The Senate

Rural and Regional Affairs and Transport References Committee

Investment of Commonwealth and State funds in public passenger transport infrastructure and services

August 2009

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Members of the Committee

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Substitute Members

* Senator Chris Back, LP, Western Australia, replaced Senator Bill Heffernan for this inquiry.

Participating Members

Senator Scott Ludlam	AG, Western Australia

Senator Mary-Jo Fisher	LP, South Australia
Senator Ian Macdonald	LP, Queensland.

Committee Secretariat

Ms Jeanette Radcliffe, Secretary
Mr Geoffrey Dawson, Principal Research Officer
Ms Maria Sarelas, Executive Assistant

Parliament House, Canberra
Telephone: (02) 6277 3511
Facsimile: (02) 6277 5811
Internet: www.aph.gov.au/senate_rrat
Email: rrat.sen@aph.gov.au.

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Chapter 1: conduct of the inquiry

Significant increases in urban public transport use in recent years have caused complaints about overcrowding and focussed attention on the need for improvement. Problems of urban traffic congestion have had renewed attention since the publication of a 2007 report which projects a greatly increased congestion cost in future under business as usual assumptions.[1] Rising oil prices and changing climate have also increased the demand upon and the need for public transport.

The detrimental health effects of inactive, car-dependent lifestyles have had increased attention in recent years as part of the discussion of the 'obesity epidemic'.

In the committee's view these issues make the inquiry timely.

All submissions argued, and the committee agrees, that public transport and active transport create community benefits which justify supporting them with public subsidies.

Key issues for improving public transport include:

- the need for stable strategic transport plans, with goals, actions and performance criteria detailed enough to be a basis for monitoring performance;
- the need for best practice institutional arrangements so that the city's public transport service is planned and delivered as a fully integrated network;
- the need to properly integrate transport planning with urban planning more generally.

Most of the discussion in the report, following the submissions, is about public transport in cities, since that is where the traffic congestion problems are greatest, and that is where the research on transport disadvantage focusses. That is not intended to downplay the significance of rural and regional transport issues. [1.8]

Chapter 2: background information on public transport in Australia

Metropolitan travel in passenger-kilometres is about 85-90 per cent by car, 10 per cent by public transport and the rest by cycling and walking. The public transport share is much higher for trips to central business districts, where services are best and problems of traffic congestion and parking most favour public transport (for example,

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1 Bureau of Transport and Regional Economics, *Estimating urban traffic and congestion cost trends for Australian cities,* working paper 71, 2007

public transport handles 72 per cent of work trips to the central business district of Sydney). [2.9, 2.12]

Public transport trips as a share of all metropolitan trips has been mostly stable since about 1980 as ridership has grown slowly in proportion to population growth. However increases significantly above trend have occurred in most capital cities in the last few years, leading to complaints about overcrowding. [2.17]

Urban public transport services are mostly provided (funded) by State governments. The operator may be a corporatised state-owned authority or private providers under contract to government. Farebox cost recovery is usually about 20 to 35 per cent. [2.25, 2.28]

Chapter 3: benefits of public transport

Public transport to reduce traffic congestion

On present trends the cost of urban traffic congestion is projected to increase significantly. The Bureau of Transport and Regional Economics has estimated that if all metropolitan public transport, cycling and walking trips were car trips, the cost of congestion would be about $3 billion higher than it is. This is expected to double by 2020 [3.7, 3.9]

It is inevitable that as our cities grow public transport must play a greater role in combating traffic congestion. [3.12]

Congestion charging can help reduce congestion by discouraging motorists from travelling at the most congested times and places. The economic benefits of congestion charging are well established, however it has been politically difficult because of the perception that it is 'yet another tax on motorists'. Better public transport is essential to make congestion charges economically defensible and politically palatable by giving more motorists other choices. [3.23,3.25]

Public transport to improve the urban amenity

Car-limiting and public transport friendly planning policies economise the amount of land needed for roads and parking, land which may be put to more attractive uses; and they strengthen older activity centres which are usually more accessible by public transport and have a better and safer environment for pedestrians. [3.28]

There is strong world-wide evidence that public transport improvements (particularly congestion-free railways or busways) improve nearby property values. [3.29]

Public transport for environmental goals

Public transport is more energy efficient than car transport, and so will contribute to reducing oil dependence and reducing greenhouse gas emissions. [3.33]

Public transport to promote public health

More public transport use will reduce the health costs of road crashes and atmospheric pollution, and promote active lifestyles and help reduce obesity. [3.46ff]

Public transport to reduce transport disadvantage and social isolation

Better public transport will reduce the transport disadvantage and social isolation suffered by people without cars. It will reduce the need for urban fringe dwellers to spend an excessive proportion of their income running cars. [3.59ff]

Chapter 4: Improving public transport

Need for better services

The most prominent comment in submissions was the need for improvements to public transport service. The most important elements of this are speed and frequency. Bus/tram priority measures are important to make public transport congestion-free and improve reliability, and are considered worthy of significant investment. [4.3, 4.6, 4.7]

Need for a complete network

To encourage public transport use for trips other than commutes to the city centre it is important to have a complete network of sufficiently frequent routes with quality interchange facilities. With a complete network and convenient transfers the effective reach of the network may be greatly increased very cost effectively. [4,13, 4.15]

Need for a legible network, good information services, multimodal ticketing

To encourage occasional users and transfer trips, it is essential to have a legible network of routes and clear information about timetables and ticketing, and a convenient multi-modal ticketing system that does not discourage transfer trips. [4.17, 4.21]

Need to integrate cycling and walking measures with public transport

Submissions noted the need to plan measures to encourage cycling and walking in conjunction with public transport measures, as they support each other. Cycling can greatly increase the catchment of train stations, while almost all public transport trips have a walking component. [4.27]

