way of doing it, to be quite honest.

I – I will say this, though. You're going to have a hard time, in my belief, having
35 played in this space before, selling anything, even the most brilliant good ideas. But at some point in time we start – need to – we need to be a little bit more genuine with how we engage the communities in this space. Now, in the longer term, we need the communities to be on our side. We need our communities to accept the – the proposition that that first step may mean that we're going to – we're going to be
40 tolling currently untolled parts of motorway network. We need to sell that proposition. The question is who's going to sell the proposition to our communities? Is it going to be an independent enquiry that sells that? Is it going to be transport from New South Wales who today has significant credibility issues with vast swathes of our communities and some of the major stakeholders? And I thinkhas to deal
45 with this sooner rather than later.

5 We need to start beginning a genuine engagement with these – with the community
at a very strategic level. Guys, we – our pavements are – look, there’s no – I tell you
one thing we could do tomorrow. We could convince the community that the quality
of our pavements are deteriorating, our traffic signalling system doesn’t appear to be
10 working as good as – as it should be, our line marking our roads is pretty cruddy, just
the general amenity of our road reserves are declining. And one way to get around
this, folks, is to get a little bit more revenue and you’re going to enjoy the benefits.
You’re going to get better quality rides when you go. Your bus services you catch in
the morning won’t require you to go and see a chiropractor in the afternoon. You
15 may think that’s a – that’s an atrocious statement to make but I can tell you the bus
service I get in the morning, I could – if I really wanted to, I could engage some
lawyers and make a case that that bus service is leading to health problems of the
users of the bus. They go across traffic calming devices where busses go up and
sideways and go up on – it’s – it’s abysmal. To sell the proposition that we have a
20 problem and there may be a solution by increased funding through these mechanisms
wouldn’t be a hard ask. But simply going to them and saying, “toll because we
think it’s a good idea” I don’t think is going to But that requires a very strategic
approach of engagement of the community to start the conversation going and that is
not happening today.

20 PROF FELS: Well, thank you very much. That’s very interesting. Yes. And we
look forward to hearing - - -

25 MR OLSEN: Good luck with the

PROF FELS: Thank you.

MS SIMPSON:

30 PROF FELS: You’re – we’re happy to – yes. Good on you.

UNIDENTIFIED MALE: Thank you. Thank you, Professor and Doctor. Thanks
for the opportunity to come here and address you today. What I - - -

35 PROF FELS: Yes. Who – your name

40 MR M. TICEHURST: Yes. My name is Martin Ticehurst. I’m a – I’m a resident
of Lithgow in the – on the other side of the Blue Mountains. I don’t – I don’t
necessarily enjoy the tollways every day of the week as – as expressed here today
and I’m – I was very interested in what they were saying today. What I’ve got is a –
and I’ve already submitted it for your consideration, is the proposal for toll relief for
what’s called country green slips and this is for the – anywhere up to one-and-a-half
million people that live in regional New South Wales outside of Sydney, Newcastle
and Wollongong or what we over the mountains call the iron curtain NSW. And
45 what it – what it involves is that it – if you’re not aware, is that in New South Wales
we have a green slip system of registration of motor vehicles where motor vehicles
that are in Sydney, Newcastle and Wollongong are charged a different green slip rate

for compulsory third party personal insurance on a motor vehicle, a truck or anything like that.

5 And what happened is in the country areas generally we're about \$200 each per motor vehicle cheaper because we're not necessarily doing a lot of the mileage and they can charge Sydney people a bit more. So not only are you getting it for – it for tolls in Sydney as well, you've then got to – if you've got a motor vehicle, you're also paying a higher green slip charge as well in Sydney, Newcastle and Wollongong. So what I'm looking at is a – is the proposal, you've already got it
10 anyway, but basically is that outside of Sydney, Newcastle and Wollongong if – a lot of people don't – anywhere from there we're generally 100 kilometres one way just to get to a toll, we're that far away. And, really, we're only coming down here for – very rare that we come down more than anywhere from 7 to 14, 14 times a year.

