



# NSW Toll Review Submission

August 2023



Committee  
for  
Sydney

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## Acknowledgement of Country

We acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of our land – Australia.

We pay our respects to their Elders both past and present. We recognise that sovereignty was never ceded. This was, and always will be, Aboriginal land.



# Contents

Introduction.....4

Supply alone cannot address congestion.....5

Tolls or traffic – pick one.....6

**Big ideas for the future of road pricing**

Provide vouchers instead of toll relief.....9

Introduce a road user charge based on people’s access to public transport.....10

Introduce a road user charge based on people’s incomes.....11

Review the cost of all transport modes to encourage sustainable trips.....11

Consider alternatives to reduce traffic in CBDs and town centres.....12

Price parallel surface roads.....13



# Introduction

Sydneysiders spend too much time and money sitting in traffic. At the time of writing, 9am on a Thursday morning, there are 496 traffic jams across Greater Sydney, with more than 300 kilometres of queued cars.<sup>1</sup> This places huge costs on our economy and environment, as well as on our social and physical wellbeing.

The toll review presents a major opportunity to address traffic on Sydney's roads by changing the way we charge for road use. While much of the public debate on tolls has been focused on the cost of them, we have not been considering the cost of the alternative – traffic. The NSW Government should develop a clear objective of reducing private car use through tolls, or a road user charge.

The simple reality is that as Sydney grows to eight million people by the middle of the century, we will not be able to move this many people around the city quickly using cars. Instead of most trips being taken by car in Sydney, it is essential that most trips are taken by public or active transport. To achieve this, we of course need to invest in public transport, but we will also need to think differently about road user charging.

In our view, it's time to think big and start a broader conversation about road user charging. This is important for two reasons:

- Reducing traffic congestion and shifting mode share can only be achieved through a price on the road
- The federal government will look to implement road user charging to compensate for lost income from the fuel excise tax – as we will soon have fuel efficiency standards and will eventually shift to electric vehicles.

1. [TomTom Traffic Index, Sydney Traffic](#)

The NSW Government has a rare opportunity to be ambitious and lead the way on road user charging in Australia, setting a standard for other states and the federal government.

In what follows, we outline the important role tolls play in alleviating traffic and why toll relief isn't as good as it sounds. We then put forward several options for changing how we charge for the use of roads in Sydney, as well as other options for cost-of-travel relief. We also suggest ways to manage traffic in our town centres and CBDs without introducing an additional cordon charge.