Need for better institutional arrangements

Submissions stressed the need for good governance to make sure that public transport services are delivered effectively and to make sure that infrastructure investment is prioritised widely. The key element of this was usually said to be a single regional public transport authority with the power and responsibility to plan and deliver the

city's public transport service in an integrated way under a single brand (whether or not service provision is contracted out). [4.37]

Need for a strategic transport plan

Submissions stressed the need for a long term strategic transport plan for each major city and region as a whole, which has goals, actions and performance criteria detailed enough for performance to be monitored. [4.42]

Need to integrate transport planning and urban planning

Submissions stressed the need to integrate transport planning with urban planning generally. [4.45]

Increasing residential density generally is often suggested as a way of promoting public transport use; however this is controversial. The committee takes no position here on the urban consolidation debate, but stresses that planning initiatives to promote walking and cycling and public transport provision can and should be done regardless of views about the best overall urban population density. [4.51]

Need for infrastructure investment

Most submissions argued the need for significant investment in public transport infrastructure. However they stressed the need for orderly cost benefit analysis and prioritisation that gives adequate attention to external costs and matters hard to quantify, in keeping with a city-wide long term strategic transport plan.[2] [4.53]

The committee agrees that significant catch-up investment in public transport infrastructure is needed, particularly in light of the current strong growth in patronage, and the inevitability that congestion-free public transport will be more important in future as our cities become bigger and more congested. [4.59]

Issues for rural and regional public transport

Many submissions raised concerns about poor public transport in rural and regional areas. A key challenge for governments is to provide more effective service without excessively increasing the cost in public subsidy. However even without increasing operational budgets there is obviously room for improvement in providing better centralised information and marketing, and coordinating services so that the timetables are rational and riders are not hampered by bureaucratic restrictions relating to operators' territories. [4.62, 4.66]

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2 'External costs' are explained at paragraph 3.19.

Special needs public transport, community transport

Some needs which are currently met inadequately or not at all by regular public transport may be more suitable for community transport. Submissions noted the increasing burden that is falling on local councils who provide transport not only for special needs groups but also to make up for the lack of adequate regular public transport. [4.67, 4.71]

Need to plan for long term change

The aim of improving public transport is to change people's travel behaviour in favour of more sustainable, less car-dependent, less congested cities. We can expect change to be slow, as it requires changing patterns of urban development and human behaviour developed over two generations. The important thing is to set a trend to reduce car-dependence in the long term. [4.76]

Chapter 5: the role of the Australian Government

Past Australian Government involvement in public transport

The Australian Government operated a Urban Public Transport Program (1990-93) and the Better Cities program (1991-96). More recently it has contributed to 'Travelsmart' behavioural change programs, however this funding ceased in June 2009. Otherwise the Australian Government's policy in recent years has been that urban public transport is the responsibility of the states/territories. [5.2ff, 5.14]

Recommendation 1 (paragraph 5.13)

That the Commonwealth recognise the cost-effectiveness of the 'Travelsmart' behaviour change program and consider reinstating funding for it from an appropriate department.

However the Australian Government has recently signalled a renewed interest in urban policy by establishing a Major Cities Unit in Infrastructure Australia, the Government's new infrastructure advisory body. The 2009 budget funded a number of significant urban public transport projects. [5.15]

The Australian Government also contributes to the Commonwealth/State Home and Community Care program, which has a transport component. On the evidence it seems that there is potential to improve the interface between regular public transport and community transport to ensure the most cost-effective service to the most people. The Committee recommends that the Department of Health and Ageing, which is accountable for the efficient use of HACC transport funds, should be mindful of this in negotiation of future HACC agreements. [5.16]

Recommendation 2 (paragraph 5.17)

The Commonwealth in future negotiation of HACC agreements should be mindful of -

- **the effectiveness of present community transport services;**
- **future transport needs of groups targeted by community transport;**
- **appropriate balance between community transport, regular public transport and taxis to meet those needs; and**
- **appropriate division of responsibilities, actions and funding to meet those needs.**

National leadership for best practice transport planning

Submissions argued that there should be greater national coordination of transport policy. The Committee notes and supports recent work by the National Transport Commission and the Australian Transport Council in this regard. [5.24, 5.27]

Nationally coordinated public transport research

Submissions argued that there is a need for greater national coordination and support of research relating to best practice public transport planning and operations. The committee agrees that there is a need for a national transport research agency whose remit includes detailed technical research on public transport and active transport. Whether this should be a new body or should be done by extending the remit of one of the existing bodies (BITRE, Austroads or ARRB) would be a matter for further consideration. [5.33]

Recommendation 3 (paragraph 5.34)

The Australian Government in consultation with the states/territories and other stakeholders should establish a national transport research body suitable to be a national centre for detailed research into world's best practice public transport and active transport.

A public transport and active transport funding program

Submissions urged the Australian Government to establish an ongoing funding program for public transport and active transport comparable to its roads programs. [5.35]

The committee agrees that the demand on public transport infrastructure will continue to rise and require an expansion of its role and capacity in meeting the commuter task. Nevertheless, public transport has traditionally been the responsibility of the states and a key element of service delivery regarding which the voting public quite rightly hold their state governments to account. Moreover, public transport involves complex urban planning, land use and development decisions that are best carried out by the

states since they are the closest constitutional level of government to the community. The Committee does not propose to recommend that this should change. [5.43]

Recommendation 4 (paragraph 5.44)

Commonwealth funding for public transport should only occur in the context of overall funding for infrastructure projects that meet a strict merit-base criteria. These include an objective assessment of the broader community and economic benefits and the degree to which the sponsoring state government has adopted an integrated, inter-modal, best-practice approach to transport planning and management. The Commonwealth can only make such decisions in the context of broader judgements regarding all competing infrastructure projects that have national significance.

