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 **Motoring**  **Insurance**  **Travel**  **Finance**

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Committee Secretary  
Transport and Public Works Committee  
Parliament House  
George Street  
Brisbane Qld 4000  
[tollroads@parliament.qld.gov.au](mailto:tollroads@parliament.qld.gov.au)

RE: Inquiry into the Operations of Toll Roads in Queensland

Dear Committee Secretary,

The Royal Automobile Club of Queensland (RACQ) is pleased to provide a submission to the Transport and Public Works Committee Inquiry into the Operations of Toll Roads in Queensland.

Within the Inquiry's terms of reference, this submission will address the role of toll roads in the broader urban transport network and identify opportunities for improved outcomes for motorists. As Queensland's peak motoring organisation, representing more than 1.7 million members, RACQ has a long history of advocating for improved roads and transport options.

The RACQ believes it is important to ensure that motorists receive a fair go from toll operators. This is particularly critical in South East Queensland, where Transurban has a monopoly on toll road operations.

The RACQ views tolls as a 'value for money' proposition for motorists. Motorists will use a toll road if they think they are getting value when they compare the cost against the potential benefits, including travel time saving. Transurban's reported traffic volumes show that the Gateway and Logan Motorways are well frequented and patronage growth on AirportlinkM7 is strong. This would indicate that motorists perceive value from these toll roads. This is not the case for Brisbane's other inner-city toll routes, where growth has stalled and the number of trips on the free networks has increased.

Urban congestion is a major problem in South East Queensland. The road networks continue to come under increasing pressure as the population grows, resulting in substantial economic and social costs. Part of the solution is better use of Brisbane's underutilised inner-city toll network.

The RACQ understands Transurban's imperative to maximise shareholder returns but would question whether the goal of increasing share prices is mutually exclusive from offering value to motorists. There is an opportunity for Transurban to think beyond pure profit maximisation and



consider broader objectives that boost community outcomes and the liveability of Brisbane. This would include developing incentives and initiatives to boost traffic volumes on Clem7, Go Between Bridge and Legacy Way.

The RACQ has welcomed improvements Transurban has made over the last few years, such as displaying toll prices at the roadside and changing the toll signage colour scheme to blue and gold. RACQ has also supported the more recent customer-focussed administrative improvements that have led to a drop in the number of toll complaints. Nonetheless, more can be done to improve customer service for motorists. Transurban should introduce toll discounts for seniors and pensioners and provide a physical customer service centre in South East Queensland. A full list of RACQ recommendations is provided below:

### Key Recommendations

<b>a) The operation of existing toll roads in South-East Queensland</b>
<ul style="list-style-type: none"><li>• Tolling arrangements in South East Queensland must continue to be safeguarded by the Queensland Government, due to the absence of competitive pressure in the market.</li><li>• The Queensland Government must ensure that administrative fees and charges are based upon cost-recovery, as opposed to maximum rates set in the franchise agreements.</li><li>• Establish a series of structured discussions between Transurban, the Queensland Government, Brisbane City Council and community representatives to look at how patronage on the inner-city toll network could be improved.</li></ul>
<b>(b) Toll pricing and incentive options to deliver better outcomes for Queenslanders</b>
<ul style="list-style-type: none"><li>• Transurban introduce incentives and bundling offers to better align demand with existing inner-city toll road capacity.</li><li>• The Queensland Government must ensure that Transurban operates as a responsible road manager and that the whole network is managed appropriately for improved transport and community outcomes.</li><li>• Transurban introduce toll discounts for Queensland pensioners and seniors.</li><li>• Transurban review charges for class 3 light commercial vehicles.</li></ul>
<b>(c) The operation of the existing complaint process and current statistics</b>
<ul style="list-style-type: none"><li>• Deliver improvements to the operation of the Tolling Customer Ombudsman, in keeping with Best Practice principles. These should increase the transparency of complaints and address the issue of the Ombudsman only being funded by one operator in Queensland.</li><li>• Require improved Tolling Customer Ombudsman complaint analysis and reporting.</li></ul>
<b>(d) Possible measures to continue to improve customer service standards</b>
<ul style="list-style-type: none"><li>• Transurban re-establish a physical shopfront for customers in South East Queensland.</li><li>• The Inquiry should review the adequacy of Transurban's KPIs relating to customer service and align it with Best Practice principles.</li></ul>



- Publish the audit reports and annual toll road performance reports submitted to the Department of Transport and Main Roads.
- Develop a KPI/KPIs around the provision of value for motorists.

(e) The existing relationship between the Tolling Customer Ombudsman and the Queensland Ombudsman

- Improve the operation of the Tolling Customer Ombudsman using the Queensland Ombudsman framework as a model (as well as the best practice principles outlined in section (c)).

## Terms of Reference

### (a) The operation of existing toll roads in South-East Queensland

South East Queensland has six toll roads, all of which are operated by Transurban. Of these roads, traffic volumes are strong on the Gateway and Logan Motorways and there is solid growth on AirportlinkM7. The three remaining toll roads - Clem7, Legacy Way and Go Between Bridge (GBB) - are not well utilised. This is disappointing as higher patronage helps to alleviate congestion on the alternative free routes and there are safety benefits when motorists switch to high-standard toll road infrastructure.

Under their Linkt retail brand (formerly go via), Transurban offers tag and video accounts, as well as mobile phone apps, casual trip passes and road passes that can be purchased to cover the one-off cost of using a toll road.