15 We come down for a purpose and that purpose could bean airport trip where we're dropping someone off at the airport and then we're coming home and then we're going back to pick them up off their holiday and so on, so that would be four journeys. Or we're travelling through Sydney to get onto the north connect to head up north to go on holidays and so on. So very rare – or doing a funeral, we're doing
20 the footy, we're going in as far as the stadiums depending on where you go, concerts and that sort of stuff. So that's – that's the sort of thing that we're doing. Now, basically we have – I don't – I'm not – I haven't got an accurate number, but out of that there's 1.7 million vehicles that the green slip people tell me we have. There's about one-and-a-half million people but there's not a lot of people that would be
25 coming down. We're doing a sporting events as well with your children, you might come down for the Easter show, that sort of thing. The reality is we're only using a handful of times a year. But, in a sense, we're obliged to go and get a – a tag and an e-toll or get an easy pass and we're having to go to all of this trouble and we're also giving you the – the toll companies, now down to two, all our details, our credit card
30 details, our vehicle details and our personal details that they're then keeping. We've now got to the situation where the old tags through E-Toll and Roam are now getting to the stage where they have to be replaced.

35 Now, because the battery hasn't been used for a long time or – and our details are there. So without going through that, it's sort of like what we're looking for is – in representing the – all the regional people of New South Wales, we'd like to see anywhere from even seven, 10 or 14 days, I'm thinking the middle of that, that 10, where we're getting one day – you know, one up, one down sort of thing where they're free. In other words, I'm not going to get a tag and my postcode, which is
40 based on my green slip, is going to say you don't have to charge that person there unless they go over 10 times a year, and we're talking about all the different computer stuff and technology these days. There's no – there's no doubt that that could be done by the tolling companies that would just pick up the car at that – that's got a postcode of a residential – not a mailing address but a residential address.

45 PROF FELS: And they'd pick it up how?

MR TICEHURST: Just – just through the – through the computers, through the transport for New South Wales details.

PROF FELS: And there'd be a video or - - -

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MR TICEHURST: Yes. There's be a video but – and what – what we're seeing is that these people are getting – if they haven't got a tag and they've got caught or they've got funnelled into a tunnel, the reality is they're getting a – a notice of a \$10 fee for \$2.20 or something like that.

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PROF FELS: Yes.

MR TICEHURST: And you're sort of going, “well, hang on, what's the point”, you know? So I'm not looking for the whole – I'm only looking for 10 days out of 365. It's not something we use. Navmans are now putting us through the tunnel depending on what we do or if we're going to the airport it's much safer if we did follow the freeways and we follow the tollways to get there rather than, you know, if I haven't been into the city for a while, for eight or nine years, the reality is if I'm going the old way, the old way's changed and the reality is I'm getting to the stage where it's probably a lot safer to know – you know, if I was going to follow all the tolls to get to the airport and back. It's – I'm in, I'm out, that sort of thing.

Anyway – now, there would be some loss of income that would be incurred here but the reality is the state government gets it back through the GST through fuel and accommodation or if I'm going to a show all the GST comes back to the states. The reality is that it would be covered by my expenses in getting from A to B and back from B to A. So that sort of would cover that. So – for the – it's only up for 10 days. Most people were only coming down a couple of times a year. I've actually got a toll but I've got my young fellow who lives in Sydney so it's costing me a fortune because he's in and out the tolls and I pay for them. So it's not something that's going to benefit me but, if I'm coming all the way from Broken Hill down to Sydney or I'm coming anywhere from Dubbo, I'm into the footy, I'm out, see you later, I don't need and tag. And I don't – I'm not keeping all my details or having all that details in – in a – a company's accounts and so on in regards to what they do with it.

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Now, we've had a situation where they're – some of these other companies have been hacked and all that sort of thing, all that private information's there. Even if I don't use it, I've got to go in every two or three years to update my credit card into a service centre or go online and do it or go into my account, I've got to change vehicle, I've got a new vehicle. I'm still not going to Sydney. I don't need to do all those of things if I know I've got – if my postcode is outside that region.....And I'm – and I'm more than 100 Ks from every toll if – if I'm coming from anywhere there. So that's – that's the proposal. It's only a simple one off the back of all these questions

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PROF FELS: Yes.

MR TICEHURST: But it's something for regional new South Wales.

5 PROF FELS: Well, actually, toll roads, despite tolls, have significant taxpayer contribution. Rare that a toll road is.....on top of the toll deal the government makes a contribution. And so you are helping pay for the toll roads that the rest of the population uses. Just a little bit

MR TICEHURST: Without – without even using them.

10 PROF FELS: Yes. Which is a bit of a point your way.

MR TICEHURST: Yes. Exactly And, to me, it's – you – say, for example, there's 500,000 out in the regional areas on country green slips, they're all off the books with the – with the Transurbans and – and the others and – in which case they
15 can then focus on all these other customers that are coming and going and these new tolling systems where, you know, they're coming from exactly where you were talking about, here to there and all that sort of thing, trying to work out the hours and so on. And the other issue is if I was coming from, say, Bathurst to head up the north coast, generally I would come down from Bathurst over the mountains or the
20 Windsor road and I would take the tolls, take the road to get up north because as soon as I get on the freeway instead of going round the back way, I've got kangaroos, I've got all sorts of things.