Suggested tax incentives for public transport

Submissions suggested that there should be tax incentives to use public transport. On the other hand, Treasury has previously argued that a tax benefit for public transport use would seem to be contrary to the fundamental principle of distinguishing work-related and private expenditure in the tax system. [5.45, 5.49]

The committee is not inclined to recommend tax concessions for public transport at present. However the committee agrees that the likely benefits should be further investigated. [5.51]

Recommendation 5 (paragraph 5.52)

The Government should investigate options for tax incentives for public transport including estimating their likely effects on people's travel behaviour.

Measures that encourage 'buy-in' by employers to promoting sustainable transport in their workforces should be encouraged. [5.53]

Recommendation 6 (paragraph 5.54)

Government support for behavioural change programs ('Travelsmart') should include measures to encourage 'buy-in' by employers in promoting sustainable transport in their workforces.

Fringe benefits taxation of cars

Submissions argued that the concessionary tax treatment of cars as a fringe benefit (car FBT) should be abolished. They argued that the concession encourages the use of cars, significantly contributes to urban traffic congestion and parking problems, and is contrary to widely held goals to promote public transport and restrain transport greenhouse emissions. [5.56]

The statutory formula used to calculate car FBT encourages excess driving to reach the next distance band which earns a lower tax. This undesirable situation can easily be remedied by adjusting the statutory formula. [5.76-7]

Recommendation 7 (paragraph 5.79)

The Government should amend the car FBT statutory formula to remove the incentive to drive fringe benefits cars excessively to reach the next threshold.

The statutory formula is also generally concessionary. The committee accepts submissions that this encourages a car culture in the workplace, contributes to traffic congestion, and hinders the take up of public transport. [5.84]

The Committee considers that the Government should state the purpose of concessionary FBT of cars more clearly, and investigate the likely effects of making it less concessionary. [5.91]

Recommendation 8 (paragraph 5.92)

In relation to fringe benefits taxation of cars by the statutory formula method -

- **the Government should state the purpose of making the tax concessionary (noting that whether the tax should be concessionary, and whether there should be a statutory formula for the sake of easy compliance, are different questions);**
- **the Government should investigate and report on how well the concession is achieving its purpose; and**
- **the Government should investigate and report on what the likely effects on consumer behaviour would be if the concessionary aspect of car FBT was reduced or removed.**

Other FBT related issues

Taxi travel to and from work in certain circumstances is an exempt benefit (no FBT is paid). Public transport fares to and from work are not exempt. This difference is unjustified and inequitable. The scope of FBT exemptions should be consistent between car transport and public transport. [5.93, 5.95]

Recommendation 9 (paragraph 5.96)

The Government should change FBT rules so that the scope of exemptions is consistent between car transport and public transport.

Chapter 1

Conduct of the inquiry

1.1 The Senate referred the inquiry to the committee on 4 December 2008. The terms of reference are:

> The investment of Commonwealth and State funds in public passenger transport infrastructure and services, with reference to the August 2005 report of the House of Representatives Standing Committee on Environment and Heritage, Sustainable Cities, and the February 2007 report of the Senate Standing Committee on Rural and Regional Affairs and Transport Committee, Australia's future oil supply and alternative transport fuels, including:
>
> a. an audit of the state of public passenger transport in Australia;
>
> b. current and historical levels of public investment in private vehicle and public passenger transport services and infrastructure;
>
> c. an assessment of the benefits of public passenger transport, including integration with bicycle and pedestrian initiatives;
>
> d. measures by which the Commonwealth Government could facilitate improvement in public passenger transport services and infrastructure;
>
> e. the role of Commonwealth Government legislation, taxation, subsidies, policies and other mechanisms that either discourage or encourage public passenger transport; and
>
> f. best practice international examples of public passenger transport services and infrastructure.

1.2 The Committee advertised the inquiry in *The Australian* and wrote to many peak bodies inviting submissions. The Committee received 194 submissions (see APPENDIX 1) and held 12 hearings (see APPENDIX 2). The committee thanks submitters and witnesses for their contribution.

1.3 In the Committee's view the inquiry is timely because:

- significant increases in urban public transport patronage in the last few years have focussed attention on the need for improvement;
- recent commitments to reduce Australia's greenhouse emissions have obvious implications for transport policy: public transport is more energy efficient than car transport and should be involved in reducing cities' greenhouse footprint;
- problems of urban traffic congestion and transport disadvantage, though not new, have had renewed attention in recent years - for example, because of

greater awareness of the likely increase in traffic congestion (which cannot be solved only by building roads) under business as usual assumptions;[1]

- the detrimental health effects of inactive, car-dependent lifestyles have had increased attention in recent years as part of the discussion of the 'obesity epidemic'. Public transport and active transport have an obvious place in encouraging more active lifestyles.[2]
- oil supply concerns and the associated rising fuel costs mean there is an increasing need for public transport services in the medium to long term, particularly in outer metropolitan and regional areas where travel distances are greater and transport costs are a higher proportion of income.

Structure of the report

1.4 Chapter 2 provides basic contextual information about public transport in Australia, as relevant to the issues discussed later (terms of reference a) and b)).

1.5 Chapter 3 discusses the benefits of public transport and active transport (terms of reference c)). The Committee agrees that public transport and active transport create community benefits which justify supporting them with public subsidies.

1.6 Chapter 4 discusses a number of issues to do with providing better public transport service (relevant to terms of reference c) and d)). Key issues are:

- the need for stable strategic transport plans, with goals, actions and performance criteria detailed enough to be a basis for monitoring performance;
- the need for best practice institutional arrangements so that the city's public transport service is planned and delivered as a fully integrated network;
- the need to properly integrate transport planning with urban planning more generally. This need is now widely agreed in official plans and policies, but must be continually emphasised.

