

Private tolls to double in 16 years but would drop to a quarter if Federal Govt bought and ran Transurban as a public service entity

Synopsis

Australia has the most extensive, and expensive, system of private toll roads in the world, almost all operated by Transurban.

Tolls on their new private systems which are set to grow at 4% per annum and so double in 16 years, are rocketing their way to becoming a cruel problem of total un-affordability for a big proportion of our population.

Instead of allowing this to happen the federal government, after consulting fully with the states, should borrow and buy Transurban, roll the debt on indefinitely into the future, and then operate the new now federal Transurban tollways on a no or low profit basis.

Without having to support the Transurban's huge private cost structure the new public tolls would start off at about a quarter of current Transurban private tolls and would grow at less than inflation after that.

Transurban's private toll prices have to be so much more expensive because of their heavy for-profit private operation costs.

Compared with straightforward federal operations Transurban have much higher borrowing and debt servicing costs, and the need to pay growing annual after-tax dividends to shareholders.

Plus, the big one, they have to meet the need to build up enough after-tax toll revenue by the end of their franchise to pay down the original borrowing. Whereas with federal funding the debt would never have to be repaid.

With this private system eye watering cost structure the high initial tolls on their new batch of expensive underground private expressways have had to be set to grow at 4% per annum!

Meaning these high burdensome tolls will grow by 50% in 10 years and double in 16 years.

This rapidly accelerating cost burden of private toll roads is obviously unrealistic for middle and lower income earners.

If Transurban's operations were allowed to continue, this would impose a crushing burden on millions of these people and their families (Note: voters).

And, of course, this burden would fall in particular on those living in the outlying areas with low-paid jobs needing to make long trips down the toll way to and from work, the people least able to meet such a rapidly growing and increasingly cruel burden.

To solve the problem of this unaffordable private toll system the federal government should first carefully review the position, recognise that without the huge overheads of private operations they could offer a very much cheaper tollway service, and act.

After first consulting with the states, the federal government should take advantage of marvellous current borrowing opportunities, sell long-term bonds at current super low interest rates and buy Transurban.

It should then retain ownership of it, and operate it permanently on a minimum profit basis, and with the super low tolls possible across Australia with full federal ownership!

Main paper

Australia is unique in the world with its experiment in almost universal private toll road ownership. Allowing this to happen, with consequent private operators high and rapidly escalating toll prices, has been a huge national mistake. A mistake which so far seems to have been neither recognised nor acknowledged.

Nevertheless its pattern of prices has created a very serious national problem. The damaging effects of which on toll payers, particularly lower income Australians, if not corrected, will build up rapidly with time.

Under these circumstances the federal government should act quickly: first consult with the states, and second borrow long-term in order to buy Transurban - on generous terms.

If they did this, and continued the operation of the expressways, with federal ownership, tolls on the publicly owned tollways could be less than a quarter of current private toll prices.

The timing is right. Current near negligible interest rates give our federal government the once-in-a-lifetime opportunity to borrow long term and act to ensure that future transport is accessible and fair for our communities.

Our present situation is desperately unfair. Toll prices on the new batch of private expressways are contracted to grow at 4% per annum, which means a doubling in 16 years - with slightly lower rates of growth in toll prices after 20 years for the next 20 years.

With this disproportionate escalation of public toll prices we simply cannot let the situation drift. For mid and lower income earners tolls will quickly grow from being a worrying burden, to being an impossible burden.

Going to work in the near future using these toll roads will progressively become unsustainable for working families, and they will be left to crawl along in ever-increasing traffic.

Heading from the Daily **Mail**

The most expensive commute in the WORLD: How toll mania in Sydney has drivers coughing up to \$10,000 a Year just to get to work

With the current tolls the future will be a world of grossly overcrowded roads through traffic jammed with trucks and lower income drivers, all forced to avoid future unaffordable tolls.

A dystopian world getting worse year by year

Surely inflicting pain and difficulties of this kind on the poorest of our community, on the efficiency of our industries, and on the families living in the suburbs along the way, must be seen as totally unacceptable in a civilised rich modern community like Australia.

We must have major change.

Moving from limited term private ownership of tollways to permanent public ownership would bring this major change.

Private operators so far have had to extract their high life cycle costs from the community in the form of rapidly rising tolls throughout their lease.