**Transurban is the sole toll provider in South East Queensland and operates as a monopoly. As there are no other operators to bring competitive pressure in the market, it is important for tolling arrangements to be safeguarded by the Queensland Government. Without government oversight, the risk that Transurban will pursue profit maximisation strategies without also considering the greater public good, increases.**

Under current arrangements, maximum toll prices are set by the Queensland Government at the commencement of each toll agreement (franchise agreement) with the toll operator. Under the franchise agreements, tolls can be increased in line with the Brisbane CPI each year. The prices and price escalation mechanisms are maximums only, and Transurban has the discretion to lower toll prices if they wish.

Most fees and charges, including manual top up fees, statement fees, non-tag return fees, video matching fees, and unpaid toll notice fees are similarly set at the commencement of the franchise agreement. These can be increased annually in line with the Brisbane CPI. The fees and charges are set as a maximum and as technological advancements create greater efficiencies with respect to back office and administrative functions, Transurban has the ability to lower these charges. Government oversight is necessary to ensure that administrative fees and charges are based upon cost-recovery so that toll operators can't profit from them.



### RACQ's Advocacy around toll roads

The RACQ has always had concerns about toll roads and when the State Government announced the sale of Queensland Motorways Limited (QML) in 2009, RACQ lobbied hard for it to remain in public hands. At the time, QML included the Gateway and Logan Motorways, and RACQ believed that motorist's interests would be better protected if the toll assets remained publicly owned, rather than if they were controlled by a private operator. The RACQ was satisfied in 2010 when the Queensland Government announced it would transfer QML to the state-owned Queensland Investment Corporation (QIC).

In 2014 QIC sold QML for \$7.057 billion to Transurban and their consortium partners Australian Super and Tawreed Investment Limited. By then Queensland Motorways' assets included the Gateway and Logan Motorways, the Go Between Bridge, Clem7 tunnel and the yet-to-be opened Legacy Way tunnel. RACQ cautiously supported the sale to Transurban, as well as the later acquisition of AirportlinkM7 by Transurban. At the time of sale, Transurban advised RACQ that with all the roads under one owner, they would look at ways to boost traffic volumes and improve value for motorists through the use of incentives and discounts.

The move to a single operator significantly improved transparency around tolling payments, tags, billing and debt recovery which had become extremely confusing for motorists when there were three separate operators in the south-east.

Ideally, Queensland's road infrastructure would be better managed as a single public road network, rather than a fragmented system where some routes are controlled by a private operator. Notwithstanding, RACQ takes a pragmatic approach and acknowledges that toll roads have become a fixture in South East Queensland. The best outcome, considering the current restrictions, is to encourage motorists to use tolled infrastructure where they see it provides value; and encourage Transurban to increase the value proposition to motorists.

### Economic and social outcomes

While toll roads provide motorists with choice and benefits such as travel time reliability, they can also have detrimental outcomes on the broader transport network. Toll roads are a commercial asset rather than a network efficiency solution, although they can deliver broader transport benefits when managed by socially responsible organisations. Commercial toll roads (and bridges and tunnels) can also provide motorists with improved transport outcomes well before they could have been funded by government, and/or additional infrastructure to provide choice based on travel time and convenience.

The objective of tolls is to recoup capital investment and provide an ongoing financial return to the infrastructure owner. The extent of financial return is dependent upon how many drivers utilise the asset. Usage of the toll road is largely based on the cost to the motorist weighed up against the comparative level of congestion on alternative routes. High levels of overall network congestion can therefore help the toll operator by encouraging more motorists onto their assets.



As a result there is limited motivation for toll operators to be concerned about the broader transport network.

Following inquiries into telecommunications, energy and banking, there are increased public expectations for organisations to take responsibility for their non-financial impacts, including impacts on community and the environment. Therefore many companies are adopting a triple bottom line approach to their operations that takes into account financial returns, environmental and social responsibilities.

**During the Inquiry's public hearing on 17 July 2018, Transurban suggested that their sole responsibility was to their bank lenders and shareholders. In RACQ's opinion, it is short-sighted for an organisation to exclusively focus on shareholders. This type of traditional finance model does not directly consider the interests of other stakeholders – customers, suppliers, employees and the wider community – even though they can and do have an impact on the value of the business. Arguably, appropriate consideration of all stakeholders will assist in maximising long-term shareholder wealth.**

**With that in mind, the RACQ believes there are opportunities for Transurban to consider increased corporate social responsibility by improving broader transport network outcomes through incentivised travel on Brisbane's inner-city toll routes. This is discussed in section (b): *Toll pricing and incentive options to deliver better outcomes for Queenslanders*.**

#### Toll road and surface road traffic volumes

Congestion is worsening and Brisbane is forecast to have the highest congestion growth rate of any Australian capital city out to 2020. The current level of congestion in Brisbane is estimated to cost the Queensland economy \$2.3 billion annually. This is expected to increase to around \$5 billion by 2030.<sup>1</sup>

Over the last few years, traffic volumes on Brisbane roads have increased and average travel speeds have dropped by around 5.5% since 2011. The State Budget Service Delivery Statements show morning peak average travel times (minutes per 10 kilometres) have risen from 10.9 in 2011-12 to 11.4 in 2017-18. In the afternoon / evening peak, the travel time has increased from 11.2 (minutes per 10 kilometres) in 2011-12 to 11.9 in 2017-18.<sup>2</sup>

During the public hearing of this Inquiry, Transurban stated they had achieved 16% growth on their South East Queensland toll network since 2014. RACQ's analysis suggests that Transurban

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<sup>1</sup> Bureau of Infrastructure Transport and Regional Economics (2015) Traffic and Congestion Cost Trends for Australian Capital Cities - Information Sheet 74

<sup>2</sup> Queensland State Budget 2018-19 Service Delivery Statements: Department of Transport and Main Roads; Queensland State Budget 2012-13 Service Delivery Statements: Department of Transport and Main Roads



quoted a gross figure that includes the entire patronage of Legacy Way upon the acquisition in 2015.