1.7 Chapter 5 discusses possible Commonwealth actions to improve public transport, and related matters of Commonwealth responsibility, such as infrastructure funding, the fringe benefits taxation of employer-provided cars, and funding of behavoir change programs like 'Travelsmart' (terms of reference d) and e).

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1 Projections of future traffic congestion made in 2007 by Commonwealth's Bureau of Transport and Infrastructure Economics (BTRE) have been much quoted since then. See BTRE 2007.

2 Almost all public transport trips have a walking element, so public transport users are likely to be more active than non-users: see paragraph 3.53ff.

Scope of the report

1.8 The interest of most submissions was 'train, tram and bus services in cities'. Public transport in rural and regional areas raises somewhat different issues, considered from paragraph 4.62. Elsewhere most of the discussion, following the submissions, is implicitly about public transport in cities, since that is where the traffic congestion problems are greatest, and that is where the research on transport disadvantage focusses. That is not intended to downplay the significance of rural and regional transport issues.

1.9 Rural and regional public transport by air was mentioned in a few submissions.[3] It raises different issues which the committee was not able to investigate in appropriate detail and will not try to deal with in this report.

1.10 Information of a statistical nature is brought in from examples mentioned in submissions. A thorough 'audit' was not possible, as that is a research task, assembling mostly state-based information from primary sources, which is far beyond the normal Senate committee secretariat resources. It is a role for the national research agency which the committee recommends (see paragraph 5.28ff).

1.11 The mention of a city in relation to some item of information, in the absence of full comparative information, is not meant to imply anything about whether that city is typical of Australia. The mention of a submission criticising a particular city or state is not meant to imply that that city or state is any worse than other cities or states.

Related recent reports

1.12 The committee notes the recent related parliamentary committee reports mentioned in the terms of reference:

1.13 The House of Representatives *Sustainable Cities* report (2005) recommended:

- the Australian Government should significantly boost its funding commitment for public transport systems, particularly light and heavy rail, in the major cities;
- the provision of Australian Government transport infrastructure funds should include provision of funding specifically for sustainable public transport infrastructure for suburbs and developments on the outer fringes of our cities;
- the Australian Government should review the current fringe benefits tax concessions for car use with a view to removing incentives for greater car use and extending incentives to other modes of transport.[4]

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3 For example, submission 134, Western Australia Local Government Association. G. Hoffman (Local Government Association of Queensland), *Committee Hansard* 3 March 2009, p.33

4 House of Representatives Standing Committee on Environment and Heritage, *Sustainable Cities*, August 2005, p.70,73,77

1.14 The Government has not responded to the committee's report.

1.15 This committee's 2007 report on Australia's future oil supply discussed public transport in context of energy efficiency measures to reduce dependence on important oil. The committee recognised the need for more investment in mass transit and urge the Council of Australian Governments (COAG) to take this up as a national infrastructure priority. The committee acknowledged the concept of peak oil and recommended:

- Australian Government support for 'Travelsmart' behavioural change initiatives should be continued beyond the planned termination date;
- the Government should review the statutory formula in relation to the fringe benefits taxation of cars to address perverse incentives for more car use.[5]

1.16 The Government has not responded to the committee's report.[6]

1.17 The committee draws attention to some other recent related reports:

1.18 The Victorian Competition and Efficiency Commission (VCEC) in 2006 reported on managing urban congestion. VCEC recommended a mix of supply and demand measures including 'suitably targeted road and public transport projects.'[7]

1.19 COAG during 2006 reviewed urban congestion. The report recommended a number of supply and demand measures including more use of public transport. The report noted that the high cost of infrastructure such as new major roads, and environmental concerns, 'has increased the attractiveness of other congestion management measures to augment the efficiency of existing infrastructure.' It noted that the benefits of public transport improvements are greatest 'when part of an integrated package which includes measures such as - supportive land use policies; restraints on car use; traffic management measures; simplified fares and integrated ticketing; and high levels of reliability.'[8]

1.20 The 2008 Garnaut Climate Change Review considered the role of public transport to mitigate transport greenhouse emissions. It said:

> Governments have a major role to play 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 public transport.[9]

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5 Senate Standing Committee on Rural and Regional Affairs and Transport, *Australia's future oil supply and alternative transport fuels*, February 2007, p.154, 163

6 For comment on Travelsmart programs see paragraph 5.10ff.

7 Victorian Competition and Efficiency Commission 2006: xxxix-xliii

8 Council of Australian Governments 2006:6ff,48,55

9 Garnaut 2008:504

1.21 Infrastructure Australia, in a 2008 report to COAG, identified as one of its themes: 'increasing public transport capacity in our cities and making better use of existing transport infrastructure'. It also said:

> It is clear that government at all levels, including the Australian Government, needs to provide much greater investment in new public transport infrastructure, in order to expand current transport systems and ensure that existing infrastructure and public transport is utilised effectively and efficiently to mitigate effects on climate change.[10]

A note on terminology

1.22 'Public transport' is mostly used to refer to scheduled services open to the public (as in the aviation term 'regular public transport').[11] Service providers may be publicly or privately owned. In an urban context it is called 'transit' in America.

1.23 Some submitters suggested 'passenger transport', presumably to remove a possible misunderstanding that 'public transport' refers only to publicly owned service providers. However that creates a different possible misunderstanding, since 'passenger transport' could be taken as referring to all transport that is not freight transport. This report will keep 'public transport'.

1.24 'Active transport' refers to walking and cycling. This is not meant to imply that 'active transport' and 'public transport' are opposites. As discussed in chapter 3, the public health goals of supporting active transport are also promoted by supporting public transport, since almost all public transport trips have a walking component. Thus public transport is inherently more 'active' (health promoting) than car transport.

