

# The Role of Public Transport in Delivering Productivity Outcomes



**Submission by the Bus Industry Confederation to  
the Senate Regional and Regional Affairs and  
Transport References Committee**

**January 2014**

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## **About the Bus Industry Confederation of Australia**

The Bus Industry Confederation (BIC) is the peak national body representing the interests of Australian bus and coach operators and suppliers to the industry. As the primary voice of the bus and coach industry the BIC works with all levels of Government, regulatory authorities, strategic partners, our industry and the community to:

- Encourage investment in public transport infrastructure and services.
- Coordinate and make more effective existing Federal, State and Local Government policies and programs that relate to passenger transport.
- Improve public understanding of the contribution made by the bus and coach industry to Australia's economy, society and environment.
- Ensure that the accessibility and mobility needs of Australians are met, regardless of where they live or their circumstances.
- Ensure that buses and coaches operate safely and effectively.

## **About this Submission**

This submission outlines the BIC's view that the Federal Government has a role to play in moving people across our major cities and regions and responds directly to selected terms of references for the Inquiry.

The BIC has participated in a range of inquiries and consultations related to public transport and the functioning of our cities including the 2005 Sustainable Cities Inquiry and the 2007 Inquiry into the Investment of Funds into Passenger Transport.

More recently the BIC has participated in the Steering Committee for the Urban Transport Strategy developed by Infrastructure Australia. A range of BIC publications, policies, research and submissions are available on the BIC's Ozebus website, [www.ozebus.com.au](http://www.ozebus.com.au).

## **Background**

Since its establishment in Canberra the BIC has advocated for the development of a national Moving People Strategy. We envision this as a multi-faceted and inter-governmental approach that involves a suite of policies and programs to address challenges related to Australia's land transport system.

The BIC has taken the lead in public transport related research and policy through a range of policy statements and publications including *Moving People, Solutions for a Growing Australia* (2010), *Moving People, Solutions for a Liveable Australia* (2012) and *Moving Australia 2030* (2013)

The most significant national land transport issues that BIC sees are as follows:

- Traffic congestion costs \$11 billion annually (valued by what economists call a "deadweight" loss) and this cost is rising, significantly impacting the quality of our lives and our economic competitiveness
- Road transport is the third largest source of greenhouse gas emissions and these emissions are growing, at a time they need to be declining
- Many Australians are socially excluded through inadequate access to transport options
- The road toll, of about 1450 fatalities and 30,000 serious injuries annually, remains unacceptably high, and our dependence on car travel seems to be contributing to growing health problems from obesity
- Australia's energy security is significantly threatened by our high reliance on, and increasing demand for, fossil fuels, where we are currently about 50% self-sufficient, with this share expected to fall to about 20% by 2030
- Ageing transport infrastructure accentuates many of these concerns, as does rapid population growth.

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The establishment of Infrastructure Australia and investment in large scale rail projects by the previous Commonwealth Government was the right step in defining a set of institutional frameworks for infrastructure development that will address the challenges of land transport in the future.

There is a potential through the reform agenda being undertaken by Infrastructure Australia and Council of Australian Governments Reform Council for investment in smaller projects which incorporate considerations of land use and transport within urban renewal in our major cities and regions.

In future Australia will be best served by a unified approach at a Commonwealth Government level to develop solutions for moving people in our cities and regions. The current Parliament has the unique opportunity of achieving this outcome during this term of Government.

## **The Need for an Integrated Approach across Road and Rail in Addressing Congestion in Capital and Major Cities**

Road congestion cost the Australian economy \$11 billion in lost productivity in 2011<sup>1</sup> and this figure is expected to increase to \$20 billion a year by 2020.<sup>2</sup> This is assessed as the cost to the Australian economy in wasted time and fuel, this figure does not include the public health and social costs associated with traffic congestion. Congestion not only impacts on productivity economy wide, but impacts on the productivity and quality of life of individuals.

Reducing congestion can bring significant benefits to the economy. A recent study from the United States (Hartgen and Fields, 2009) shows that reducing congestion and increasing travel speeds enough to improve access by 10 percent to key employment, retail, education and population centers increases regional production of goods and services by 1 percent. This in turn increases tax revenues to government.<sup>3</sup>

An integrated approach that considers not only road and rail, but also includes land use planning and active travel such as walking and cycling is essential for productivity gains, income generation and quality of life in our major cities.