The RACQ has calculated that Transurban’s net growth since 2014 is around 9.7%. Most of this is growth and continued strong patronage on the Gateway and Logan Motorways, with inner-city toll volumes and growth much less.

Chart 1 shows the growth in average daily traffic (ADT) on South East Queensland toll roads since 2014. The increase in toll traffic over the last three and a half to four years has been 9.7%, excluding Legacy Way (that didn’t open until June 2015). The increase in Transurban’s toll volumes since 2014 averages 9.5% if the 6% patronage growth on Legacy Way (since 2015) is included.

Chart 1: Average Daily Traffic (ADT) by toll road



\*Legacy Way opened in June 2015

Source: Transurban Results for FY18; Transurban Traffic and Revenue Data September 2014

Chart 1 highlights that while there are strong traffic volumes and patronage growth on a number of toll roads, others such as Clem7, GBB and Legacy Way are experiencing slower growth. In the

RACQ Group comprises The Royal Automobile Club of Queensland Limited ABN 72 009 660 575, RACQ Insurance Limited ABN 50 009 704 152, The Road Ahead Publishing Co. Pty Ltd ABN 72 009 716 465, RACQ Investments Pty Ltd ABN 80 009 693 896, RACQ Investments No.2 Pty Ltd ABN 59 060 316 216 and RACQ Community Fund Pty Ltd ACN 097 992 106 as trustee for RACQ Charitable Trust Fund ABN 65 370 893 161

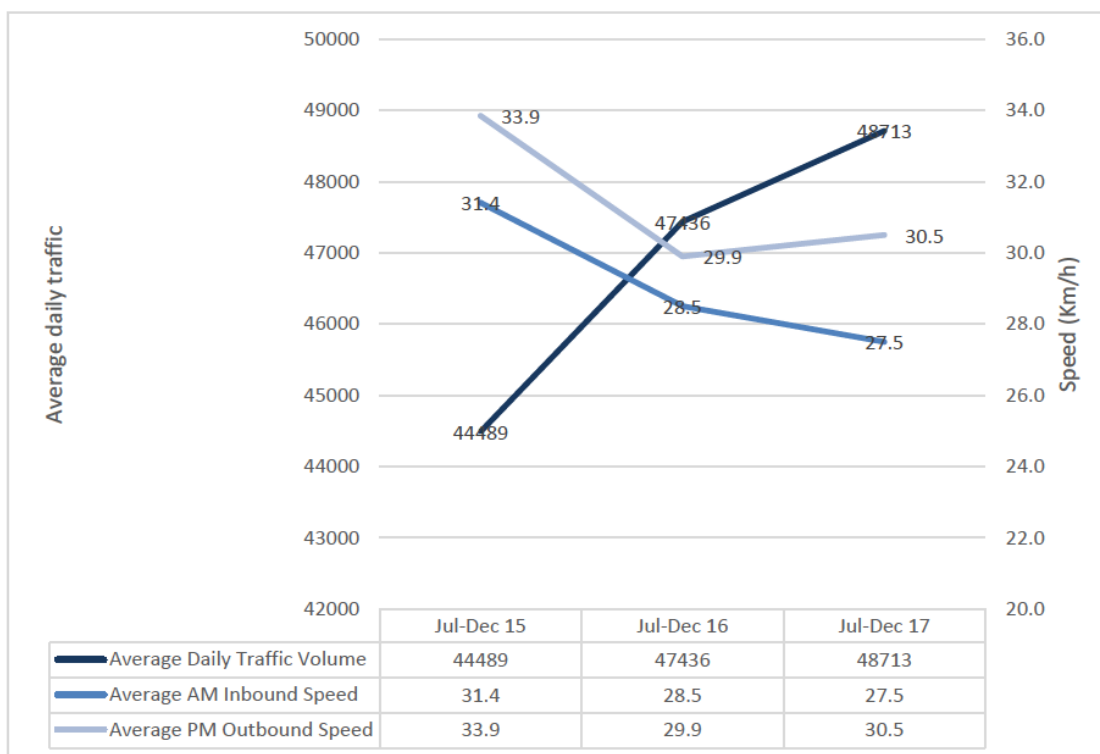


case of GBB, traffic volumes have gone backwards. Transurban would have been aware of these discrepancies at the Inquiry’s public hearing, but chose to quote a traffic growth figure of 16% to negate and waylay any discussion over the need to grow patronage on Brisbane’s inner-city toll roads.

While traffic volumes on the GBB have dropped 6% in nearly four years, over the same period traffic volumes on the nearby William Jolly Bridge have increased 7% to around 40,000 vehicles per day. This suggests the toll price is too high relative to perceived value.

On Milton Road, which is the only contestable free route to Legacy Way, traffic volumes are increasing significantly (see Chart 2). The opening of Legacy Way in 2015 saw traffic volumes drop on Milton Road, but since then traffic volumes have grown by 9.5% (approximately 4,000 vehicles a day) and average speeds on Milton Road have slowed. Over the same period the growth in traffic volumes on Legacy Way has been 6%, or around 1,000 vehicles a day (see Chart 1). Today traffic on Milton Road has almost reverted back to pre-Legacy Way levels.

