

Hans Grueber: Tolled highways cost a lot more and provide a lot less

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The Herald editorial headlined "On the road to more toll highways" was prophetic. The Government's decision to allow a 7.5 km section of our main national highway from Orewa to Puhoi to be built as a toll road will, indeed, be a turning point. But only if New Zealanders let the Government get away with it. I am a member of, and spokesman for, Highway Robbery, the local group described by the Herald as vehemently opposed to the toll. But the issue is, in fact, national, as is our membership. And like every New Zealander, we want value for money.

Until now, roads have been financed out of the petrol tax. The collection of additional tax for additional projects does not cost one additional cent. If you start collecting revenue through tolls, however, you create a new multimillion dollar collection industry. The taxpayer/road-user pays millions of dollars extra without adding one dollar to the building of the road.

In the case of the just-approved Alport B2 project (the official name for the tolled state highway between Orewa and Puhoi), this will, according to Transit, cost the motorist 32c a hit in collection costs, adding more than \$50 million for the duration of the project without one extra dollar going towards the road. That is not value for money.

Connected with the toll idea is the model of public-private partnership (PPP) to build and run future toll roads, which was also announced by the Government. Until now, public work went out for competitive tender. This is a fair, transparent process that guarantees the taxpayer gets the best job done for the best price. It is value for money.

Under the PPP system, Transit gets into bed with foreign road-building companies.

The companies involved get first-mover advantage.

Everything will be veiled in secrecy behind commercial sensitivity. We know, however, that the competitive element has disappeared and we have instead a cost-plus structure. The results are spiralling costs.

The Orewa-Puhoi project is the first example of this huge waste of public money. Only 18 months ago it was to cost \$156 million; after the introduction of the toll legislation and the forming of the PPP Northern Gateway Alliance, the costs have more than doubled to \$360 million - and rising.

Don't be fooled by the Government explanation that these cost increases have something to do with environmental improvements such as tunnels, instead of cutting through the hillside. Environmental campaigners fought for tunnels and proved with extensive engineering reports that tunnels were not only the more sensible and safer but also the cheaper option.

It is safe to say that the taxpayer and motorist will pay \$250 million extra for a 7.5km stretch of motorway without getting one extra centimetre of road built.

This money goes mainly to inflate the profits of big overseas companies.

That is not value for money.

It is not that the Government doesn't know about these effects. It has been told about overseas experience with such schemes. There is the example of the Skye

Bridge project in Scotland. There, after years of protests, the toll was abandoned last year. The Skye project, originally to cost 25 million, ended up costing 96 million. The Guardian told the story under the headline: "A scandal of secrecy and profligacy. The Skye Bridge contract allowed private firms to fleece the taxpayer".

Then there is the research by the University of Manchester business school into similar schemes in Britain. It was appropriately entitled "Highway Robbery?" Even if under that model there are no extra toll-collection costs because the Government pays the "shadow" tolls, the result is that under PPPs more money is spent for less road.

When the leader of the Manchester research team, Professor Jean Shaoul, was asked why the British Government was doing it, she replied that this was government for the business and financial elite, not government for the people. This is where the impact of the Government's Alport B2 decision has far wider economic and social implications. Excessive private profits taken out of taxpayers' pockets and bound for overseas will weigh further on our catastrophic balance of payments.

Part of the Government budget is wasted on what is effectively a subsidy for private, international companies. This means less money for social welfare, health and education. That is not value for money.

The Herald editorial suggested the general opinion seemed to be better a toll road than no road. This shows only that the wrong alternative has been put to people. The right question is: should the road be funded by toll or petrol tax? We all know the answer to that.

In fact the required "high degree of support from affected communities" for the toll option is not there. A Government survey asked the wrong people the wrong question.

Don't believe the Government's claim that there will be no money available without tolls. Its own model proves it wrong. The extra funding for the inflated costs comes from the Government, not private finance. This is obviously so because no private lender would finance a scheme that is not commercially viable. The Tauranga toll example has shown this.

The Government is accusing opponents of pursuing failed economic strategies from the past. Looking at the toll decision it seems that it has gone back to the dark ages of the 1980s and 1990s mantra, "private good, public bad".

Has it not learned anything from, among others, the New Zealand Rail and Air New Zealand experiences?

* Dr Hans Grueber is responding to the view of a Herald editorial that tolls are both a method of financing new roads and the best antidote to traffic congestion.