10 Infrastructure Australia 2008:7,37

11 There is some fuzziness at the edges, for example in relation to school buses which are often provided by the same operator and may or may not be open to other riders. A taxi, once it is reserved for the personal use of one hirer, is not 'public transport' in this sense, though of course public transport and taxis have overlapping roles in serving certain transport demands.

Chapter 2

Background on public transport in Australia

2.1 This chapter gives basic information about public transport in Australia as relevant to the discussion points that follow.

2.2 Cycling is mentioned briefly although it is not the main focus of the inquiry. Policies to encourage cycling and walking should be considered together with policies to encourage public transport use, because they can support each other, and because they act together in reducing the environmental and public health detriments of excessive car use.

Public transport basics: services, mode share, trends

Description of public transport services

2.3 Urban public transport services in Australian cities are mostly by bus (bus and tram in Melbourne), with an important heavy rail share in Sydney and Melbourne, and a smaller rail share in Brisbane, Adelaide, Perth and Newcastle.[1]

2.4 Services tend to be better (for example, full time services with a daytime frequency of at least 4 per hour) in pre-world-war-two suburbs which grew up around train or tram lines.[2] These areas tend to suffer more traffic and parking problems (since they were not originally built for the car), and their activity centres tend to be more rationally located with respect to the public transport network (since they grew up around it). They tend to have higher public transport use, which makes better services more viable.

2.5 Services are worse (for example, daytime only bus services of 2 per hour or less) in newer urban fringe suburbs. These areas have usually been developed on the assumption of almost total car use, and are badly designed for public transport. At the regional level activity centres may be dispersed in a way that makes it impossible to design an efficient bus network. At the local level, cul-de-sac based street patterns force circuitous and inefficient bus routes. The local environment, having been planning for the convenience of motorists, is often hostile to pedestrians (which is detrimental to public transport use as almost all public transport trips have a walking component). Public transport in these areas cannot attract 'choice' riders, and is

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1 In Sydney 47% of public transport trips are train trips. Train trips are more important in passenger kilometres travelled as they tend to be longer. Transport Data Centre 2008:5.

2 In these areas the buses which replaced trams (except in Melbourne) often still follow the original tram routes.

effectively a social service for people without cars, with a very small proportion of total trips (less than 5 per cent). [3]

2.6 Since many people of lower socio-economic status are in outer suburbs, there is a serious problem of transport disadvantage in that many people who can least afford it are forced to spend an excessive proportion of their income on running cars (see paragraph 3.59ff).

2.7 Services are usually best on radial routes to central business districts (this applies particularly to rail lines, which are almost all radial). These routes were the focus of pre-World-War-Two public transport networks, and on these routes public transport may still carry a high proportion of total trips. 'Best' means, with relatively good network coverage and service frequency; however bus and tram services may also be very slow and unreliable because of traffic congestion.

2.8 Local bus services in the smaller regional cities or country towns, where they exist, have the same features as those in the outer suburbs of the cities (infrequent service and very low mode share).

Public transport mode share of travel

2.9 Australia-wide, metropolitan travel in passenger kilometres is about 85-90 per cent by car, 10 per cent by public transport, and the rest by cycling or walking. The public transport share is lower than average in the smaller cities (5-10 per cent), and higher in Sydney. [4]

2.10 Public transport trips as a proportion of all trips is higher in peak periods:

Public transport trips as share of all trips, 2006

	Sydney	Melbne	Brisbane	Adelaide	Perth	Hobart	Canberra	Darwin	total
PT trips as % of motorised trips: commute	22.7	14.8	14.7	10.6	11.0	7.1	8.6	5.1	16.1
PT trips as % of motorised trips: all day	13.3	8.4	9.0	5.7	6.5	4.3	5.7	7.2	9.5

source: Bureau of Infrastructure, Transport and Regional Economics, information sheet 31, *Urban Public Transport: how people move about in Australian cities*, 2009, p2

2.11 Note that comparative figures like these should not be taken as implying praise or criticism of a city's public transport authorities. Different public transport use in different cities depends strongly on variables beyond the control of the public transport authority, such as city size, density, degree of centralisation, and the traffic and parking situation.

3 An exception may be the journey to work in favourable situations.

4 Bureau of Transport and Regional Economics 2007:23. Cosgrove 2009.

2.12 The public transport share is much higher for trips to central business districts, where public transport services are best and problems of traffic congestion and parking most favour public transport. For example in Sydney public transport handles 72 per cent of journeys to work in the central business district. The public transport share for morning peak trips to the central area is 60 per cent in Melbourne and 35 per cent in Perth. Thus existing congestion free rail services are very important for supporting the economic life of central business districts.[5] However travel to central areas is only a small proportion of total metropolitan travel, so a high public transport share to central areas can co-exist with a low public transport share for metropolitan travel in total.[6]

2.13 The distinction between passenger kilometres and trips should be noted. The modal split of passenger kilometres and trips will differ insofar as one mode's trips tend to be longer or shorter than another's. For example, in Sydney public transport trips are split about 50/50 between bus and train, but public transport passenger kilometres are 70 per cent by train, because train trips tend to be longer.[7]

2.14 Passenger kilometres travelled are more relevant for planning purposes (as an indicator of the resources needed and environmental consequences); but trips are probably more relevant to judging the social value of the travel. Public transport users tend to make fewer trips and travel less altogether than car users, so it is likely that their trips are of more value to them than the kilometres travelled, compared with kilometres travelled by car, would suggest.[8]

2.15 Similarly, passenger kilometres are a poor measure of the relative importance of walking and cycling trips, which will naturally be short. For example in Sydney 'walk only' trips are a surprisingly high 18 per cent of all trips.[9] Encouraging walking trips should be a strong priority of sustainable urban planning policies, even though they may look unimportant in terms of kilometres travelled or infrastructure needed.