### **Congestion Increases Our Cost of Living**

The annual costs of congestion by 2015 are estimated to be in the thousands of dollars per capita for residents of Australia’s capital cities see Table 1, with Brisbane the most expensive city in congestion terms at \$4600 per capita.

The cost per family per annum in Brisbane is estimated at \$12,000.

**Table 1: Congestion Costs Per Capita in Australia’s capital cities, comparing 1995 to forecasts for 2015**

<b>City</b>	<b>Congestion Cost Per Capita (1995)</b> <b>\$Billion</b>	<b>Congestion Costs Per Capita (2015)</b> <b>\$Billion</b>
Sydney	1600	2000
Melbourne	840	2100
Brisbane	1800	4600
Adelaide	740	1500
Perth	480	1900
Average Across Capitals	\$1004	\$2420

**Source: Bureau of Transport and Economics, 1999**

The Bureau of Transport and Regional Economics estimated the cost of congestion averaged across Australian capital cities as being 7 cents per vehicle kilometre travelled, increasing to 11 cents per vehicle kilometre travelled by 2020.<sup>4</sup>

Congestion increases the cost of driving for commuters by increasing the amount of fuel used over set distances. This is explored below.

### **Congestion Increases Fuel Use**

<sup>1</sup> Australian Treasury (2011), *Revenue Group Update*, Australian Government, Canberra.

<sup>2</sup> Bureau of Infrastructure Transport and Regional Economics, *Working Paper 71: Estimating Urban Traffic and Congestion Cost Trends for Australian Cities*, Australian Government, Canberra.

<sup>3</sup> Hartgen, D., and Fields, G.M (2009), *Gridlock and Growth: The Effect of Traffic Congestion on Regional Economic Performance*, at: <http://reason.org/news/show/gridlock-and-growth-the-effect#sthash.fxE2EpjM.dpuf>

<sup>4</sup> BTRE (2007), *Estimating Urban Traffic And Congestion Cost Trends For Australian Cities*, Working Paper 71, Bureau of Transport and Regional Economics ([www.btre.gov.au](http://www.btre.gov.au)); at [www.btre.gov.au/info.aspx?ResourceId=249&NodeId=59](http://www.btre.gov.au/info.aspx?ResourceId=249&NodeId=59).

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Through comparative testing of fuel use in peak and non peak driving conditions the Royal Automobile Club of Queensland (RACQ) found that congestion increased fuel use and journey times.

The RACQ found:<sup>5</sup>

- Fuel consumption, increased by an average of 30 per cent for vehicles when travelling in congested congestions compared to day time traffic.
- Average fuel consumption increased from 12.4 to 16.2 litres/100 kilometres, an increase of 3.8 litres/100 kilometres.

On the basis of these findings and fuel prices at \$1.50/ litre, congestion costs commuters an additional \$5.70 per 100 kilometres driven. This cost figure increases as fuel prices increase.

**Congestion Increases Carbon Emissions**

Increased fuel use and travel time means congestion increases carbon emissions.

Through comparative testing of fuel use in peak and non peak driving conditions the Royal Automobile Club of Queensland (RACQ) found that congestion increased vehicle emissions.

The RACQ found:<sup>6</sup>

- Calculated average CO2 emissions increased from 311 grams/kilometre to 404.5 grams/kilometre an increase of 93.5 grams/ kilometre.

**Congestion Affects our Health and Safety**

Congestion impacts on the personal health of Australians through increased stress and pollution and by increasing stress and can create traffic hazards by affecting the way people drive.

In their survey of commuters (Commuter Pain Index) IBM found that 41 per cent of drivers believe that traffic has negatively affected their health, and Sydney commuters are worst off, with 50 per cent of drivers in that city experiencing negative health effects. Among those who believe that traffic has negatively affected their health, increased stress (77 per cent) and anger (52 per cent) are the primary symptoms.<sup>7</sup>

This was reiterated by the RAC survey which found that 68 per cent of commuters have increased stress as a result of congestion and that 19 per cent drive more dangerously.