The safer way is to actually come down through Sydney and once I get past
25 Glenbrook I've got – the whole thing's all the way up the coast or down the coast depending on where I want to go. And – and fatigue and all that sort of thing, you know, it's such a simple way to use..... But I'm only – I'm only using it up, I'm using it back. I've got a daughter up at Coffs Harbour. Her car is on my tag. For example, she comes all the way down for Christmas, she goes back. One up, one
30 down. She uses the north connect and that sort of thing. I'm not worried about the fee, but the reality is she's using petrol, she's stopping at accommodation, she's stopping and eating, she's already paid all those sort of things anyway and – and then the tolls, like, it might be 12 or \$15 or something like that.

35 DR COUSINS: So I'm a little confused. So you're putting a position that you shouldn't have to pay tolls when you do come into the city, is that the – or is it the – the fact of having to have a tag which has your personal information and so on associated with it is the problem?

40 MR TICEHURST: Up to seven, 10 or 14 days. I would be using it more than that so I – I've got no problems paying the tolls and my kids are on it and all that sort of thing. And if I get a rebate, I get a rebate half price at – which I've had a half-
45 priced rego. I've got no problems with all that sort of thing. But I've got people in – in the country – I've been on council, I was on council for 17 years, I've been in the police service, that sort of thing. I see these people where they're having these single journeys and then they're getting a \$10 fine, then it's a \$20 fine and they're –
“How do I pay it? I've got to come here and pay that or I've got to use my credit

card". Really, if I'm not going to use it more than, you know, a handful of times over a whole year, then the reality is, you know, I – why pay for it? Why should I hold an account that I never use? If I've got a – if I've got a credit card that I never use, why have it? Because I'm – all my details are going into technology that can be
5 hacked or – or used or whatever anyway.

And if I can get there a lot safer, a lot easier and less fatigue but I'm – I'm just – as I said, it's not a whole year, it's just anywhere from 7, 10 or 14 days but I'm in your hands in regards to what's – what's agreeable, what would be suitable, what would
10 be the cost. I don't know. But, you know, it's just a handful of times where I don't have to worry about – but there's a lot of people out here, and I'm talking probably – probably 80 per cent of people that have got a tag because they were made to get a tag, had to get a tag – they're going to the airport, they've got to get a tag.I've got all my details, I've got all my vehicles but I never come down and, if I do, I'm
15 only going to – I might not even go past Paramatta. There's only certain things where you would go in to Sydney as to what you actually do.

DR COUSINS: So you'd like that opportunity to use the tollways, you're not concerned about paying for them - - -
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MR TICEHURST: No.

DR COUSINS: - - - in that sense but it's the fact of having to have an account - - -

25 MR TICEHURST: Yes.

DR COUSINS: - - - in order to do that without – and – and having a whole lot of associated information.

30 MR TICEHURST: I've got an account or I've got to get a e-pass for a two-day trip.

DR COUSINS: I guess technology is, as was been told, rapidly advancing.

MR TICEHURST: Yes. Yes. And that's the reason for it, is because it could be done by just There's all these postcodes that come into green slips. And if I was – I looked at also could it be that – could it be defrauded in a sense? Well, for 10 days, why would I change my address? Why would I change my – or if it was seven days, you know, it would be whatever you want to come up with. I wouldn't change it to Lithgow just for the sake of 10 days, you now? But, you know – and if I – if
40 I've got – if I buy a new car or swap cars, I've got to – I've got to notify the accounts and put the new car in and do this and – credit cardsI get – I get a text – either a text or a letter saying "can you update your credit card". I haven't used it for the last several years and I've got a tag that I never use, I've got to hand it back in, I've – it's not working when I do go down after five years. The clip's not in, there's all sorts of
45 problem. I'm – you know, all these letters are going out. It's just a bit of a nuisance for the minor – you know, the small number of people that live more than 100 Ks

away from the tolls. You know, never use them, you know, they go out of date or whatever. They don't need it.

