Grasshopper

Contents

[1. Road pricing - the latest 2](#_Toc496191871)

[2. Promoting transport ‘reform’ 2](#_Toc496191872)

[3. Promoting road pricing ‘reform’ 3](#_Toc496191873)

[4. The Commonwealth 4](#_Toc496191874)

[5. And that goes double in Sydney! 4](#_Toc496191875)

[6. What to do 6](#_Toc496191876)

[7. And a little bit more 6](#_Toc496191877)

[8. Grasshopper 7](#_Toc496191878)

Master*: Will you walk with me, Grasshopper?*

Kain*: Yes, Master.*

*Master? The man to whom you spoke, Lee-You? Is he a confused one?*

Master*: What is your view?*

Kain: *He is a beggar, like the rest. I can see he is greatly in need of*

*food. But he does not eat.*

Master: *He seeks to satisfy a stronger hunger.*

Kain: *He values what is worthless.*

Master: *To you, to me, perhaps. Not worthless to him.*

Kain: *Bits and pieces that cannot be put back together.*

Master*: Not to understand a man’s purpose does not make him confused.[[1]](#footnote-1)*

## 1. Road pricing - the latest

Periodically there is a flurry – usually quickly forgotten – about the ‘urgency’ of road congestion charging/ pricing. It grabs attention on slow days; when there is not enough other bad news around.

Pricing – as distinct from charging – involves location and time of day road use fees, usually in the middle of big cities. Revenues can be much greater than the financial cost of providing a road; economic rents.[[2]](#endnote-1)

Various models and forms and precedents are promoted. The core arguments are: it will help solve traffic congestion; it’s done overseas - why not here?

Reports about the Grattan Institute’s recent work on traffic congestion in Sydney and Melbourne is the latest example. [[3]](#endnote-2)

While Grattan emphasised the desirability of faster car travel one master had observed:

 *There is more to life than increasing its speed.[[4]](#endnote-3)*

Grattan proposed road pricing for inner Sydney and Melbourne reasoning those were the places where congestion costs are highest. It argued for both cordon and some network segment pricing; the former being a charge for entry to an area such as the CBD, the latter being a charge for using a road segment. The charge would vary by time of day / traffic condition. When there was little congestion the charge might be zero.

## 2. Promoting transport ‘reform’

Grattan deserves credit for trying to get road pricing back on the agenda. However, the pressure to put it on the agenda needs to be sustained by research, proof of concept and identification of the key issue.

Some promoters of ‘reform’ see intermittent headlines for their pet ideas as no bad thing. They argue like water erodes stone, persistence eventually pays off even without further research etc.

*Master: Look to the water at your feet. Does not the sage say: "What is more yielding than water? Yet, back it comes again, wearing down the ridged strength, which cannot stand to its strength. What is more forceful than quiet water?"*

Perhaps the pay- off is not ideal policy, and perhaps accommodates the powerful, but the perfect shouldn’t preclude the good:

*Master: the supple willow does not contend against the storm, yet it survives.*

Indeed grasshopper!

Yet the beagle in shaolin mode is very cautious about policy by mantra chants. Especially in roads.

Road pricing’, like ‘infrastructure investment’, is akin to motherhood in the transport fraternity. Therein lies a problem; the terminology can be used to advance powerful vested interests when advisers do not undertake necessary groundwork *before* politicians are ready to consider issues.

We can see the effect of a lack of such groundwork in other transport matters. Reasonable ideas are reduced to slogans and hijacked by special interests or those benefitting more from transactions than progress.

The results can be disastrous for the public. The great Sydney rail experiment of 1996 is one inglorious example. Toll roads provide others. The sale of Newcastle port yet another.[[5]](#endnote-4)

Australia suffers several factors that can turn slogans into private profits at the expense of the public. Two are prominent in policy fields which can involve complementary action by the Commonwealth and States; like roads.

The first is weak practitioners of Australia’s Federation. While the public understandably asks for Commonwealth-State cooperation, the truth in law and in practice is the Commonwealth Government is usually in competition with, if not opposed to, States. This is hidden from the public, confusing and therefore diminishing accountability. [[6]](#endnote-5)

Instead at best there is ersatz cooperation. More often Commonwealth representatives show no care and less responsibility, engage in process oriented financial bullying and exude an air of misplaced arrogance. The States react by learned helplessness and secrecy; recidivism unless there are ‘bribes’ from the Commonwealth.

With this well-known cynical role playing, public interest can take a back seat to organisations who might stir up trouble. Ideas /projects which pop-up are hastily endorsed.