Congestion results in harmful pollution through increased fuel use. This pollution impacts on the cardiovascular health of people in cities and is attributable to premature death and illness.

Research estimated that traffic congestion-related emissions in 83 cities studied caused approximately 4,000 premature deaths in the year 2000, with a monetized value of approximately \$31 billion (in 2007 dollars)<sup>8</sup>.

Congestion impacts on road safety by affecting traffic flows and driver behaviour. As traffic starts to become congested, the average speed decreases but the number of interactions between cars increases and conditions become unstable. Research from the Netherlands has determined that that fewer severe crashes will occur given the lower speeds but unstable flow conditions are expected to result in an increase in the frequency of rear-end

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<sup>5</sup> Spalding, S. (2008), *RACQ Congested Roads Report: The Effects on Fuel Consumption and Vehicle Emissions*, RACQ, Queensland, Australia.

<sup>6</sup> Ibid.,^

<sup>7</sup> IBM (2011), *Australian cities not keeping up with commuter needs: IBM Commuter Pain Study*, media release, accessed online at: <http://www-03.ibm.com/press/au/en/pressrelease/33560.wss>

<sup>8</sup> Levy, j., et al (2010), *Evaluation of the public health impacts of traffic congestion: a health risk assessment*, *Environmental Health* 2010, 9:65. Accessed online at: <http://www.ehjournal.net/content/9/1/65>

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crashes. Also, run-off-road and side-impact crashes may occur, because of changes to driver behaviour. Frequency, severity and type of crash are affected by congestion.<sup>9</sup>

**Congestion Affects Family Life**

Congestion is a drain on time; extra hours spent in traffic are taken away from family life. Congestion robs Australians of time by increasing the total time it takes for them to commute on a daily basis.

In its congestion impacts study the RACQ found that:

- Inbound peak hour journey times increased by an average of 85 per cent over day time trips as a result of congestion.
- Outbound peak hour journeys times increased by an average of 38 per cent over daytime trips as a result of congestion.

Congestion is a daily problem for the vast majority of Australians and Sydney is rated the seventh worst city among Western OECD cities for congestion.<sup>10</sup> Sydneysiders spend an average extra 40 minutes in their vehicles for every hour driven and an additional 92 hours a year in traffic based on a 30 minute daily commute.<sup>11</sup> RAC found in its survey that as a result of congestion:<sup>12</sup>

- 46 per cent of respondents spend less time at home with their family
- 44 per cent of respondents said they have to get up earlier
- 36 per cent of respondents arrived home from work later.

**Recommendation 1: Address Congestion through an Integrated Approach to Land Use and Transport Planning**

To address congestion through an integrated approach to land use and transport planning the BIC, along with strategic partners in public transport, active transport and planning have called for the establishment of an Australian Government Urban Development, Planning and Cities portfolio and Minister to:

- Integrate land use and transport planning considerations at An Australian Government level.
- Oversee the adoption and implementation of Capital Cities Planning Criteria agreed to by the Council of Australian Governments.
- Oversee the delivery of an expanded Liveable Cities program funding and set of projects.
- Appoint Capital City Commissioners to coordinate delivery of capital city plans and act as a conduit between Federal, State and Local Government.
- Through a research and evidence gathering agenda assist State and Local Governments improve structure and concept planning for new land development areas that reflect best practice in integrated land use and transport planning.

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<sup>9</sup> Marchesini, P., and Weijermars, W. (2010), *The relationship between road safety and congestion on motorways*, SWOV, Leidschendam, 2010

<sup>10</sup> Tom Tom (2013), *Australian and New Zealand Congestion Index*, Tom Tom International.

<sup>11</sup> Ibid.,^

<sup>12</sup> RAC (2013), *Survey of Commuters*, Royal Automobile Club Western Australia, Perth.

**Recommendation 2: Address the Transport Network Related Aspects of Congestion through a National Plan**

In 2013 the BIC developed *Unlocking Our Cities: A National Plan for Reducing Congestion in Australia's Major Cities*. This Plan uses the combination of five key measures based on existing government policies and small scale solutions to offer a system wide National Plan for reducing congestion.