5 Now, if I'm going to use it for more than 10 days, I know that I've got to get a tag or I've got kids or they're going to come down, they're all on my account. Okay. I've got an account, I'm happy to pay. I'm not worried – I don't even want the 10 free days because, at the end of the day, it's only going to be if you go over 10 that you get charged. If I'm over 10, I'm going to get charged. I get charged for the whole lot. It's only for those that are only doing less than that sort of journey. And they're 10 then out of the picture. They don't need to be in a toll company's records, they don't need their credit cards and debit cards and bank accounts because that's what's being held. They don't have to adjust anything. They're all held by the company.

15 PROF FELS: So, as of now, do you know if the – if that would cost anything – say it was done tomorrowwould it cost – would there be a technology cost for the toll operator?

MR TICEHURST: There's be a 75 cent camera fee. But that – I – that's their cost. I don't know what the actual cost would be.

20 PROF FELS: Okay.

MR TICEHURST: But it could – it could be the transport and – and the transport for New South Wales and the toll operators have – “okay, take these vehicles out because they've all got a postcode for green slips”.

25 PROF FELS: Yes. And recognising the postcode - - -

MR TICEHURST: Yes.

30 PROF FELS: - - - to be able to make the decision by video or whatever - - -

MR TICEHURST: Well, that – all the cars that would be green slipped on a residential postcode - - -

35 PROF FELS: Yes.

MR TICEHURST: - - - would be – that could be supplied with – all those vehicles would go. So you wouldn't - - -

40 PROF FELS: How would that be recognised? Say you enter a tollway and you've got a green slip, is there – I just don't know. Is it - - -

MR TICEHURST: Well, to me, it would probably be where the – where the number went through and then the address with the green slip is a postcode that's applicable.

45 MR OLSEN: There's an easier way to do it.

MR TICEHURST: Yes. I'm happy to hear it.

PROF FELLS: Yes.

5 MR OLSEN: So an easier way is if you infringe on a tollway take a picture of
your number plate. For..... regional area, what I would say to the government is if
.....create this regime where people pay for their tolls through the government entity,
all you need to do is link the rego number from the RTAs database and say this
10 vehicle's accrued five instances when they come into Sydney and stick it on their
next rego payment. That's one easy way with no impact to anybody to be making
.....database and adding it to an existing regime, billing for registration purposes.

MR TICEHURST: Yes.

15 MR OLSEN: That's another way of doing it – really, really simple.

MR TICEHURST: And it takes all that, you know – they're going to a funeral all of
a sudden – they've had a couple of daysand all of a sudden the – this is where it
all bore out because when they changed it from Church Street to James St.....Drive
20 it became a \$1.28. and they get off atDrive and all of a sudden they've got this
\$11.28 thing in the mail and they're going “hang on, what's going on here?” Didn't
know that was a toll so – but it allows them to safely get where they go, particularly
now, because, you know, that M8, I went down there, and I got lost on it as well. My
GPS was taking me all over the shop so – but, as I said, there are people that only go
25 down once or twice, and instead of rushing it to get an ePass, all their details are on a
record. It's just something simple – the technology would have to be there to pick up
these cars that have got a – not a mailing address; it's a residential address which is
what your green slip is based on.

30 DR COUSINS: Yes. It's a very interesting idea for the - - -

PROF FELLS: Yes.

35 MR TICEHURST: Yes . Yes. No, no. I - - -

PROF FELLS: We'll get some - - -

We – I'm sure we'll - - -

40 MR TICEHURST: I've said this to the toll companies as well so – just to see what
their attitude is.

DR COUSINS: Yes.

45 MR TICEHURST: But it's just - - -

DR COUSINS: We'll get some - - -

MR TICEHURST: We're the sort of forgotten ones, for want of a better word, and I see where, you know, Blacktown and all that – I really love all that sort of – you know, it was just – I don't know how youse do it, but we're not whinging about the cost of it; it's just the inconvenience of it all that - - -

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DR COUSINS: Yes.

MR TICEHURST: - - - really, you know, one trip, and you're going to give us something in the mail or you want me to go and get a tag, and it's just going to sit on the car and all that sort of thing. We're making work for ourselves when we don't need it. You can focus on, you know, the ones that are doing it all the time so - - -

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PROF FELS: All right. Well, that's a great - - -

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MR TICEHURST: Yes.

DR COUSINS: Thank you.

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PROF FELS: - - - thing to consider.

MR TICEHURST: Thank you.

PROF FELS: Thank you for coming.

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MR TICEHURST: Thanks, Professor. Thanks, Doctor.

MATTER ADJOURNED at 7.34 pm INDEFINITELY



INDEPENDENT TOLL REVIEW