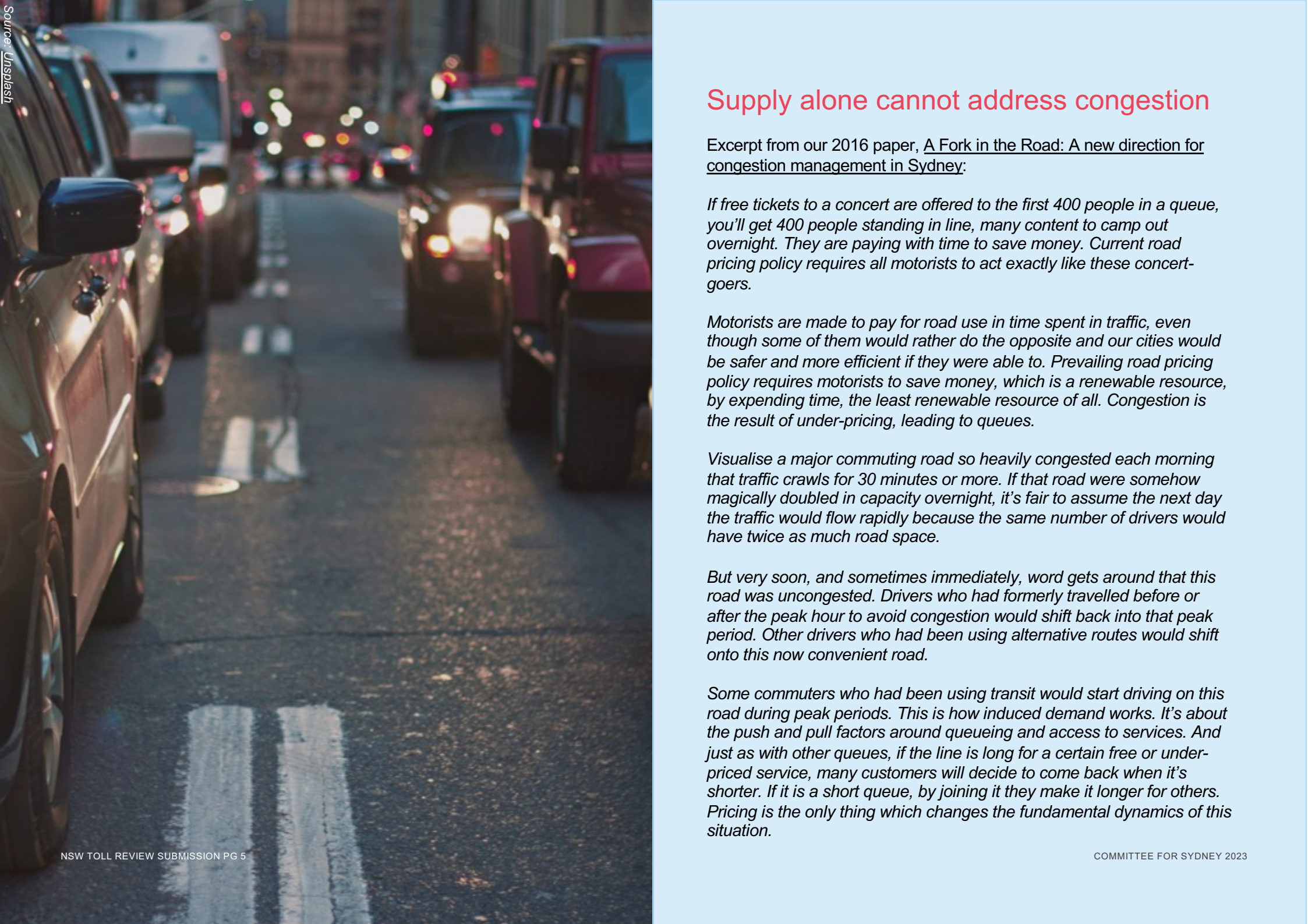
This is not the first time the Committee for Sydney has advocated on this issue. In 2016, we released [A Fork in the Road: A new direction for congestion management in Sydney](#). This report, while eight years old, remains broadly correct in its assessment of the problems and recommendations for the solutions to congestion on our roads.

Some of the ideas put forward are bold and would require strong political intention to implement. The ideas we put forward can be implemented by themselves, or alongside each other – some will make others more achievable. We hope Sydneysiders and the NSW Government will accept the challenge.

## ***Our definitions***

- Toll – a charge payable to use a specific road
- Road user charging – a charge payable to use all roads
- Cordon charge – a charge payable to use roads within a specific area.





## Supply alone cannot address congestion

Excerpt from our 2016 paper, A Fork in the Road: A new direction for congestion management in Sydney:

*If free tickets to a concert are offered to the first 400 people in a queue, you'll get 400 people standing in line, many content to camp out overnight. They are paying with time to save money. Current road pricing policy requires all motorists to act exactly like these concert-goers.*

*Motorists are made to pay for road use in time spent in traffic, even though some of them would rather do the opposite and our cities would be safer and more efficient if they were able to. Prevailing road pricing policy requires motorists to save money, which is a renewable resource, by expending time, the least renewable resource of all. Congestion is the result of under-pricing, leading to queues.*

*Visualise a major commuting road so heavily congested each morning that traffic crawls for 30 minutes or more. If that road were somehow magically doubled in capacity overnight, it's fair to assume the next day the traffic would flow rapidly because the same number of drivers would have twice as much road space.*

*But very soon, and sometimes immediately, word gets around that this road was uncongested. Drivers who had formerly travelled before or after the peak hour to avoid congestion would shift back into that peak period. Other drivers who had been using alternative routes would shift onto this now convenient road.*

*Some commuters who had been using transit would start driving on this road during peak periods. This is how induced demand works. It's about the push and pull factors around queueing and access to services. And just as with other queues, if the line is long for a certain free or under-priced service, many customers will decide to come back when it's shorter. If it is a short queue, by joining it they make it longer for others. Pricing is the only thing which changes the fundamental dynamics of this situation.*



## Tolls or traffic – pick one

Sydney would not have the motorway network it has today without tolls. Tolls fund the construction and maintenance of roads without government having to reach into their own pocket.