By contrast with federal ownership tolls could be set yearly on a not-for-profit basis. That is at a level to just cover operational costs and interest on their long-term fixed debt. Or alternatively, the new federal tolls could be set to show the federal government a modest net return.

Obviously the acquisition of Transurban would require working with the states, but that surely would be relatively straightforward because such a change would relieve them of many of their current responsibilities for funding capital expenditure on major new roads.

These savings to the states would be of enormous value in helping them to provide for many of new needs now being progressively identified.

In particular their growing responsibilities for age, health, welfare, housing, and, particularly for ageing. These responsibilities are going to increase sharply into the future.

The plain truth is that we are stuck now with an impossibly expensive private tollway system which will not work for the community, and this situation has to be properly identified, and properly dealt with.

The new cheaper and fairer public tolls would give wonderfully better life chances to our rapidly growing numbers of lower income earners. Particularly young people living at distance from the main centres.

These young people are already facing increasing difficulties with jobs and high costs of transport, and with huge difficulties into the future in getting housing. Surely these vulnerable lower income people must be protected from high and rapidly escalating tolls.

In particular in relation to housing, the writing is on the wall that we have a huge upcoming housing shortage. With the price of existing housing increasing dramatically, with consequent rising rents, housing for lower income earners is disappearing before our eyes.

We must not squeeze these people into a total corner by continuing with wildly increasing private tolls.

While we are looking at the future, what will happen if the federal government does not act on tollways?

Our current major exports are oil, iron ore, coal and agricultural products. Yet there is no certainty about how these products will be tracking out in 20-30-40 years when current private toll contracts would still be in operation and indeed peaking.

We can have no certainty about this period ahead. For example, could anyone not think that our current premium prices for iron ore to China won't be beaten down by China's finding competitive products elsewhere? This alone will have a hugely dampening effect on the Australian economy.

Accordingly is it sensible for us to be contracting to oblige members of the public and for that matter freight operators, taxi operators and others, in 20 – 30 - 40 years to pay a huge increased proportion of their incomes on tolls and even more so for heavy vehicle operators of whom pay higher commercial vehicle toll charges ? The current private toll system does not make sense.

Surely it would be much safer to have toll roads, the major area of our national operations toll roads in the steady hands of the federal government with so much cheaper federal tolls on which the broad economy could rely.

On the issue of the affordability of the current 4% per annum increase in private tolls this does not seem to fit at all the reality set out below. SMH 21 April 21.

Minutes of the RBA's April meeting, at which it held the official cash rate at 0.1%, confirm it remains concerned about sluggish wages growth and how it will affect monetary policy in the coming years.

Wages growth stumped to the slowest rate on record last year at 1.2%. The federal government, along with many state governments, froze public-sector wages last year while many private firms also held wages steady.

How can lower income people already with flat wages for the last five years face this flat forward wages position and continue to afford private tolls increasing at 4% per annum?

Looking at quite another topic I believe we must do what we can to stop any sudden action which would interfere with proper consideration of the issue of federal intervention to make our tollway system affordable.

Some of the things that might happen could be a sudden sale of the remaining state owned state part of Westconnex, possibly to a Canadian wealth fund, to Transurban, or the announcement perhaps of a foreign takeover offer for Transurban.

Any of these would make a clean federal takeover of Transurban and the establishment of an affordable federal toll system more difficult. Accordingly any such approach should be opposed strongly by every thoughtful Australian.

Of note, the objectives expressed here on new much cheaper federal toll roads have parallels with the US government treasury's current proposals to borrow and engage in a major increase in spending on public infrastructure, particularly on major roads.

Their argument that building cheaper infrastructure will stimulate wages, improve economic efficiency, and increase national productivity has a lot to support it, and surely is a general policy direction we should follow.

Looking at the big picture, the writing is on the wall for future suffering and loss of opportunity for millions if we continue with present hopelessly over expensive private tollway arrangements.

Surely we must not let this happen. I urge you please to support the efforts outlined here to achieve '**Cheap Public Tollways**'.

And I ask you also please to support my personal view that any political party, any newspaper, or any TV station, that rejects or resists fair and proper consideration of a move to full cheap-to-the-user federal ownership of national tollways '**is not on your side**'



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Ian Spring is a completely independent retired business manager who has been attempting to foster federal borrowing for transport infrastructure.