The five measures that fit together to form a Commonwealth Government National Congestion Plan are:

- Measure 1 – Identify the congestion reduction value of existing and future transport infrastructure investment
- Measure 2 – Implement a national congestion hotspots program
- Measure 3 – Fund travel demand management strategies
- Measure 4 – Implement travel behaviour change programs
- Measure 5 – Introduce tax and financial incentives for increasing public transport patronage

Congestion has significant impacts on productivity the environment, personal health and road safety. This is mainly the case in Australia's capital and major cities, the knowledge centres and drivers of the economy. On economic grounds alone, the Commonwealth Government has a key role to play in addressing congestion, including support for public transport investment as part of the solution.



## **The National Significance of Public Transport**

Since its establishment in 2001 the BIC has presented the view that how we move people in our major cities and regions is an issue with a national scope that affects the economy, environment and the lives of all Australians.

The Commonwealth Government has a role to play in developing strategies and building infrastructure that encompasses freight, private vehicles and rail and road based public transport systems.

Until 2007 Australia was unique amongst Western OECD nations for the national government playing little or no role in funding public transport.

The key government policy objectives that BIC sees as required in improving Australia's transport systems, where the Commonwealth Government can play a role are:

1. Changing the modal balance for transport away from such a high dependence on motor vehicles;
2. Improving the environmental performance of all transport modes but particularly of cars and trucks; and
3. Ensuring that travel opportunities are available to all, irrespective of personal circumstances.

These three policy objectives can be translated into six major program directions, with indicative actions of the type shown below.

### **1. Reducing the demand for travel**

- Land use planning (increased density, co-location)
- Maximising opportunities for walking and cycling

### **2. Achieving a shift to lower carbon transport modes**

- Cars to public transport, walking and cycling
- Trucks to rail

### **3. Improving vehicle utilisation**

- Higher car occupancy
- More efficient freight movements

### **4. Reducing vehicle emissions intensity**

- More efficient vehicles
- Smaller passenger vehicles
- Alternative fuels
- Intelligent transport systems
- Better driving practices

### **5. Increasing mobility opportunities**

- Provision of reasonable base public transport service levels
- Using existing public transport opportunities (e.g. school and community buses) more effectively

### **6. Creating a more sustainable freight network**

- Focus on freight movement to/from ports, hubs and to connect key manufacturing/distribution centres.

### **Recommendation 3**

In *Moving People, Solutions for a Growing Australia* the BIC developed a National Land Transport Action Plan to flow from these six policy directions. It is outlined in the following section.

The BIC recommends the adoption of this National Land Transport Action Plan on a strategic level by the Commonwealth and State Governments through COAG and the Standing Council on Transport and Infrastructure (SCOTI).

## **A National Land Transport Action Plan**

A National Land Transport Action Plan would address seven priorities:

### **1. Increased investment in public transport**

Continue to increase ongoing funding in public transport by all levels of government, to meet existing and future demand. This should focus on increased service levels, improved connectivity (urban and regional) and providing greater service reliability and wider transport choice.

### **2. Freight capacity investment and efficiency improvements.**

Invest in freight infrastructure, to reduce road congestion and improve road safety, urban amenity and the environment.

### **3. Road pricing reform.**

Replace existing excise and registration charges with charges that better reflect all the real costs associated with road travel, including congestion, accident, health, road damage, air pollution and noise. Allocate a significant part of the generated revenue to improved public transport services.

### **4. Improved accessibility for all.**

Provide adequate mobility choices that provide reasonable and equitable access to family and friends, jobs, shops, services and recreation, to promote social inclusion.

### **5. More compact walking and cycling friendly urban settlements**

Improve the long term integration of urban and transport planning to deliver mixed use, cities with multiple activity centres and higher development densities along urban public transport corridors. Aggressively pursue walking and cycling strategies.

### **6. Improved fuel efficiency.**

Set mandatory fuel efficiency targets to align Australia's vehicles with European standards within the next five years.

### **7. Improvements in transport research and information.**

Implement an integrated national transport research program that consolidates and extends existing knowledge of transport around Australia.

The accompanying Table 2 shows how this action plan directly targets the critical national outcome areas highlighted above, to provide an integrated approach to our land transport future.