Another factor behind good ideas turning bad is the loss of direction in national transport policy. Gone are practical, measurable aims of rail standardisation, national highways and national ports. Attempts to bring transport policy into the mainstream, such as competition principles, are vehemently resisted. The most blatant example of this was officials torpedoing the national framework all Ministers wanted to adopt.[[7]](#endnote-6)

Instead of a national direction, Governments appear to be fed and talk in clichés; productivity, seamlessness, logistics etc. Despite the best efforts of people who understand this stuff, the nomenclature often is deployed for confusion; for example, shipping cabotage (domestic trade handled by local ships) is damned by those who do their best to protect aviation cabotage – both in the name of ‘productivity’.

The lesson seemingly learned by many involved:

*Grasshopper: What is the best way to deal with conflict?*

*Master: For those who value peace and quiet above all, there is a simple and preferred method…. run away.*

## 3. Promoting road pricing ‘reform’

How is this relevant to road pricing?

An environment in which advisers can ignore basic principles of government, mislead the public and eschew tangible objectives is open to manipulation by the powerful and the connected. Especially for proposals with uncertain purposes with economic rents up for grabs – like road pricing.

Sir Rod Eddington recently pointed out what should be obvious; road pricing is not an end in itself. It is part of a suite of measures that may mitigate traffic congestion. Other measures necessary to relieve congestion will include road building, more public transport and housing policies. The transport/planning conversation needs to be about much more than road pricing.[[8]](#endnote-7)

*Grasshopper: old man how is it that you hear these things?*

*Master: young man how is it that you do not?*

So, the only question is: what is the purpose of road pricing? Unless there universal understanding of purpose the powerful will turn road pricing to their advantage, possibly at the cost of others.[[9]](#endnote-8)

Real trouble lies in the clandestine view that pricing should raise money for roads and not be fettered by independent scrutiny or transparency. This is the likely position Australia is sleepwalking towards. This view must be repudiated before road pricing becomes a serious proposition.[[10]](#endnote-9)

A conversation limited to trying to shake money out of road users is asking for trouble.

The critical matter is how road pricing will eschew attitudes that bedevil transport policy such as opacity, truculence, anti-democratic sentiment and fleecing the poor to pay the rich.[[11]](#endnote-10)

Such problems have already surfaced in ‘road reform debates’. An example is the official proposal for an economic regulator who would effectively be precluded from reviewing ‘prices’. Dr Henry’s 2010 tax review noted other such issues. Even the infrastructure industry’s peak body/lobby group is aware of attitude problems – it asked future road policy processes to be conducted *honestly.[[12]](#endnote-11)*

Any road conversation, including about pricing, needs to be put into a wider discussion; about transparency and accountability.

## 4. The Commonwealth

The Commonwealth has the critical honest broker role in progressing road reform and road pricing. However, it continues to let Australia down.

The Labor administrations of the Prime Ministers Rudd and Gillard did little about the road pricing recommendations of Dr Henry’s tax review. Instead the donations of public money to the States to build more roads continued apace, adding to a roads fiscal deficit and making a sensible approach to road policy more difficult.[[13]](#endnote-12)

The Conservative administrations of Prime Ministers Abbott and Turnbull have done no better; in fact they have been worse. The roads fiscal deficit has increased greatly.

Their Governments’ attitude to big road projects in big States has sent the cause of road pricing backwards. Mr Abbott seemed to misunderstand the Constitution by claiming road funding was core Commonwealth business. He promised gifts to road projects prior to their assessment and even after one State wanted to terminate a project. Support was provided to roads that are likely to increase traffic in inner city areas, the opposite of the economic intention of road pricing. Some forms of support might create incentives for the Commonwealth to argue against road pricing.[[14]](#endnote-13)

Commonwealth advisers have much to answer for too. They seemingly have done nothing to bring big States into line over road debacles that are eroding public confidence; indeed, some have added to local disgraces. They imply pricing is a mechanism for funding and have ignored their own suggestions for progressing road pricing.[[15]](#endnote-14)

Topping this off: the Turnbull Government’s promise – last year - of appointing an ‘eminent Australian’ to lead road debates has not been fulfilled.[[16]](#endnote-15)

## 5. And that goes double in Sydney!

As usual, the big trouble is in the big city.

Westconnex, the NSW Government’s flagship road, presents formidable problems for road pricing of the type envisaged by Grattan.

The project was depicted as reducing car commuting time between Sydney’s west and CBD. This would encourage more traffic to the CBD, the opposite intention of road pricing.