Chart 2: Average Daily Traffic on Milton Road – Croydon Street to Petrie Terrace (alternative to Legacy Way)



Source: BCC/TMR Corridor Performance Reports



As with Milton Road and the William Jolly Bridge, traffic speeds on alternative free routes to Clem7 and AirportlinkM7 have also slowed and in the 12 months to June 2017 traffic on Brisbane's key road corridors increased by 12.5%, while patronage on toll roads in Brisbane increased by 2.8%.<sup>3</sup>

#### Underutilisation of toll roads

Toll roads must provide value for money for motorists to use them, as users compare the cost with potential time saving. Where this is not the case, the toll road infrastructure may be underutilised. This is observed on the Clem7, Legacy Way and the Go Between Bridge.

Use of Brisbane's inner-city tolled infrastructure is relatively poor, with toll roads operating generally between 22% and 45% of estimated capacity (see Chart 3). In its *Review of Traffic Forecast Performance: Toll Roads*, BITRE noted that "the forecasting performance for toll roads in the world has been found to be poorer than for toll-free roads. There is an asymmetrical pattern of forecasting errors, that is, consistent overestimation. Australia is no exception. Anecdotal evidence suggests that the forecasting performance for Australian toll roads may have been even worse than the world average".<sup>4</sup>

**The RACQ is hopeful that this Inquiry will lead to greater consideration of strategies to improve patronage on the inner-city toll network. The RACQ would like to see regular meetings occur between Transurban, the Queensland Government, Brisbane City Council and community representatives to address this issue.**

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<sup>3</sup> <https://www.brisbane.qld.gov.au/traffic-transport/traffic-management/greater-brisbane-key-corridors-performance-report/greater-brisbane-key-corridors-performance-january-june-2017>;  
<https://www.transurban.com/content/dam/investor-centre/03/FY17-ResultsPresentation.pdf>

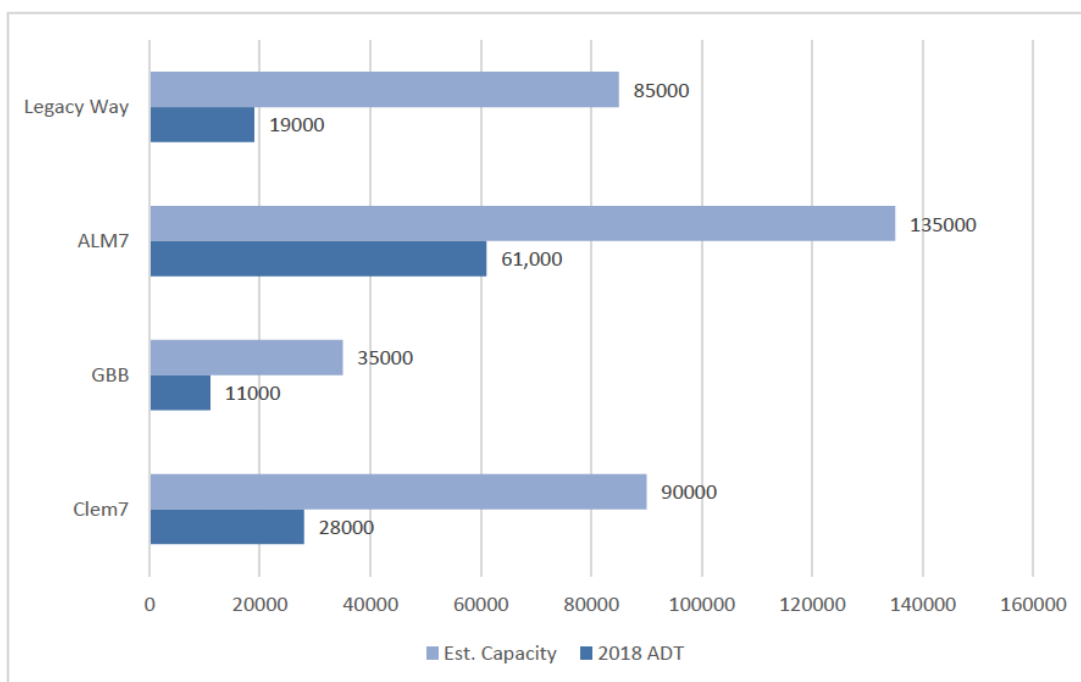
<sup>4</sup> [https://infrastructure.gov.au/infrastructure/infrastructure\\_reforms/files/Attach\\_A-BITRE\\_Literature\\_Review.pdf](https://infrastructure.gov.au/infrastructure/infrastructure_reforms/files/Attach_A-BITRE_Literature_Review.pdf)





Chart 3: Current toll volumes and estimated capacity<sup>5</sup>

Toll route	2018 Average Daily Traffic (ADT)	Est. Daily Vehicle Capacity	% Utilisation
Clem7	28,000	90,000	31%
Go Between Bridge	11,000	35,000	31%
AirportlinkM7	61,000	135,000	45%
Legacy Way	19,000	85,000	22%



Source: ADT figures from Transurban Results for FY18; vehicle capacity is based on RACQ estimates

**Section (a) Recommendations**

- Without competitive pressure in the South East Queensland market, tolling arrangements in South East Queensland must continue to be safeguarded by the Queensland Government.
- The Queensland Government must ensure that administrative fees and charges are based upon cost-recovery, as opposed to maximum rates set in the franchise agreements.
- Establish a series of structured discussions between Transurban, the Queensland Government, Brisbane City Council and community representatives to look at how patronage on the inner-city toll network could be improved.

<sup>5</sup> The Gateway and Logan Motorways are not included in the analysis as these routes are well utilised.

