NATROAD

NATIONAL ROAD TRANSPORT ASSOCIATION

Submission to the Transport and Public Works Committee

Inquiry into the operations of toll roads in Queensland

7 August 2018

Introduction

1. The National Road Transport Association (NatRoad) is pleased to make a submission to the Transport and Public Works Committee inquiry on the operations of toll roads in Queensland.

2. NatRoad is Australia's largest national representative road freight transport operators' association. NatRoad represents road freight operators, from owner-drivers to large fleet operators, general freight, road trains, livestock, tippers, express car carriers, as well as tankers and refrigerated freight operators.

3. NatRoad members have raised a number of concerns relating to operation of toll roads which are outlined in this submission. These issues relate to:

   - the lack of transparency and fairness in setting toll fees for heavy vehicles
   - the lack of competition in private toll road operation
   - heavy vehicle operators paying for road network improvements through increases in tolls without experiencing the promised efficiencies, and
   - governments forcing heavy vehicles to use tolled roads by banning them from alternative routes.

4. NatRoad notes that there have been a number of recent inquiries about the operation of toll roads in Australia[1] and a current review by the Australian Competition and Consumer Commission of the proposed acquisition of WestConnex by the Sydney Transport Partners Consortium (STP), including Transurban.[2]

5. Transurban has ownership of 13 out of 15 toll roads across Melbourne, Sydney and Brisbane. Transurban Queensland has acquired the tolling concessions for all Brisbane toll roads. NatRoad is concerned at the dominance of Transurban in operating Australia's toll roads and their consequential market power.[3]

6. NatRoad acknowledges that private sector investment in road infrastructure can help governments deliver infrastructure improvements more quickly than they otherwise could. However, roads are a connected network and what happens on one section of a road can have an impact on another.

7. Handing over a specific section of the road network to a private tolling operator means that governments are less able to optimise the efficiency of the network as a whole. Tolling operators recognise this which puts them in a strong position to negotiate controlling more and more of our road network. In a supplementary submission to the NSW Inquiry on Road Tolling Transurban stated:[4]

   Transurban and our partners have continual discussions with Government regarding roads we operate, roads that interface or connect with these roads and the broader Sydney road network, including planned future roads identified by Government. Transurban and our partners consider this an important part of our role as long term partners to Government.

---

[1] NSW Parliament, see report https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2428#tab-reportsandgovernmentresponses
Parliament of Australia, Senate Economics References Committee, see https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/TollRoads/Report

[2] See https://www.accc.gov.au/media-release/accc-concerned-about-transurbans-interest-in-westconnex

[3] Article by Royce Millar and Ben Schneider on Transurban published in The Age 14 May 2016: http://www.theage.com.au/victoria/transurban-the-making-of-a-monster-20160512-gotjm9.html

[4] See Transurban's response to supplementary questions

These discussions can include our consideration or contemplation of ideas to improve the operation of roads that Transurban operates as well as other areas of the Sydney road network.

8. This response confirms that Transurban leverages its existing toll road assets and its access to traffic data in submitting unsolicited proposals to governments, not only in Sydney, but in other cities too.

Using heavy vehicles to fund road upgrades

9. Transurban's preferred approach to unsolicited proposals for new toll road concessions is to partly fund them by an increase in the heavy vehicle multiplier elsewhere on the local Transurban network. For example, in Queensland:

    - Logan Enhancement Project: awarded to Transurban in exchange for an increase in the heavy vehicle multiplier on the Logan and Gateway Motorways.
    - Inner City Bypass Upgrade: awarded to Transurban in exchange for an increase in the heavy vehicle multiplier on the Go Between Bridge, the Clem Jones Tunnel and Legacy Way.