The realism of increasing car commuting to Sydney’s CBD is very much open to question. Only a small fraction of commuting is presently done by private car, reflecting among other things parking charges. Most CBD commuters use public transport and taxis. It is concerning that some participants in debates do not understand this most basic fact.[[17]](#endnote-16)

Unlike in most cities cited as comparators such as Melbourne, London and Singapore, Sydney’s CBD is on isthmus shaped land with its metropolitan area skewed to one side. The CBD includes main thoroughfares used for commuting and other travel between metropolitan districts; eastern and western, southern and northern / beaches. Unlike those other cities full-circumference road by-passes are problematic; at least by-passes that might decrease central area traffic.

Other cross metropolitan routes near Kingsford Smith airport and inner western suburbs will become less attractive as a result of Westconnex; the initial result may be to attract more cross-city traffic into the CBD even if they are not CBD commuters.

Incompatibility between the existing commuter rail system and Sydney metro will exacerbate cross CBD road traffic because it will cause new public transport interchange penalties.[[18]](#endnote-17)

Road pricing to then reduce traffic in the CBD seems incompatible with Government infrastructure ideas.

An increase in CBD and inner-city congestion due to Westconnex would almost certainly result in calls for more road building. Already there are ‘plans’ for other multi-billion-dollar projects joining to Westconnex such as another harbour crossing and a ‘link’ to southern suburbs.

Westconnex has suffered from cost blowouts partly hidden by deleting key parts of the project, connections to Kingsford Smith airport and Port Botany, from the motorway’s latest scope. There are also reports of financial expert questions about projected traffic volumes on the motorway.

Each of these factors suggests more funds may be needed for Westconnex and associated works /connecting roads – irrespective of how the State might define Westconnex from time to time. Revenue from road pricing would be an obvious target to help fill the gap.[[19]](#endnote-18)

Experts in Sydney road economics have suggested motorists already suffer from ‘toll fatigue’. Part of the State’s approach to roads is to extend tolls on the existing M4 and M5 motorways for decades. Like the Eastern Distributor running parallel to the CBD, the present tolls are neither distance nor time based and the roads are operated by the private sector.

Current fragmented ownership and control arrangements present a significant administrative hurdle to the introduction of road pricing on any segment of Sydney roads. The ‘Sydney Motorway Corporation’ controls only the ‘core’ Westconnex. Private companies, State and various local governments control adjacent roads. The State’s intention is to sell a majority of the Corporation, however its intention for ownership and control of mooted connections such as to Port Botany is unknown.

Depending on contract provisions in road concessions, there may be indirect financial or other consequences for the State or other parties that change charges for traffic to use any of these roads. The private parties will seek to ensure that their aggregate revenue is at least unaffected by road pricing on their roads and other areas.

A potential benefit of private parties from road pricing, even if consistent with pre-existing contracts, will hardly encourage community support for more charges.[[20]](#endnote-19)

The Commonwealth offered funding and concessional loans for Westconnex, and its financial exposure might be altered by road pricing.[[21]](#endnote-20)

Solutions for these potential difficulties for road pricing have not been prominently explained by proponents of either Westconnex or of road pricing. Organisations that support both have a problem of apparently incoherent views. Advisers who endorsed Westconnex, such as Infrastructure Australia, need to consider their position on the project and on road pricing.[[22]](#endnote-21)

## 6. What to do

Given the situation of a lack of accepted purpose and the possibility, particularly high in Sydney, of road pricing being hijacked to fund more road building, it is premature to argue for implementation of road pricing in Australia.

At this time identification of models, technologies, assessments of costs and benefits and gaining political traction are not appropriate or responsible stances for public policy regarding road pricing. It is not time for such a ‘debate’.

The pre-condition for that debate is to set a purpose for road pricing against which proposals are assessed.

Much further policy work is needed. Trials might inform this, but should be limited to the desk top. Money should not change hands.

This is in line with Infrastructure Australia’s self-forgotten suggestion of assessing projects as if there was road pricing. If it had done so many of the difficulties now evident with attempting to implement road pricing, again especially in Sydney, would have been overcome. Infrastructure Australia would have moved the road pricing debate forward considerably, rather than kicking the can down the road it might have been more cautious in in endorsing projects.

Nonetheless, use of an ‘as if there was road pricing’ test now, and desk top trials would still be of use to inject much-needed reality into the discussion of road pricing in Australia.

Eventually grasshopper will realise:

*seek not to know the answers but to understand the questions.*

Such as: who gets the money from road pricing? Grattan says network congestion charges should go to public transport. Most insiders would not agree.