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## (b) Toll pricing and incentive options to deliver better outcomes for Queenslanders

In the 2017-18 financial year, Transurban's annual net profit more than doubled, from \$209 million to \$468 million.<sup>6</sup> Transurban has been proactive in enhancing revenue streams by developing market-led proposals such as the Logan Enhancement project, as well as the Inner City Bypass Upgrade project with Brisbane City Council. Just as these innovations increase profit to Transurban shareholders, the RACQ would like to see Transurban discharge their own sustainability KPIs and develop long-term proposals that create value for motorists. This could include incentives such as toll discounts and bundling offers with the aim of encouraging more motorists to use the inner-city toll network.

Transurban is the monopoly toll operator in South East Queensland, so there is no competitive pressure for them to offer genuine enticements to regular users, which some toll operators have done elsewhere in the world (see Box 1). Nonetheless, as an operator of assets that directly impacts economic and social outcomes for Brisbane, there should be enough motivation for Transurban to consider broader social outcomes under a triple bottom line framework (as discussed in section a).

**Although the Queensland Government has set a maximum toll price for each of the toll roads under the various franchise agreements, it is a maximum only. Under the terms of the franchise agreements Transurban have the option to charge motorists less than the maximum toll amount and there is no impediment to Transurban offering multi-use discounts or incentives.**

Through incentives, discounts and bundling offers, Transurban has an opportunity to better align demand with existing inner-city toll road capacity, thereby helping to alleviate congestion on the broader transport network. This would improve the efficiency of South East Queensland's road system and may not necessarily reduce profitability for Transurban, depending on the type of incentive used and the net cost of attracting new customers.

While Transurban repeatedly asserted at the Inquiry's public hearing that they would not consider incentives or bundling due to shareholder responsibilities, RACQ questions the validity of this argument in light of Transurban's \$468 million net profit and suggests that they are not acting to alleviate congestion. The RACQ asks the Queensland Government to take steps to ensure that the whole network is managed appropriately for improved transport and community outcomes.

### Motorists respond to price signals

The current price of some tolls means price-sensitive motorists solely utilise free alternative routes. In South East Queensland this was demonstrated by traffic on the Clem7 falling by 65% when full tolls were charged after the first two months of free travel and discounted tolls. A traffic reduction of 40% also occurred on AirportlinkM7 when a discounted toll was introduced after the

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<sup>6</sup> Transurban Results for FY18



initial free travel period. Similar dramatic reductions in traffic occurred on Melbourne and Sydney toll roads when tolls were introduced or increased.

### Incentive options

The RACQ would like to see Transurban offer incentives such as toll discounts and bundling offers to encourage more motorists to use the Brisbane inner-city toll network. This approach would help address congestion on the broader transport network.

Transurban's stated vision is to strengthen communities through transport, and their aim is to provide effective transportation solutions to support the growth and wellbeing of cities they operate in.<sup>7</sup> The RACQ believes that this is an admirable goal and one that directly aligns with reducing network congestion and improving the liveability of Brisbane.

Similarly, one of Transurban's strategic pillars is to 'be a good neighbour' – which they define as working with communities to create shared value with their business by anticipating, listening and responding to community needs.<sup>8</sup>

Under this 'good neighbour' pillar, Transurban has invested funds into the community through partnerships, sponsorships, grants and donations. They have also introduced schemes that assist customers experiencing financial hardship and also a first-time forgiveness program whereby they waive fees for new customers who are not familiar with the tolling system. The RACQ has welcomed these initiatives but believes Transurban could do more to contribute to community outcomes and congestion reduction through the introduction of incentives that would encourage motorists to use their toll roads.

The RACQ was disappointed that at the Inquiry's public hearing on 17 July 2018, Transurban stated that toll prices were set by government and that they weren't in a position to consider toll discounts because of their obligation to banks and shareholders. This contradicts discussions RACQ had with Transurban dating back to 2014 in which Transurban informed RACQ that they intended to consider incentives and discounts to increase traffic volumes on the underutilised toll assets.

Prior to having these discussions with RACQ, Transurban had undertaken modelling and forecasting of their expected toll volumes. At the Inquiry's public hearing Transurban stated that the 2014 modelling was accurate and toll road traffic growth was "within a one per cent tolerance of the forecast that we made in 2014."

**Therefore, a question that should be asked of Transurban is:**

***why they no longer consider toll discounts, incentives and bundling as a valid option, given traffic volumes on their toll roads match their 2014 forecasts... and given they gave an undertaking to pursue these arrangements in 2014?***

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<sup>7</sup> <https://sr17.transurban.com/content/dam/sr17/FY17-sustainability-report.pdf>

<sup>8</sup> <https://sr17.transurban.com/content/dam/sr17/FY17-sustainability-report.pdf>



The RACQ understands that Transurban ran a Network Pricing Trial in 2017 to explore off-peak, multi-trip and return trip discounts in Brisbane. The results of this trial have not been published, unlike the User-Pays Road Charging Trial that Transurban ran in Melbourne in 2016. There has also been no mention of the Brisbane trial in Transurban's annual or interim reports, although many of Transurban's other trials are documented. RACQ was disappointed and surprised that Transurban did not share the outcomes of this trial at the Inquiry's public hearing when asked the question: "has Transurban considered discounted tolls or a subscription system?"

#### Overseas toll incentive programs

There is evidence of innovative incentives being used to promote toll road usage in other countries, such as the USA. While some schemes involve discounts, others involve third party offers and therefore don't result in a drop in the headline toll price.

For example, drivers in Dallas, Texas accumulate points according to the amount they spend on tollways. These points can be redeemed for offers and promotions, as well as sweepstakes and instant-prize competitions.

