Submission to the Senate Economics Legislation Committee
Re Fuel Indexation (Road Funding) Bill 2014 and 3 related bills

Philip Laird, University of Wollongong, July 2014

This submission is based on research conducted at the University of Wollongong. However, the views and research findings are the responsibility of the writer. The terms of reference have only this day come to the writers attention and it would be appreciated if it could be accepted as a late submission.

1. Australia needs to take a longer term approach to planning of transport infrastructure, along with access pricing and funding.

Fuel excise was frozen by the Howard government in early 2001 (an election year) at 38.183 cents per litre and has since remained at this relatively low level, by OECD standards. The CPI indexation that applied in Australia for many years to 2001 was relatively painless. Had it continued to apply from 2001, would now be generating well over $2 billion per annum of additional revenue.

Given Australia's record outlays on roads now exceeding $16 billion pa by three levels of government, which is now double that of a decade ago, there is now a strong economic case to increase fuel excise in Australia.

Indeed, Track and Signal noted a case to *Add 10 cents a litre to petrol - to pay for public transport ?* as far back as 2007 (Winter issue; p11 to 13).

During the past 12 years, New Zealand has increased its fuel excise by at least 10 cents per litre. The proceeds have gone into both roads and alternatives to roads. This has not done their economy any harm at all.

The reintroduction of indexation of fuel excise is long overdue, and

the current proposal, with not even an initial charge of 3 cents a litre in line with some pre-budget speculation, should receive support.

However, putting all the additional revenue into roads is more poor policy.

2. In Sydney alone, road congestion was estimated by the Bureau of Infrastructure, Transport and Regional Economics to cost $3.5 billion in 2005, increasing to $7.8 billion per annum by 2020. In the 8 capital cities, it is expected to exceed $20 billion pa by 2020. Urban road congestion is now running at about one per cent of GDP and as such is a drag on our economy.

When all costs are considered, as they should be, road transport is a costly mode of land transport. Indeed, all up, some 11 per cent of GDP and now over $150 billion per year.

3. It is wishful thinking that road congestion in Sydney, Melbourne and Brisbane, can be reduced by building more roads. The overseas experience is that a more balanced strategy, including rail, is needed to reduce road congestion.

In this regard, a December 2004 speech in Parliament by Deputy PM and Transport Minister John Anderson MP regarding the then new AusLink package made a good point: "*We upgrade our roads and immediately they are filled with more cars. We simply have to do it in a more coordinated way and upgrade rail at the same time as we upgrade the roads. We need to do that in a coordinated and sensible fashion so that what belongs on the roads goes on the roads and what belongs on rail goes on rail."*

4. The issue of putting all extra revenue from fuel excise indexation into roads was raised in the recent inquiry of the Productivity Commission into public infrastructure. As seen by Consult Australia in a submission to this inquiry: "… revenue generated from a user-pays model should be hypothecated to transport infrastructure in the broadest sense, not restricted to roads. This point of difference is important and acknowledges that roads operate as part of the broader transport system, and that funding for public transport, rail, buses, light rail, trams, and active transport infrastructure will likely include significant flow-on benefits for road-users, principally through reduced congestion."

The submission goes on to note: "Overseas experience has demonstrated that public support for a user pays model will be assisted where modal shift is encouraged, and where that shift is supported by revenue hypothecated from the user charges into complementary infrastructure."

These views are supported.

Some form of compromise is now appropriate. The Government should be prepared to allocate at least surely half of the proceeds of an increase in fuel excise to urban public transport and minority parties should be able to accept half of the proceeds going to roads.

It is of note that most fuel consumed in Australia is by motorists driving in Australia's five largest urban regions (mainland capital cities and adjoining urban areas). All motorists in Sydney, Melbourne, Brisbane, Adelaide and Perth, and Canberra, have an interest in less road congestion and improved urban public transport.

5. In the Asia-Pacific Region, metro rail systems are operational, under construction, or being planned.

One notable example is the expansion of the Shanghai Metro system which opened in 1995 with just one line. By 31 December 2013, with two new lines (12 and 16) recently opened, Shanghai had more than 500 km of track with 329 stations and that year had carried a record 8.9 million passengers. The current plan of the city of Shanghai is by 2020 to have total of 22 lines with a combined length of track of 877km. It is one of the fastest-growing and longest metro systems in the world.

Hong Kong has construction of metros being advanced on four fronts as well as completing a High Speed Rail link to China.

Other cities in the Asia Pacific region are getting new metros. However, in Australia, we are falling behind.

6. Australia in the recnet past has delivered world class urban rail projects. A recent one is the Perth to Mandurah railway. As a result of expanding, electrifying and upgrading Perth's rail system, recently released Public Transport Authority (PTA) 2012-13 patronage data shows a record 65.5 million rail trips. This is TEN TIMES that of 30 years ago.

Of these trips, some 21 million were for the Perth to Mandurah railway that was not operational until late 2007. Moreover, PTA data shows Perth bus patronage growing each year since the Mandurah line was opened in late 2007.

7. It is important also that consideration be given to longer term issues such as oil vulnerability. This topic is addressed in the 2013 Queensland Freight Strategy. Given rail's superior energy efficiency to road, and ability to use electricity for traction, it is worth while, where traffic warrants, in investing in rail.

In this regards, a recommendation of a 2007 report of the Senate Rural and Regional Affairs and Transport Committee Inquiry is of note

"*… that corridor strategy planning take into account the goal of reducing oil dependence ... Existing Auslink corridor strategies should be reviewed accordingly.*

8. Mitigating climate change also needs attention. In 2008, the Garnaut Climate Change review final report noted (Ch. 21 'Transforming transport', p 503) that *"Governments have a major role in lowering the economic costs of adjustment to higher oil prices, an emissions price and population growth, through planning for more compact urban forms and rail and urban public transport. Mode shift may account for a quarter of emissions reductions in urban public transport,...*

9. The issue of fuel tax rebates also needs addressing, as does long overdue reform of heavy vehicle road user charges.

10. To conclude, the reintroduction of indexation of fuel excise is long overdue, and at least half the proceeds should be allocated to urban public transport.

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