A definitive national – not State - policy framework, trusted by the public, and backed by proof of concept is badly needed. It has been a high economic priority for some time but, to repeat, there has been no apparent progress in well over a year.

In this environment, a continuation of the Commonwealth’s recent road policy failure will lead to a hijack of policy that kilsl road pricing ideas for some time. The next, and first, step towards road pricing for Australia is for Commonwealth advisers to lift their game.

## 7. And a little bit more

Apart from the issues noted above, there remains much work to do on road charging policy.

The ongoing failure to ‘split the transport atom’ and establish all-roads and all-vehicles pricing needs to be abandoned before it wastes even more time.

Suggestions have been made elsewhere: mass-distance charging for heavy vehicles at those locations which compete with railways; honest statements about the enormous roads fiscal deficit; assessment of projects as if there was road pricing etc.[[23]](#endnote-22)

Also, more work is needed on congestion policy. Road pricing has potential equity effects. Advocates should present mechanisms to deal with these effects or show why the effects should be ignored.[[24]](#endnote-23)

Grattan and others claim private car commuting to CBDs causes significant inner-city traffic congestion. At present Australia has tax concessions that favour such travel via car / parking space salary packaging. Advocates of road pricing should show how much inner-city traffic arises from this tax-avoidance, so that policy makers are better informed of the full costs of the concessions.

Advocates should also show the effect of road pricing with/without such tax concessions.

There is also plenty to do on road charging – cost recovery and improving road services – on highways competing with railways. Practical trials, such as on the Hume Highway, while straightforward and fully designed, are years overdue.[[25]](#endnote-24)

## 8. Grasshopper

Today in the policy monastery, where novices shelter and ignore darker forces of nature, grasshopper is yet to even touch the road pricing pebble in the hand of the blind master.

Or a pebble in the hand of the ‘eminent Australian’ who is to lead a Commonwealth review of road charges etc, and whose appointment we await some 11 months on.

Yawn again. Wake me up if anything happens…[[26]](#endnote-25)

J Austen

19 October 2017

1. http://kungfu-guide.com/addendum/addendum.html [↑](#footnote-ref-1)
2. The different topics of road pricing and road ‘reform’ (cost recovery) are outlined at: <http://www.thejadebeagle.com/road-pricing.html> and <http://www.thejadebeagle.com/road-reform.html>

 [↑](#endnote-ref-1)
3. Grattan Institute; <https://grattan.edu.au/report/stuck-in-traffic/>. A more detailed review of this work is forthcoming. [↑](#endnote-ref-2)
4. Attributed to Gandhi. [↑](#endnote-ref-3)
5. The great Sydney rail experiment of 1996 split the State Rail Authority into a number of mutually dependent, yet competing, organisations. Done under the slogan of ‘competition policy’ it became subject to other motivations including saving money. An outline will be forthcoming.

While toll roads may have accelerated the rate at which some roads were built, some of them also created enduring legacies such as contractual prevention of public transport or other roads, induced traffic, discriminatory charging among various parts of the community and formidable financial and organisational obstacles to introduction of the direct road charging many now think necessary. Perhaps most important of all they have created a new class of commercial interest while supporting a culture of secrecy – under the guise of commercial-in-confidence – among officials and Governments.

The Newcastle port sale, under the slogan of ‘recycling capital’, is described at <http://www.thejadebeagle.com/time-for-federal-action-newcastle-port.html> and <http://www.thejadebeagle.com/update-on-a-sell-out.html>.

 [↑](#endnote-ref-4)
6. See: <http://www.thejadebeagle.com/williams-case.html>. [↑](#endnote-ref-5)
7. See: <http://www.thejadebeagle.com/austral-obscura-2.html> [↑](#endnote-ref-6)
8. See: <http://www.afr.com/business/transport/get-on-with-building-roads-sir-rod-eddington-20171005-gyuynd> [↑](#endnote-ref-7)
9. For pricing and charging, see note ii (above). The proposal for a road charging regulator that would not regulate road charges because it would be precluded from examining government or road agency spending decisions (on which charges would be based); <http://www.thejadebeagle.com/heavy-vehicle-price-regulator.html>. This would tend to advantage road agencies and road owners at the expense of road users. [↑](#endnote-ref-8)
10. See note ix (above). Both Infrastructure Australia and Infrastructure Partnerships Australia appear to view road pricing as a way to increase road funds. See: <http://www.thejadebeagle.com/audit.html>, <http://www.thejadebeagle.com/australian-infrastructure-plan.html> and <http://infrastructure.org.au/wp-content/uploads/2016/12/IPA0811-Road-Pricing-Paper-FA2-LR.pdf> (note the title of the last). [↑](#endnote-ref-9)
11. For opacity and truculence see: <http://www.thejadebeagle.com/governance.html> and <http://www.thejadebeagle.com/austral-obscura-2.html>. For anti-democratic sentiment etc see Infrastructure Australia’s argument for public transport franchising – and the fact it went unremarked: <http://www.thejadebeagle.com/weird-scenes.html>. [↑](#endnote-ref-10)
12. For economic regulator see: note ix (above).