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**Table 2: Alignment of Intended Policy Outcomes and Action Plan Content**

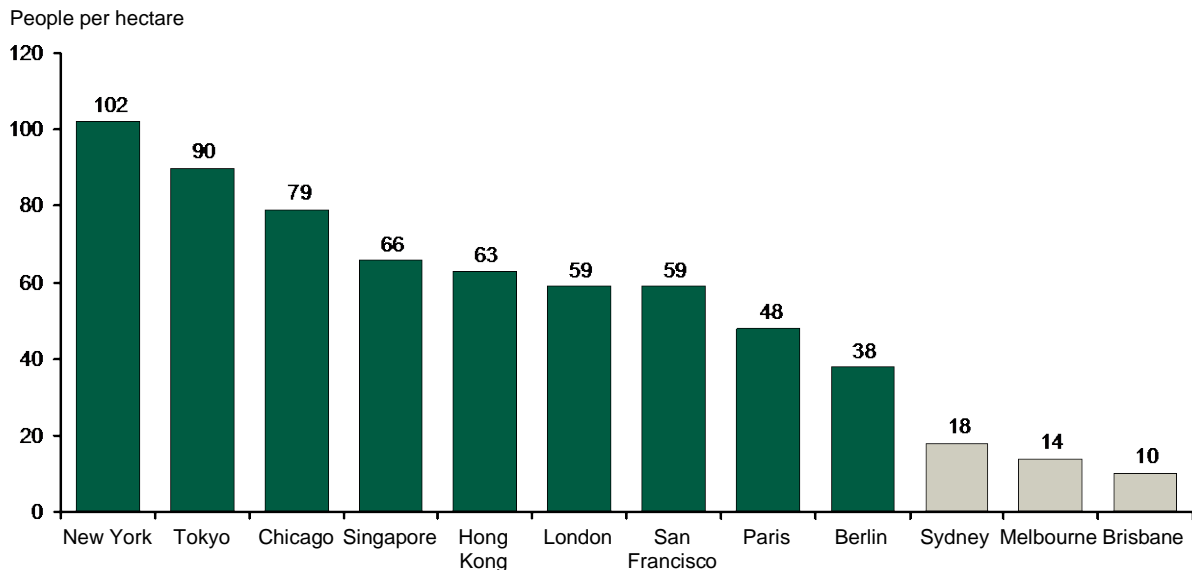
Policy Outcomes						
		<b>A. Congestion Management</b>	<b>B. Environmental Improvement</b>	<b>C. Social Inclusion</b>	<b>D. Health &amp; Safety</b>	<b>E. Energy security</b>
<b>Seven Point Plan</b>	<b>1. Increased investment in public transport</b>	Modal shift to PT	Lower emissions	Greater accessibility	Fewer injuries and fatalities	Investment in new technologies
	<b>2. Freight capacity investment &amp; efficiency improvements</b>	Reduced road congestion	Less freight related emissions		Fewer severe accidents	Increased energy security
	<b>3. Road pricing reform</b>	Less peak congestion	Lower emissions		Lower emissions	
	<b>4. Improved accessibility for all</b>			Mobility for socially at risk		
	<b>5. More compact walking &amp; cycling friendly urban settlements</b>	Reduced travel need.  More cycling and walking require less road space	Lower emissions	Mobility options easier to provide	More physical activity through walking and cycling	
	<b>6. Improved fuel efficiency</b>		Emission standards		Better air quality	Reduced need for imported fossil fuels
	<b>7. Improved R&amp;D</b>	Better transport R & D to meet these outcomes.				

## The Relationship Between Public Transport and Building Well-Functioning Cities

Australian cities are among the most widely dispersed in the world (Figure 1). More compact cities can help to reduce travel distances (e.g. because of closer proximity of trip origins and destinations), make walking and cycling easier and improve the economics of public transport service provision.

Through these impacts it can contribute to cutting road congestion costs, improving air quality, lowering the road toll, improving health and reducing GHG emissions. A related benefit of developing more compact urban settlement patterns is the encouragement of what are termed the “consumption externalities” of cities, such as restaurants, cultural facilities, etc, which act as attractors for many knowledge workers.