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5 Submission 87, Australasian Railway Association, p.18. Infrastructure Australia 2008:43. Corpuz 2007:1.

6 For example in Sydney in the AM peak period (6.30-9.30am) about 5 per cent of all trips in the metropolitan area have a destination in Sydney CBD. G. Corpuz, NSW Transport Data Centre, pers. comm. July 2009.

7 In Sydney the average length of trips is: car 10km; train 20km, bus 7km, walk only 700 metres (estimated), 'other' (taxi/bicycle/other not defined) 7km. Figures are for the Sydney Statistical Division which includes the Central Coast and Blue Mountains, so the rail figure is probably significantly weighted by long commuter trips, and would be lower for the Sydney metropolitan area only. 'Other' is split equally between taxi, bicycle and other not defined. 'Walk only' excludes walking to access other modes of the transport. Transport Data Centre 2008:5,29,34.

8 This is relevant to judging the value of public transport to prevent social isolation. A 3 kilometre bus trip which is a pensioner's weekly outing to the social club probably has greater marginal utility to the traveller than a 3 kilometre car trip which is a fringe dweller's jaunt to the shop to pick up a bottle of milk that they forgot earlier.

9 In Sydney, 2006, the mode share of trips was car 69.5%, train 4.9%, bus 5.6%, walk only 17.7%, other 2.3%. Transport Data Centre 2008:6

Trends in public transport use

2.16 The public transport share of total urban travel (passenger kilometres) stood at about 50 per cent in 1945. It then dropped steadily to the present low level of around 10 per cent by 1980. Reasons for this were predominantly rising incomes and car ownership; but also the declining share of commuting trips relative to other trips; more flexible working hours; and increased workforce participation by women with resulting increase in multipurpose trips.[10] As well, as cities have grown outward a greater proportion of people live in fringe areas that require more travel and are poorly designed for public transport.[11]

2.17 The public transport share has remained generally stable since 1980 as ridership has grown slowly in proportion to population growth.[12] However increases in ridership significantly above trend have occurred in most capital cities in the last few years. This has led to complaints about overcrowding and focussed attention on the need for improvements.

2.18 For example, Sydney Cityrail had 5.7 per cent growth in 2008, and Sydney buses 3.2 per cent. Melbourne rail trips grew by 38 per cent over the three years to September 2008, leading to strong complaints about overcrowding. Melbourne bus patronage grew 7.4 per cent and tram patronage 5.3 per cent in one year to 2007, and Melbourne's public transport mode share has increased from 9 per cent in 1999 to 13 per cent in 2008. Public transport trips in the Translink area of South East Queensland (Brisbane/Gold Coast/ Sunshine Coast) increased from 100.8 million trips in 1998-99 to over 171 million trips in 2007-08. [13]

2.19 In total in the eight capital cities public transport trips increased by 14.7 per cent from 2004 to 2008, and the public transport mode share increased from 9.3 per cent to 10.6 per cent These growth rates have been well above population growth. The key drivers of this are usually said to be increasing petrol prices and 'changing community attitudes.'[14]

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10 Bureau of Transport and Regional Economics 2002:xii. Cosgrove 2009.

11 How much of the last point is cause and how much effect (given the rise in car use, there was no need to live in areas with good public transport) is debatable.

12 Cosgrove 2009.

13 Submission 189, NSW Ministry of Transport, p.4. Submission 130, Environment Victoria, p.2. Submission 10, Victorian Public Transport Ombudsman, p.1. Submission 33, Bus Industry Confederation of Australia, p.10. Submission 53, Council of Mayors SEQ, p.9. M. Hopkins (Victorian Department of Transport), *Committee Hansard* 30 March 2009, p.89

14 Bureau of Infrastructure, Transport and Regional Economics 2009:2. Victorian Department of Transport, additional information 30 March 2009, p.12: in a survey of people's reason for switching to public transport, the most important reasons were petrol prices; health and fitness, and environmental concerns. See also M. Hopkins (Victorian Department of Transport), *Committee Hansard* 30 March 2009, p.90. See P. Moore (UITP), *Committee Hansard* 19 March 2009, p.14, for US research on why people are driving less.

2.20 State government urban plans project continuing strong growth of public transport use. This is to be expected because of population growth anyway (assuming a stable mode share).[15] Whether the above trend growth of the last few years will continue into the long term, leading to a significant long term increase in the public transport mode share, is uncertain.

Trends in cycling

2.21 Bicycle ownership in Australia is high (from 29 per hundred people in Sydney to 65 per hundred people in Canberra), but very few city people use a bicycle on an average day (from 1 per cent in Sydney to 4 per cent in Perth), and only 1-2 per cent of work trips are by bicycle.[16] However there have been significant percentage increases in bicycle use (far above the trend increase in car traffic) in some cities in recent years. This may be a response to bicycle infrastructure improvements that have occurred in some cities, and/ or a response to generally increasing traffic congestion and petrol prices.[17]

2.22 Bicycle use probably varies greatly between the various regions of a city, depending on how suitable the local environment is for safe cycling. Some authorities argue that more cycling, apart from being desirable for the sake of healthy lifestyles, can and should have a serious role in reducing traffic congestion.[18]

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15 For example, NSW Government 2006:16; Queensland Transport 2009:xi; Victorian Government 2008a:62. Sydney is expected to grow from 4.2 million people in 2006 to 5.9 million in 2036. Melbourne is expected to grow from 3.7 million to 5.4 million by 2036. The population of south east Queensland is expected to reach 4 million by 20226. Submission 189, NSW Ministry of Transport, p.3. Victorian Government, additional information 30 March 2009, p.3. Queensland Transport 2008:v

16 Australian Bicycle Council 2004:5-7. See also submission 76, Cycling Promotion Fund, p.6

17 M. Burke (Pedestrian and bicycle Transport Institute of Australasia), *Committee Hansard* 3 March 2009, p.24. Use of bicycles for the journey to work increased from 2001-2006 by: Sydney 9% Melbourne 43% Adelaide 31%, Hobart 25%, Perth 16%, Canberra 16%, Brisbane 13%; Darwin -7%. ABS data: see submission 45, C. Rissell, attachment. ABS data, being collected in winter, may be conservative: submission 87, Australasian Railway Association, p.43.