10. In responding to a question about the funding of the Inner City Bypass upgrade at the Committee's hearing on 17 June 2018, Mr Gregg Buyers of the Brisbane City Council stated:[5]

    Following the successful completion of the Legacy Way project, council continued to monitor usage along the Inner City Bypass and saw continuing growth on particularly the section of the Inner City Bypass between Kelvin Grove and the connections to the other major roads to the north, being Airport Link, Lutwyche Road, Kingsford Smith Drive and the Clem Jones Tunnel. We had planning underway to widen that section of road to four lanes in each direction. It was at that point we were proceeding with those plans and Transurban put forward an innovative proposal to help deliver and partially fund the Inner City Bypass upgrade with a particular focus on including incident response and road operations for the Inner City Bypass to elevate that to a level similar to that provided on the tunnel projects and the toll road projects. Council saw that as particularly of value to ensure that that critical bit of infrastructure continues to operate at the highest level possible.

    Council assessed the innovative proposal put forward by Transurban Queensland and was able to reach agreement with Transurban Queensland for them to take over the lead role in delivering that project but additionally roll in incident response and operations for the Inner City Bypass into the Legacy Way concession arrangements for the remainder of the Legacy Way concession period.

    There was scope within the existing approved maximum toll levels for Legacy Way to increase up to the maximum allowable toll under the minister's declaration. There was a change to the tollway declarations for Legacy Way, Clem Jones Tunnel and Go Between Bridge to take heavy commercial vehicles up to a multiplier of three times the toll of a car for those facilities to bring it in line with most of the other toll roads around the country and similar to what has been rolled out for the Logan Enhancement Project. Those funding streams contributed to the costs of the ICB upgrade itself.

11. This response highlights a lack of transparency in how tolling arrangements are negotiated and varied over time, including the extent to which the unsolicited proposal process is used by Transurban to increase its ownership of key road networks. Transurban used its market power to take over a project with an "innovative proposal'' which indicates there was no competitive tender process.

[5] Transcript Public Hearing—Inquiry into the Operations of Toll Roads in Queensland, p.8

12. NatRoad submits that it is extremely unjust that the road transport industry carries most of the cost of paying for road upgrades, particularly when the toll increase is applied to fund a different part of the network.

13. This approach disregards a fundamental principle of a toll road – that users pay for the expected benefits of improved traffic flows and safety on the tolled section of the road.

Setting tolls for heavy vehicles

14. The increase in the truck toll multiplier from two to three times the light vehicle toll is justified by Transurban as being in line with the market and consistent with toll roads in Sydney and Melbourne.

15. Transurban argues that the higher toll for heavy vehicles reflects the greater value they derive from the time savings provided by the tolled network. Transurban further states that:[6]

    The higher tolls for large vehicles also reflect the greater impact they have on the road infrastructure. However, the current tolls charged for large vehicles do not accurately reflect these costs. The wear-and-tear to road infrastructure caused by one articulated truck has been estimated to equal that of 6,000 cars.

    Finally, the road design also incorporates special features, such as suitable pavement depth and grades, tunnel ventilation and break-down bays, to accommodate these vehicles, which increases the overall project cost. Large vehicles also occupy a greater proportion of road capacity.

16. Research into the marginal cost of road wear as a result of the impact of an additional trip made by a heavy vehicle indicates that the Transurban heavy vehicle multiplier significantly exceeds the marginal cost in terms of recovering road repair costs due to heavy vehicle use.

17. For a fully laden 6 axle articulated heavy vehicle, the estimated maximum marginal cost would be $0.16 per kilometre for an urban toll road.[7] Using the Clem 7 as an example, the truck toll of $2.00 per kilometre is more than twelve times the actual cost of road wear for a fully laden 6 axle articulated heavy vehicle.

18. For heavy vehicles which are not carrying their maximum allowable weight, and other types of heavy vehicles, the actual cost would be lower. Furthermore, Transurban's truck toll fees do not take into account that heavy vehicles already pay additional fuel taxes and between three to eleven times more in registration charges than cars depending on the weight of the heavy vehicle.

19. Additionally, independent evidence to the Australian Senate inquiry suggested that there is little basis for determining toll levels of freight vehicles apart from maximising revenue.[8]

20. Transurban claims that it has no pricing power and that beyond the initial agreement there is no pricing flexibility in the concession. NatRoad is not convinced by this statement given recent toll increases. It appears concessions are easily renegotiated.