**Figure 1: Population density in major cities (2004)**



Note: Population density statistics appear to vary widely between sources

**Source: DOI (2006) Victorian Department of Infrastructure’s Submission to the Inquiry by the Victorian Competition and Efficiency Commission into managing Transport Congestion, Melbourne; The Economist**

A recent study<sup>13</sup> examined the effects of urban form and public transport supply on travel mode choices and annual vehicle travel in 114 US cities. Population centrality, the jobs-housing balance, city shape and density were found to have a significant effect on the amount of vehicle travel. This reduction is driven by differences in public transport supply, city shape and especially in population centrality (essentially compactness). While individual factors have only small impacts, the joint impact of the various factors is significant, emphasising the importance of taking an integrated and systemic approach to reducing transport related fuel use, including both land use and transport planning.

Compact, pedestrian and bicycle-friendly mixed use developments, containing medium to high density residential, office and retail uses within walking distances of rail stations (or tram/bus rapid transit routes), is sometimes called Transit Oriented Development (TOD). A number of studies have shown how such developments can reduce car use by 20 per cent or more.

Public transport investment will be needed along the major corridors to cater for the higher density mixed use developments and capacity expansion will be needed in several CBD-oriented public transport services, to cater for patronage growth. Failure to provide such capacity carries risks of CBD job loss, with associated losses of agglomeration economies, for which CBDs are important from an economic perspective, an argument well made by Sir Rod Eddington’s East-West Needs study in Melbourne.<sup>14</sup>

<sup>13</sup> Bento, AM, Cropper, ML, Mobarak, AM and Vinha K (2005), ‘The Effects of Urban Spatial Structure on Travel demand in the United States’, *The Review of Economics and Statistics*, 87(3), 466-478.

<sup>14</sup> SYDEC, INC. (2007), ‘Long Term Transit Expansion Prospects, Commission Briefing paper 4M-05, Prepared for National Surface Transportation Policy and Revenue Study Commission, May, 16.

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Professor Rob Adams of University of Melbourne and City of Melbourne has been promoting the multiple benefits of linear corridor development, in terms of lower energy requirements for transport and buildings, scope for local energy generation, water capture and roll-out of fibre to the property for high speed broadband. It is in this area of integrating urban public transport and land use that the interface between public transport, bicycles and pedestrians becomes very important.<sup>15</sup>

Easy pedestrian access to rail and bus routes, with stops that provide shelter, are basic requirements to attract people from their cars and reduce traffic congestion. The following diagram from Professor Adams illustrates how this might appear in a city like Melbourne.

**Figure 2: Inner Melbourne with potential linear corridors.**



**Recommendation 4**

In December 2009, COAG agreed to nine national criteria for capital city strategic planning system reforms. These criteria if applied to capital and major city strategic planning documents and state level legislation can play a significant role in the development of energy efficient urban form in Australia's major population centres.

Following further work in this area by the COAG Reform Council, subsequently, SCOTI provided a response to the Council's report recommendations in May 2012.

The BIC recommends that the SCOTI response is followed by an agreed action plan for capital and major cities strategic planning with the Commonwealth Government playing a leading strategic role, including the establishment of institutional frameworks, a Ministry and portfolio as raised in recommendation 1.

<sup>15</sup> City of Melbourne (2010), 'Transforming Cities: For a More Financially Viable and Sustainable Future', City of Melbourne, Victoria.

## **The decision of the Federal Government to refuse to fund public transport projects**

Infrastructure investment should be modally neutral and based on an objective assessment model which includes a full externalities based cost benefits analysis of proposed projects.

The recent Infrastructure Australia Urban Transport Strategy, which has been submitted to this inquiry, proposes a pre and post project assessment model for proposed road and rail infrastructure projects. This assessment model encompasses an assessment of systems criteria, economic criteria, social criteria, environmental criteria and governance criteria.

This assessment model has the potential to provide an objective and modally neutral assessment of proposed projects on which the Commonwealth Government can base funding decisions. The satisfaction of the criteria proposed in this model will ensure the investment provides the highest return on investment from Commonwealth expenditure.

The BIC strongly encourages the adoption of the proposed assessment model from Infrastructure Australia as part of the forward infrastructure funding assessment process from the Commonwealth Government.

In the area of Rapid Transit projects the BIC has developed the Australian Rapid Transit Assessment Guidelines (ARTAG) which similarly provides an objective assessment model that provides an objective assessment model for governments in assessing whether to build rapid transit and what mode of rapid transit should be built. This will be available in late March.