But more importantly to the long-term success of our transport network, tolls – and road user charging more broadly – are some of the best mechanisms to reduce traffic congestion.

Decades of research have shown us that, perhaps counterintuitively, investing in public transport alone does not reduce the number of cars on the road. Only a road price will achieve a sustained reduction in traffic. Essentially by setting ‘the right price’, some people will choose to avoid tolls and take another route or not drive at all.

Using tolls, or any other form of road user charging, to influence mode choice has been and remains politically unpopular in NSW and Australia. The imposition of tolls on some roads and not on others has led to reasonable questions about the equity and fairness of tolls, particularly for people who live in parts of Sydney that are impossible to access without a car.

Sydney's expansive motorway network has been required by urban sprawl and has also enabled urban sprawl. This has locked-in car dependency for a large portion of our population. Public transport is not viable in low-density suburbs, because there are not enough people to support frequent and reliable services. So, many people in Sydney have no choice but to drive.

This is not to say we should be able to use some or all roads for free – indeed we often already pay through time spent in traffic. Just as we pay a fare to catch the train, ferry or bus, we should also pay a fare to drive on the roads. While consumers currently pay when driving through petrol excise, this mechanism is poorly targeted at reducing congestion.





Dynamic pricing, which sets a higher price when there is higher demand, should be used to manage peak periods on the roads – not just on existing toll roads.

In questioning the equity and fairness of tolls, we cannot forget that tolls – and any form of road user charging – help to manage traffic. If we make it cheaper for people to drive, more people will drive, meaning more people will be stuck in traffic for longer.

This will also affect the equity of our city as traffic will most impact those living furthest away. Reducing tolls will simply shift the cost of driving from people's money to people's time.

The risk of inducing more traffic is that people may assume Sydney needs more roads. But building more roads just creates more traffic – both by making car travel more efficient and by enabling urban sprawl which requires car travel. So instead of focusing on toll relief, we should be thinking about how we can use pricing to influence mode share and land use patterns.

Toll relief is a poor use of public money as it shifts the burden from one cost (money) to another (time spend in traffic). Traffic congestion is a massive drain on economic productivity and has a high environmental cost. But the immediate impact of traffic on people is less time spent with family and friends, and less time doing fun activities.





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## Big ideas for the future of road pricing

## Provide vouchers instead of toll relief

To have a bigger impact on addressing people's cost-of-travel (measured in both dollars and time) than current toll relief, the NSW Government could instead provide broader transport vouchers.


Depending on costs, the vouchers could be for everyone, or just for people who live in areas with low or no access to public transport. There could be various options for how people can spend the value of their transport voucher. Options could include paying a toll bill, topping up an opal card, or paying a deposit on an e-bike. Even a voucher that provides cash for any use may deliver better public policy outcomes than the existing toll relief.

Providing toll relief removes the best thing about a toll – a price signal – which ensures reduced congestion. Instead, a voucher that provides the same or similar amount of money to people experiencing high cost of living would allow them to spend the money on other uses and modes, while retaining the price signal to keep traffic low.

During Covid, the NSW Government rolled out several vouchers that were easily accessible through the Service NSW app. Now that people know how vouchers work, and there is a system in place to administer them, the NSW Government could set up transport vouchers instead of toll relief.





A photograph showing the interior of a car from the passenger side. A person with long dark hair and glasses is driving, their hands on the steering wheel. The car's dashboard and steering wheel are visible. Outside the windshield, a sunset or sunrise scene is visible over a body of water.

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## Introduce a road user charge based on people's access to public transport

In our view, the introduction of a per kilometer road user charge in Sydney would have the biggest impact on reducing traffic. We can see this impact in practice by looking at how people use carshare.

Carshare users typically reduce their annual vehicle kilometers travelled by up to half,<sup>2</sup> because they pay a fee – both for the time they hire the car and per kilometre driven – every time they use a vehicle. This means they tend to shift their mode choice from the car to active or public transport for more trips.