21. NatRoad is concerned that there is no ability to apply discounted toll fees, for example when using a toll road off-peak or when congestion and roadworks cause delays on toll roads. This

[6] Transurban Submission to NSW Legislative Council Inquiry into Road Tolling, p.30

[7] Cost calculation is based on work by the Australian Road Research Board and West Australian Local Government Association (2015, Calculating the cost of road wear on local roads) and Austroads (March 2012, Preliminary methodology for estimating cost implications of incremental loads on road pavements).

[8] Thompson, Associate Professor Russell, Australian Senate, Operations of existing and proposed toll roads in Australia 3 August 2017 transcript, 10.

results in drivers not receiving the benefit they have paid for. In relation to toll increases, Transurban notes that:[9]

Increasing tolls at a rate that is comparable to the rate at which users' wages and willingness to pay increases means that lower tolls can be charged in the early years of a concession. Traffic volumes are still ramping up and the travel time savings are not as large as in later years when population and employment growth lead to increased congestion and larger time savings for motorist using the motorway than the untolled alternative route.

If tolls were escalated at a lower rate, there would be a funding gap that would either need to be made up through government contributions, longer concessions or higher initial tolls. Higher initial tolls may not be fair to users of the motorway in the early years of a concession because they would be getting lower travel times savings and have less ability to pay the higher tolls than motorists using the road later in its life.

22. These statements do not account for the fact that, as the population grows and urban density increases, so does the traffic on toll roads and consequently travel time savings may decrease.

Forcing heavy vehicles to use toll roads

23. NatRoad members have raised concerns about governments banning heavy vehicles from using alternative routes thus forcing them to pay toll fees.

24. Toll roads and fees should be designed to provide sufficient incentive for heavy vehicle operators to use the toll, and hence there should be no need for governments to impose truck bans on alternative un-tolled routes. Governments could introduce toll reductions and multi-user discounts for heavy vehicles where further incentives to use toll roads are needed.

25. Heavy vehicle tolls have a significant impact on trucking operators. The road transport industry consists almost entirely of small businesses who find it difficult to recover the costs associated with large toll increases. A NatRoad member who is an owner driver made the following comment:

In one example where we don't have a choice but to travel on a toll road in a heavy vehicle to access our destination, tolls for our trip in December 2016 were $23.40. They are now $58.08 [April 2017]. This expense has risen from 2.5% to 6% of the income on this trip.

Conclusion and recommendations

26. Less congested, safer, well designed roads can equate to time savings, reliability and reduced vehicle operating costs. However, tolling charges should reflect the cost of building and maintaining the asset over its life and should not unreasonably discriminate against heavy vehicle operators.

27. NatRoad recommends governments consult with the heavy vehicle road transport industry before making changes to tolling regimes and provide opportunities for greater public scrutiny and accountability of the negotiations that take place between governments and private tolling companies.

[9] Transurban Submission to NSW Legislative Council Inquiry into Road Tolling, p.31

28. NatRoad is concerned that locking in toll contracts over long periods makes it more difficult to introduce broad, coherent road pricing reforms under which motorists and commercial vehicles are equitably charged to use all roads.

29. Our submission to the Australian Senate Economics References Committee recommended the introduction of a national tolling policy to ensure road tolling arrangements are fair and transparent. The policy should include the following principles: [10]

    - Tolling arrangements will be subject to competitive tender processes and public consultation will occur in all cases where new tolls are considered to properly assess the costs and benefits.
    - Tolls will be applied only once a project is complete when users are able to benefit from enhanced traffic flow and safety improvements.
    - Tolls will be implemented only if a reasonable un-tolled alternative is available.

30. We also recommended that an independent pricing regulator be responsible for monitoring tolling arrangements to protect the public interest against any pricing abuses, under-maintenance of assets or unfair profits at public expense.

[10] See for example: British Columbia's Guidelines for Tolling