Infrastructure Australia's assessment model and the BIC developed ARTAG concept will provide for better analysis of infrastructure costs and benefits, including public transport projects on a like for like basis rather than the approach that currently pits passenger transport infrastructure against freight or port infrastructure.

Objective assessment of infrastructure investment from Commonwealth funding is a clear responsibility of the Commonwealth Government and should be implemented as a matter of priority.

## **The impact on user charges arising from requiring states to fund public transport projects**

The BIC does not agree with this term of reference in seeking to imply that the refusal of the current Commonwealth Government to fund urban rail projects will lead to increase ticket prices for public transport in capital cities. State Governments since prior to Federation and until 2007 were the sole financiers of public transport projects in Australia, any pricing system related to public transport reflects this.

The argument that the withdrawal of Commonwealth funds from projects yet to be undertaken will lead to increased ticket prices does not bear scrutiny.

The broader question is how public transport projects should be funded in the future. There is now a widespread search for new ways of paying for infrastructure, as illustrated in the BIC's *Moving People: Solutions for a Liveable Australia*. A summary of funding mechanisms identified in this document from the BIC is as follows:

- A use-based charge to cover carbon costs (which could remain as a fuel-based charge, like excise)
- A use-based charge to cover the costs of road construction and maintenance attributable to lighter vehicles (distance and location based)
- A tonne kilometre charges for the additional road damage attributable to heavy vehicles (distance and location based)
- A use-based charge to cover the external cost component of accident costs (distance and location based)
- Use-based charges to levy the more polluting vehicles for their health (air pollution) costs (distance and location based),
- A congestion pricing scheme to make users accountable for the congestion costs attributable to their road use (distance, location and time based).

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- Road user charges (exc. tolls): pay for road costs, including externalities, and contribute to costs of public transport (capital/operating deficit), walking and cycling initiatives that reduce the external costs of road use.
- Tolls: fund (wholly or in part) the financing costs of specific works on which the tolls have been levied or perhaps specific works on other related links. Higher tolls on congested portions of existing tollways could be used for purposes that can be negotiated with the operator. New tolls on congested existing freeways could be used for road improvements or to contribute to PT improvements that help ease congestion (if the tolls are privately levied following asset sale, the asset sale revenues can be used for similar purposes). Specific tolls could be used to help fund level crossing removal
- Metropolitan improvement levy: fund part of the PT operating deficit, particularly for services in growth areas. Such a levy might also be used to fund other metropolitan services, such as place-making initiatives
- Borrowings (can be public or private): fund major public or private projects, on which user charges or tolls might be imposed that can help to repay borrowings.
- Private equity: a component of the cost of financing PPPs, with tolls and perhaps a government contribution used to provide a return
- Tax Increment Financing and special exactions/rates (value capture mechanisms): involve direct government revenue streams that are used to fund borrowings that have been used for specific investments that will increase property values, which may be transport investments
- General Council rates: fund the access component of local road costs
- Federal/State grants: national roads, state roads and part of local roads, until such time as road user charging provides the revenue stream to fund the road costs; major PT capital. The grants could be from hypothecated excise revenue or some revenues from asset sales.
- Public transport fares are a further source of revenue. Fare revenues typically meet less than half operating costs in Australian cities. Higher cost-recovery targets should be set when reformed road user charging is in place, with retention of suitable concession fares on equity grounds. Increasing most PT fares should not have much impact on public transport patronage because it will be happening as part of a process of making all travel more expensive, in recognition of the social costs involved.
- The GST on public transport fares held in a Commonwealth public transport fund for the purpose of investment in public transport projects.

**Recommendation 5**

That the Commonwealth Government review funding mechanisms related to infrastructure investment as an initiative arising from the findings from the Henry Review of Taxation and the Productivity Commission's inquiry in to public infrastructure and play a leadership role in implementing innovative 'user pays' pricing mechanisms to fund land transport infrastructure including public transport infrastructure and services.

**Conclusion**

The Bus Industry Confederation is available to discuss our submission and can be contacted on email: [enquiries@bic.asn.au](mailto:enquiries@bic.asn.au) or via phone: (02) 247 5990.