18 For example Cr C. Moore (Sydney City Council), *Committee Hansard* 6 March 2009, p.14. Sydney City Council has ambitions projects to promote cycling in its area. Council has argued that promoting cycling on the Anzac Bridge (Rozelle-City) could postpone the need for costly capacity upgrades. In 2008 nine per cent of traffic entering Melbourne CBD was bicycles: 'Space for bikes as builders make all the ride moves', *The Age* 27/7/2009:6. Many car trips are quite short and could easily become bicycle trips if it was possible to ride safely. Submission 66, Sydney City Council, p.10. Submission 87, Australasian Railway Association, p.44. Submission 138, Bicycle Network. M. Burke (Pedestrian and Bicycle Transport Institute of Australasia), *Committee Hansard* 3 March 2009, p.24.

Committee comment

2.23 A 10 per cent public transport share of metropolitan travel may seem low, given the strong public commentary in the last few years about overcrowding, and the very expensive rail projects now planned or under discussion in several cities.[19] However concerns about overcrowding refer mostly to a few major routes focussed on central business districts, where the public transport share is much higher, and where public transport is vital to moderate traffic congestion. In a metropolitan average this travel is far outweighed by the greater quantity of miscellaneous cross suburban travel, where the present public transport share is very low (less than 5 per cent).[20]

2.24 Some implications of this are:

- If the aim is to significantly increase public transport mode share, actions must give strong attention to the whole network, and should not focus only on the most visible problem of overcrowding on trunk routes to city centres.
- Similarly, improvements should aim to increase all-day use, and use by occasional riders, not only peak hour commuter use (this will improve financial results, as accommodating offpeak riders has lower marginal costs[21]).
- Because public transport use is now so low, only a small behavioural shift by motorists is needed to greatly increase public transport use. This would make better services more viable.[22]

Management of public transport services

2.25 Urban public transport services are overwhelmingly provided (in the financial sense) by State governments.[23] Sometimes local councils contribute to operating subsidies.[24] [25] The operator (in the practical sense) may be a corporatised state-owned

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19 CBD metro and west metro in Sydney; cross-city rail tunnel and 'Regional Rail Express' (Tarneit link) in Melbourne; inner city rail expansion options under study in Brisbane.

20 'Cross-suburban' may include significant travel that is on radial routes but not to the central business district: Public Transport Users Association 2009a:22

21 Since it does not require extra vehicles that are used only once or twice a day.

22 For example, if car and public transport trips are now in the ratio 9 to 1, and 10 per cent of car trips become public transport trips, this would almost double public transport use.

23 The major exception is Brisbane City Council, which for historical reasons operates most of the bus services in the council area (which has a population of about 1 million and covers almost two thirds of metropolitan Brisbane). The State Government contributes to the operating subsidy: Cr J. Prentice (Brisbane City Council), *Committee Hansard* 3 March 2009, p.8

24 Gold Coast City Council contributes $5 million to the State's operating subsidy of Gold Coast bus services. This is funded by a levy on residents. W. Rowe (Gold Coast City Council), *Committee Hansard* 3 March 2009, p.69. Submission 54, Gold Coast City Council, p.3

25 Councils often provide or contribute to community transport: see paragraph 4.67ff.

authority (for example NSW Railcorp, NSW State Transit Authority, Transadelaide), or private providers under contract to government (as is now common for bus services).[26]

2.26 Contracted out services may vary in how much planning and marketing responsibility or revenue risk the contractor shoulders. In the least risk arrangement the contracting authority plans the network and timetable; the contractor services the agreed timetable for an agreed price; the authority takes the farebox revenue; and the shortfall between the revenue and the contract price represents government funding of the operating loss.[27] The contracting authority may also be responsible for overall public transport planning, marketing and branding in the city. In other arrangements there may be revenue-sharing conditions to give the contractor a financial reward for increasing patronage.[28]

Cost recovery of public transport services

2.27 In Australia, as in most developed nations, public transport services are heavily subsidised by government. The community accepts this because of the perceived community benefits of public transport, which will be discussed in chapter 3.

2.28 In Australian cities the farebox cost recovery of operating costs is usually between 20 and 35 per cent. Australia's overall public transport cost recovery is a little better than US cities and a little worse than European cities.[29] [30]

2.29 The total subsidy to urban public transport (five capitals) is estimated at about $3.3 billion per year, being the difference between farebox revenue $1.6 billion and operating costs $4.9 billion.[31]

2.30 Cost recovery ratios should be distinguished from actual subsidy per trip or per passenger-kilometre, or full economic costs per trip or per passenger-kilometre.[32]

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26 For example, 700 private bus and ferry companies are contracted, funded and regulated by the NSW government: submission 189, NSW Ministry of Transport, p.2

27 And of course the contractor's profit; but the arrangement is made in the hope that even allowing for this the cost will be less than in full government ownership.

28 For example Melbourne train and tram contracts, and Perth bus contracts, have revenue-sharing arrangements for patronage in excess of a base case.

29 Australasian Railway Association 2006:12,22.

30 Cost recovery information is often hard to extract from official reports. Actual farebox revenue may not be reported separately from government community service payments to top up concession fares. Service providers under contract may simply report the contract sum as their income, which will make the financial result look close to break even (since the contract sum was calculated to have that effect). The contracting government authority may report the farebox revenue and the contract expense mixed in with its other revenue and expenses.