For Dr Henry’s tax review see: <https://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final_Report_Part_2/chapter_e3-3.htm>

For ‘honesty’ see: <http://infrastructure.org.au/wp-content/uploads/2016/12/IPA0811-Road-Pricing-Paper-FA2-LR.pdf> including at p.10. [↑](#endnote-ref-11)
13. For implementation under Labor see for example: <https://theconversation.com/tax-reform-is-hard-so-its-time-for-an-independent-tax-board-22290>. [↑](#endnote-ref-12)
14. For Abbott see: <http://www.thejadebeagle.com/roads-1-tar-baby.html> and <http://www.thejadebeagle.com/williams-case.html>. [↑](#endnote-ref-13)
15. For local disgraces see: <http://www.thejadebeagle.com/wonderland-glory-and-evaluation.html> (Westconnex) and <https://johnmenadue.com/john-austen-and-luke-fraser-urbane-transport-police-part-3-of-3/> (Freightlink) [↑](#endnote-ref-14)
16. The promise made in November 2016; <https://www.pm.gov.au/media/2016-11-24/address-parliament-annual-infrastructure-statement-and-australian-governments>. There is no prominent public report of an eminent Australian being appointed. [↑](#endnote-ref-15)
17. <http://www.thejadebeagle.com/macro-micro-westconnex-and-westies.html> [↑](#endnote-ref-16)
18. <http://www.smh.com.au/nsw/revealed-the-14-billion-western-harbour-tunnel-beaches-link-price-tag-20170717-gxcy6a.html> and further road building <http://www.smh.com.au/nsw/government-modelling-forecasts-surge-in-traffic-for-congested-sydney-cbd-bypass-20170626-gwytm3.html>

Interchange penalties in public transport arise from the time taken for passengers to change trains, buses etc. This will be a new necessity for train passengers on the Epping-Chatswood line and will also be newly necessary for other passengers such as Bankstown-CBD. See: <http://atrf.info/papers/2013/2013_douglas_jones.pdf>. In addition, commuter train journey times may increase leading to further rises in traffic; see <http://www.thejadebeagle.com/toucheth-not-the-monorail-metro-summary-business-case.html>

 [↑](#endnote-ref-17)
19. Cost blowouts: <https://theconversation.com/westconnex-audit-offers-another-17b-lesson-in-how-not-to-fund-infrastructure-73206>

Deletion of key parts: <http://www.thejadebeagle.com/wonderland-glory-and-evaluation.html>

Questions re traffic forecasts by finance experts: <http://www.theage.com.au/nsw/pressure-builds-on-state-government-to-sweeten-westconnex-sale-20171005-gyur5w.html?deviceType=text> [↑](#endnote-ref-18)
20. <http://www.smh.com.au/nsw/sydney-motorists-unwilling-to-pay-for-more-toll-roads-study-20151110-gkv5b3.html> [↑](#endnote-ref-19)
21. Commonwealth support reportedly includes a $2bn concessional loan; <http://www.abc.net.au/news/2017-02-14/westconnex-funding-was-not-properly-assessed-report/8270134> [↑](#endnote-ref-20)
22. <http://www.thejadebeagle.com/wonderland-glory-and-evaluation.html> [↑](#endnote-ref-21)
23. For example: <http://www.thejadebeagle.com/roads-3-htfu.html>. [↑](#endnote-ref-22)
24. For equity effects see note xii (above) and Paul Hubbard, *Urban Congestion – why free roads are costly* at ttps://archive.treasury.gov.au/documents/1574/RTF/01\_Urban\_congestion.rtf [↑](#endnote-ref-23)
25. <https://johnmenadue.com/john-austen-infrastructure-misuse-and-mistakes-the-hume-highway/> [↑](#endnote-ref-24)
26. <http://www.thejadebeagle.com/yawn-reports-about-another-champion-for-road-reform.html>. [↑](#endnote-ref-25)