Orange County, California, using a tollway at least once a month gives motorists access to a featured reward in that month. Typical rewards include two-for-one deals, discounted or free entry to events, and discounts at local restaurants. Toll gift certificates can be purchased and retail partners offer tollway credits when certain amounts are spent.

In New York, frequent usage discounts are offered that allow a discount of up to 72% off the standard toll amount. Examples of the frequent usage discount plans are shown in Box 1:



Box 1: New York frequent usage toll discounts (\$US)

**New York State Thruway Special Commuter Plans for passenger vehicles**

*Thruway Tappan Zee Bridge Commuter Plan:*

Monthly minimum Tappan Zee Bridge usage charge of \$60 (20 trips at \$3.00 per trip) vs. the full toll of \$5.00 per trip.

*Thruway Grand Island Commuter Plan:*

Monthly minimum Grand Island Bridge usage charge of \$5.60 (20 trips at 28¢ per trip) vs. full toll of \$1.00 per trip.

*Thruway New Rochelle Commuter Plan:*

Monthly minimum New Rochelle Barrier usage charge of \$22 (20 trips at \$1.10 per trip) vs. the full toll of \$1.75 per trip.

*Thruway Yonkers Commuter Plan:*

Monthly minimum Yonkers Barrier usage charge of \$19.25 (35 trips at 55¢ per trip) vs. the full toll of \$1.25 per trip.

*Thruway Harriman Commuter Plan:*

Monthly minimum Harriman Barrier usage charge of \$19.25 (35 trips at 55¢ per trip) vs. the full toll of \$1.25 per trip. Discount does not apply when traveling north from Harriman onto the ticketed portion of the Thruway.

Source: <http://www.thruway.ny.gov/ezpass/discount.html>

Discounts for pensioners and seniors

The RACQ believes Transurban should also introduce toll discounts for pensioners and seniors. This would align Transurban as a road manager, to other road and transport managers in Queensland. For example, the Queensland Department of Transport and Main roads provides pensioners and seniors with a discount on their vehicle registration, and government and councils provide pensioners and seniors with discounted public transport fares.

Inequity of light commercial vehicle tolls

Transurban's 2017 Sustainability Report highlights the need for Transurban to advocate for fair and sustainable infrastructure funding models.<sup>9</sup> Within this context, the RACQ suggests that Transurban review their charges of commercial vehicles due to the current disparity. For example, the toll charge for a 1.6 tonne utility or van registered for commercial use pays a toll 1.5 times higher than the same vehicle that is not commercially registered.<sup>10</sup> This is despite both

<sup>9</sup> <https://sr17.transurban.com/content/dam/sr17/FY17-sustainability-report.pdf>

<sup>10</sup> Class 3 vehicles or light commercial vehicles are load-carrying vans or utility vehicles between 1½ and 4½ tonnes that are registered for commercial purposes.



vehicles contributing an equal amount of wear and tear on the Transurban road network. Many of these light commercial vehicles are used by tradespeople and small businesses.

#### Section (b) Recommendations

- Transurban introduce incentives and bundling offers to better align demand with existing inner-city toll road capacity.
- The Queensland Government must ensure that Transurban operates as a responsible road manager and that the whole network is managed appropriately for improved transport and community outcomes.
- Transurban introduce toll discounts for Queensland pensioners and seniors.
- Transurban review charges for class 3 light commercial vehicles.

#### **(c) The operation of the existing complaint process and current statistics**

##### Tolling Customer Ombudsman

The monopoly position of Transurban in South East Queensland raises questions about the governance and financial arrangements of Australia's Tolling Customer Ombudsman (TCO). Unlike Sydney and Melbourne, that have more than one toll account provider, Transurban is the sole operator of toll roads in South East Queensland and provides all the funding for the TCO within the Queensland context.

When motorists have an unresolved complaint about a toll operator, they are advised to contact the TCO. While Transurban's monopoly in South East Queensland heightens the need for an ombudsman, it also ironically raises concerns about governance and funding arrangements of the TCO. RACQ understands that the TCO is jointly funded by Australia's tolling operators, but the proportion of funding provided by each tolling operator is not publicly available.

Transurban operates 13 of Australia's 16 toll roads and tunnels. The exceptions are Melbourne's EastLink and the Sydney Harbour Bridge and Sydney Harbour Tunnel. Given the dominance of Transurban, it is possible that the entire operation of the TCO across Melbourne, Sydney and South East Queensland is up to 80% funded by Transurban.

While RACQ recognises that Ombudsmen are often funded by industry, we do not believe it is best practice to have an ombudsman funded by only one industry operator in Queensland. This raises possible conflict of interest and governance issues that the Inquiry should explore.

The current ombudsman arrangement is a part-time position and it is not always user friendly or accessible. It is almost impossible for a motorist to ring and speak directly to the ombudsman. Calls to the advertised ombudsman phone number often end in a recorded message and customers are encouraged to contact the TCO via other channels. The ombudsman does not have a physical office and faxes go to a post office in Hawthorn in Victoria.