To ensure that people who live in locations with low public transport accessibility aren't disadvantaged by the introduction of a per kilometer road user charge, we could tie per kilometer rates to the level of public transport accessibility at people's home address.

This would mean people who have good access to public transport pay a higher rate per kilometer than people with poor access to public transport. In setting the rates, government would need to consider the extra kilometers people in low density locations are required to drive to ensure they do not end up paying more. To do this, government would need to come up with an agreed upon measure of public transport accessibility.

This option does not only seek to address inequities that may arise from the introduction of a per kilometer road user charge, but it also seeks to send a signal to government on where more public transport is needed, as well as encourage more dense land use patterns.

If this option were introduced, government may also consider concessional rates or exemptions for certain types of road users – such as freight, tradies, carshare vehicles and carers – and for vehicle emission standards.

2. [International carsharing association](#)



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## Introduce a road user charge based on household income

To ensure price signals are not blunt and have the same impact on people with disparate incomes, government could also consider introducing a road user charge that is means tested – where a per kilometer rate is tied to household income.

This would mean aligning the ‘price signal’ of a road user charge to a proportion of a person’s income. The price should still be set to disincentive driving while considering different household incomes.

In setting the rates, government would need to consider the extra kilometers people in low density locations are required to drive to ensure they do not end up paying more. Low density neighbourhoods also tend to have lower-income households.

As with the above idea, if this option were introduced, government may also consider concessional rates or exemptions for certain types of road users – such as carshare vehicles,<sup>3</sup> freight, tradies and carers – and for vehicle emission standards.

3. There is an anticompetitive market for carshare organisations under the current tolling system. GoGet Carshare, who own and maintain their entire fleet are not eligible for toll relief, whereas Uber Carshare, who do not own the majority of their fleet – but manage and facilitate the sharing of people’s private cars – are eligible for toll relief. Any toll concessions or allowances should be the same for any carshare organisation.

## Review the cost of all transport modes to encourage sustainable trips

To ensure we don’t review the cost of tolls in isolation and accidentally make driving a cheaper option than public transport, we should review the cost of travel in Sydney more broadly. Such a review should consider the cost of travel for all modes in both peak and off-peak periods, and over certain distances.

Reviewing the cost of all transport modes in Sydney would help inform how we can use pricing to manage demand of all modes, as well as to shift mode share towards more sustainable transport options. This task is crucial to help Sydney meet its net-zero targets, as well as to reduce the burden of sitting in traffic.



## Consider alternatives to reduce traffic in CBDs and town centres

Cordon charging – often referred to as congestion charging – is a politically divisive topic in Sydney, although it is a common form of road user charging in cities around the world like London and Singapore.

In our view, there are alternatives that are more politically palatable and still deliver a similar policy outcome. To manage the number of cars entering our CBDs and town centres, we could implement alternative mechanisms for travel demand management.

The biggest issue with cordon charging is deciding what town centres and CBDs should have cordon charging, where the boundary should be, and whether the rate should be the same for all centres or not.

It would require careful consultation between local and state government, as well as the community. At the same time, introducing cordon charges along with a per kilometer road user charge would be politically difficult.

In our view, other mechanisms could first be introduced to reduce car traffic in town centres and CBDs. These include:

- Increasing and expanding the parking space levy
- Reducing traffic speeds to less than 30km per hour in major CBDs
- Reviewing and updating the Sydney Coordinated Adaptive Traffic System (SCATS) to prioritise people over cars – meaning more frequent and longer pedestrian crossing signals
- Replacing some car traffic lanes with bike paths, wider footpaths, street furniture and trees
- In-lane stopping for buses.



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## Price parallel surface roads

Where we have built high-quality, underground motorways across Sydney, we should be encouraging people to use them more than the surface road they run parallel to. These surface roads – for example Parramatta Road – tend to be poor for commuters and for local residents.

We could reclaim Sydney's high streets if we reduce the number of cars and freight on these routes. One way of doing this is by introducing a price on these parallel roads and routes running above motorways, potentially offsetting this revenue by reducing the cost of the motorways.

It's important to remember that part of the value of the development of WestConnex was to return the surface streets for other uses. Introducing a price on parallel surface roads will make it easier for government to achieve this.





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