A review of various ombudsman schemes suggests they share the following best-practice characteristics:

Autonomy	Ensuring the freedom of the ombudsman from interference in decision making
Integrity	Straightforward dealing and transparency based on honesty and objectivity
Structural Accountability	Ensuring the ombudsman and any staff are responsible and accountable for their decisions and actions
Qualified, Knowledgeable Incumbent	The ombudsman must be adequately qualified and knowledgeable about how the industry works
Openness and transparency	Ensuring openness, transparency and adequate reporting so that stakeholders can be confident in the decision-making processes of the scheme
Accessibility	An ombudsman must be accessible and convenient, and make themselves readily available to people with complaints
Alignment	Ensuring that stakeholders know why the scheme exists and what it does
Due Process	Providing both sides to a dispute a full and fair opportunity to be heard
Effectiveness	Ensuring that the scheme delivers quality
Being well resourced	The industry must make resources available, including access to information, so the ombudsperson can effectively perform their responsibilities

The RACQ believes current arrangements fail on several best practice principles, specifically: openness and transparency, accessibility, and effectiveness. RACQ asks that the Inquiry look at what improvements could be made to the operation of the ombudsman in Queensland, in keeping with best practice principles. This might include having:

- the ombudsman located in Queensland
- a funding model that ensures independence
- sufficient resourcing for a full-time ombudsman position
- a physical office.



### Complaint Statistics

The RACQ has welcomed the improvements Transurban has made over the last few years, such as displaying toll prices at the roadside and changing the toll signage colour scheme to blue and gold. RACQ has also supported the more recent customer-focussed improvements. These include better website functionality, a 'first time forgiveness' program that waives toll invoice fees for first-time offenders (under certain conditions), changes to the enforcement process and the issuing of only one demand notice for unpaid tolls incurred in the space of a few days. This has reduced the number of infringements ultimately ending up with State Penalties Enforcement Registry (SPER).

Despite these improvements, the Tolling Customer Ombudsman's most recent September 2017 - February 2018 review highlights that Transurban's Queensland operations still have more complaints than the toll roads in Sydney or Melbourne. The number of toll complaints has been dropping, however. During September 2017 and February 2018, the ombudsman received a monthly average of 32 complaints about Transurban's Queensland customer service, a 32% drop from the previous year, when the monthly average was 47.

The complaint analysis within the TCO's reviews is fairly basic and complaints are only reported as a gross monthly figure. The depth of analysis could be improved by reporting complaints by each operator as a percentage of traffic volumes or percentage of transactions. This would provide a more accurate indicator of customer service levels. It would also be beneficial to have the review provide some longitudinal analysis and percentage rates of change i.e. this year compared to last year. The RACQ has raised this with the TCO previously.

### Section (c) Recommendations

- Deliver improvements to the operation of the Tolling Customer Ombudsman, in keeping with Best Practice principles. These should increase the transparency of complaints and address the issue of the Ombudsman only being funded by one operator in Queensland.
- Require improved Tolling Customer Ombudsman complaint analysis and reporting.

Deliver improvements to the operation of the Tolling Customer Ombudsman, in keeping with Best Practice principles. These should increase the transparency of complaints and address the issue of the Ombudsman only being funded by one operator in Queensland.

Require improved Tolling Customer Ombudsman complaint analysis and reporting.

### **(d) Possible measures to continue to improve customer service standards**

In 2012 there were three South East Queensland toll operators: go via, AirportlinkM7 and FLOW. Today Transurban is the sole toll account provider in South East Queensland (a chronology of major South East Queensland toll road developments is provided in Appendix 1).





The monopoly position of Transurban in South East Queensland raises concerns about the limited competition in the market, as well as incumbency advantages for any future toll road projects.<sup>11</sup> It is therefore important for the Queensland Government to closely monitor the toll road customer service being provided to motorists.

The RACQ believes Transurban's customer service could be improved by re-establishing a physical shopfront for customers in South East Queensland.<sup>12</sup> More than a third of RACQ members are over the age of 60, and they value having somewhere to go for face-to-face inquiries.

The need for motorists to be able to talk to someone in person about their toll issues is particularly relevant in South East Queensland, given that Transurban's Queensland operations have more complaints than Melbourne or Sydney.<sup>13</sup>

As noted in section (c), Transurban has made some recent improvements to their customer service, including:

- better website functionality
- changing their overseas call centre provider
- changes to the enforcement process and the issuing of only one demand notice for unpaid tolls incurred in the space of a few days
- An 80% reduction in the number of infringements ultimately ending up with SPER
- a 'first time forgiveness' program that waives toll invoice fees for first-time offenders (under certain conditions).

Prior to this, Transurban had made improvements to their toll price and directional signage at the roadside.

### Transurban Performance Indicators

The RACQ reviewed the customer service key performance indicators (KPIs) outlined in each of the franchise agreements.

All the franchise agreements, except for AirportlinkM7, had a KPI around the number of toll road user complaints. The KPI states that the number of complaints received by the franchisee, as a percentage of the number of toll transactions, must be less than 0.01%.<sup>14</sup>

It was noted at the Inquiry's public hearing that Transurban had always met this KPI. In light of Queensland having a higher number of TCO recorded complaints than any other toll operator, it would be worthwhile for the Inquiry to consider the adequacy of this KPI – not only from a measurement perspective, but from a broader best-practice complaint-management viewpoint.

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<sup>11</sup> The ACCC is currently investigating this issue with respect to Transurban's proposed acquisition of WestConnex in Sydney.

<sup>12</sup> Transurban closed its customer service centre at Murarrie in 2015.

<sup>13</sup> Tolling Customer Ombudsman September 2017 - February 2018 Review

<sup>14</sup> The exemptions to this are: tolling policy (such as the types of fees and charges – including administrative fees), legitimate infringement notices, state and council announcements, complaints about other toll roads or other toll road service providers, events outside of the Franchisees' control.



Current thinking on best-practice complaint management is not to set KPI's around the number or percentage of complaints as this sets the wrong incentives around customer feedback. Those organisations striving to improve welcome and encourage complaints and use the feedback to strengthen their customer processes.

Rather than setting a complaint volume KPI, it is more appropriate to establish KPIs around complaint resolution. Evidence of this type of KPI is seen in the AirportlinkM7 franchise agreement, which has a KPI stating that 90% of customers must be contacted by customer service staff within 2 business days of a customer complaint being notified by a customer. This type of complaint resolution KPI does not appear in the other toll road franchise agreements. Clem7, GBB and Legacy Way do, however, have a toll road user satisfaction KPI whereby average commissioned survey results must at least equal the satisfaction rating percentage achieved by other toll road service providers.

Transurban's performance against KPIs are audited, and the franchise agreements state that the Queensland Government may, (but is not obliged to) publicly disclose the audit reports. The RACQ would like to see the reporting of audit reports made public. Under the terms of the agreements, Transurban also provides the Queensland Department of Transport and Main roads an annual toll road performance report. This report is not currently published. Publishing performance information, especially around leased public assets such as toll roads, is essential for accountability and transparency, and it can help build community trust and drive continuous improvement in service delivery.

The RACQ would also like KPI's developed around the provision of value for motorists. To counter the focus on complaint KPIs when something goes wrong, it would be beneficial to have a positive KPI that measures the actions Transurban is taking to manage the network and add value.

#### Section (d) Recommendations

- Transurban re-establish a physical shopfront for customers in South East Queensland.
- The Inquiry should review the adequacy of Transurban's KPIs relating to customer service and align it with Best Practice principles.
- Publish the audit reports and annual toll road performance reports submitted to the Department of Transport and Main Roads.
- Develop a KPI/KPIs around the provision of value for motorists.



### (e) The existing relationship between the Tolling Customer Ombudsman and the Queensland Ombudsman

The Queensland Ombudsman only deals with agencies, and as such there is no real relationship between the TCO and the Queensland Ombudsman, other than an informal and ad hoc exchange of information.

A review of the relationship between the TCO and the Queensland Ombudsman provides an opportunity to improve the functionality of the TCO. The Queensland Ombudsman offers a good model to base any improvements on.

#### Section (e) Recommendations

- Improve the operation of the Tolling Customer Ombudsman using the Queensland Ombudsman framework as a model (as well as the best practice principles outlined in section (c)).

#### **Conclusion**

The RACQ welcomes Queensland Parliament's Inquiry into the operation of toll roads and believes it will highlight opportunities to deliver better transport outcomes in South East Queensland.

The implementation of socially responsible strategies can have an impact on business success and RACQ believes there is a need for Transurban to consistently think beyond profit maximisation and shareholder returns. Issues and values such as trust, ethics, environmental behaviour and community responsibility are increasingly relevant to consumers, stakeholders, governments and investors. The RACQ wants Transurban to employ viable, socially responsible strategies to improve network traffic outcomes for South East Queensland motorists. This should include incentives and initiatives to boost traffic volumes on Clem7, GBB and Legacy Way.

The RACQ trusts that our submission is of assistance in the Inquiry's deliberations. If you wish to discuss the contents, please do not hesitate to contact the RACQ's Head of Public Policy, Dr Rebecca Michael, [REDACTED] or contact RACQ's Principal Transport Economist, Susan Furze, [REDACTED]

Yours sincerely,

**Paul Turner**  
Chief Communication Officer.



### Appendix 1 - Timeline of toll roads in Southeast Queensland since 2000

2000 June	Strategic Transport Opportunities for Brisbane (STOB) initiative developed the North-South Bypass Tunnel (NSBT) as Stage 1. The general route for AirportlinkM7 was referred to as NSBT Stages 2 and 3.
2004 March March May	Clem7: EIS Initial Advice Statement released. Campbell Newman elected Mayor with TransApex a key plank of the election campaign. TransApex: Pre-feasibility study commissioned finds AirportlinkM7 Project technically and financially feasible.
2005 April April June July	SOUTH EAST QUEENSLAND Infrastructure Plan and Program 2005 – 2026 (SOUTH EAST QUEENSLANDIPP) includes AirportlinkM7. Clem7: Draft EIS released for public comment. AirportlinkM7: Detailed Feasibility Study begun. GBB: Feasibility Study voluntary impact assessment statement and business case begun.
2006 April July Nov	Clem7: River City Motorways (RCM) announced as preferred tender. Clem7: Construction begun. GBB: Decision to proceed announced.
2008 July July Sept Oct Nov	Tolling: Free flow tolling starts on Gateway and Logan toll roads. GBB: Construction begun. Legacy Way: Detailed feasibility Study. Transport Plan for Brisbane 2008 - 2026 released. AirportlinkM7: Construction begun.
2010 March July	Clem7: Open to traffic. GBB: Open to traffic.
2011 Feb April May	Clem7: RCM goes into receivership. Legacy Way: Construction begun. Gateway: Bridge duplication opens. QML ceased to be managed by the QLD Government and was transferred to QIC Ltd for \$3.08 billion
2012 July Nov	AirportlinkM7: Open to traffic. AirportlinkM7: Suspended trade on the ASX.
2013 Jan	Council and QML announce negotiations regarding tolling rights for the GBB and Legacy Way.
2013 Jul	QML is awarded the tolling rights for GBB and Legacy Way.
2013 Dec	QML acquired Clem7.
2013 Dec	QIC propose sale of QML.
2014 Apr	QML sold for \$7b to a consortium consisting of Transurban, Australian Super and Tawreed Investments Limited.
2015 Jun	Legacy Way opened.
2015 Nov	Transurban acquires AirportlinkM7.