31 Submission 87, Australasian Railway Association, p.27. ARA 2006:22. This excludes the cost of significant capital works. 'Five capitals': Sydney, Melbourne, Brisbane, Adelaide, Perth.

32 Full economic costs are the sum of user charges, government subsidies and external costs.

A lower cost recovery does not necessarily indicate a less efficient or less worthwhile service, not least because cost recovery depends largely on political decisions about the fare level. For example, according to Dr Glazebrook Sydney's trains have lower farebox cost recovery than Sydney's buses (23% against 33%) but also have lower total cost of provision per passenger-kilometre (47c against 57c). This is mainly because train trips tend to be longer, and per kilometre fares decline with trip distance.[33]

2.31 If services are improved (for example, more frequent services on an existing routes, or greater density of route coverage), patronage will increase. However patronage may not increase enough to cover the extra costs. The total subsidy needed may increase even if the subsidy per trip decreases.[34] This discourages governments from improving services. However better services may still be beneficial to total economic welfare because of the external benefits of public transport. This applies particularly where public transport reduces traffic congestion (as discussed from paragraph 3.5).

2.32 A major challenge for public transport authorities is how to get 'social service' services up to a level of frequency that can begin to attract 'choice' riders, without excessively increasing the cost in public subsidy.

Committee comment

2.33 The public subsidy to public transport is significant. This reinforces the need to ensure that the money is spent effectively, and that the other policies are in place which are needed to maximise the benefit from it (primarily, best practice management of a fully integrated network, and urban planning policies to support public transport use, as discussed in chapter 4).

2.34 However the cost should be seen in context of the high costs of alternative car transport. Australians spend about $55 billion per year on buying and operating cars.[35] The public costs of providing roads and parking spaces, and the external costs of road transport, such as congestion and accident costs, must be added.[36]

2.35 For example, Dr Glaze brook estimated that in Sydney the full economic cost of travel including private financial costs, public financial costs, and non-financial/ external costs, is: train 47c, bus 57c, and car 86c per passenger kilometre. The

33 Submission 88, G. Glazebrook, attachment: *Taking the con out of convenience: the true cost of transport modes in Sydney*, 2009, s6. Glazebrook 2009.

34 The subsidy per trip could decrease as the fixed costs of the operation are spread over more riders.

35 ABS Household Expenditure Survey 2003-04: 7,735,800 households times average weekly expenditure on motor vehicle ownership and operation $132.76; adjusted for inflation.

36 'External costs': costs which a person's actions impose on others without compensation. For example, a person entering a congested road causes delay to others.

externality cost of car travel is roughly equal to the public subsidy of bus or train travel at about 38c per passenger kilometre.[37]

2.36 The cost of the public transport subsidy must also be seen in relation to the extra car costs which would be incurred without it. For example, recent studies for the NSW Independent Pricing and Regulatory Tribunal (IPART) suggest that, taking account of external benefits (external costs avoided, mainly congestion), Sydney bus fares are about right and Sydney rail fares are a little lower than is economically optimal. IPART found that the value of the external benefits of Cityrail was $1.7 billion in 2008/09. [38]

2.37 The Bureau of Infrastructure, Transport and Regional Economics has estimated that if all public transport, walking and cycling trips were car trips, the avoidable cost of traffic congestion (eight capital cities) would be about $3 billion per year higher than it is.[39] The subsidy to public transport seems to be reasonable value by comparison, considering that it also serves other social purposes, as discussed in chapter 3.

2.38 It is often noted that the subsidy to public transport goes disproportionately to inner and middle ring suburbs which have better services - and where the residents tend to be people of higher socio-economic status. This creates equity concerns.[40] In the Committee's view the concerns are valid. The proper response is not to reduce service in inner areas which are now well served (and where public transport has the most important role in moderating traffic congestion). The proper response is to improve public transport in outer suburbs and rural and regional areas.

37 Submission 88, G. Glazebrook, attachment: *Taking the con out of convenience: the true cost of transport modes in Sydney*, 2009, section 6. Figures include RTA road expenditure but not local council road expenditure. Figures include the value of off-street parking (land and structures) but not the value of land occupied by roads.

38 LECG 2008:12. LECG 2009:10. Independent Pricing and Regulatory Tribunal 2008:9

39 Bureau of Transport and Regional Economics 2007:120

40 For example, Dr J. Dodson, *Committee Hansard* 3 March 2009, p.44

Chapter 3

Benefits of public transport

3.1 This chapter summarises and comments on the arguments put in submissions about the benefits of public transport.

3.2 The major benefits are said to be:

- public transport moderates traffic congestion;
- priority to public transport, walking and cycling improves the general urban amenity by economising the space needed for cars and strengthening existing transit-accessible centres;
- public transport, being more energy-efficient than car travel, supports policies to improve energy efficiency, reduce reliance on imported oil, and reduce transport greenhouse emissions;
- public transport use promotes public health;
- public transport is needed to reduce the transport disadvantage and social isolation of people without cars.

3.3 All governments accept these benefits. State strategic plans now commonly include ambitious goals to increase public transport use.[1] It appears that public attitudes also favour improving public transport. For example, the International Association of Public Transport (UITP) referred to a recent Melbourne survey in which respondents agreed far more with 'the government needs to provide more on public transport' (92 per cent agreed) than with 'it is more important to give people tax cuts' (61 per cent agreed) or 'the government needs to spend more on road infrastructure' (58 per cent agreed).[2]

3.4 The purposes of public transport may have different emphases in different areas. Public transport as mass transit to relieve traffic congestion refers mainly to

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1 There are official goals to increase the public transport mode share from 7% to 10.5% in South East Queensland by 2011 *(Transport 2007);* from 9% to 20% of motorised trips (thus about 15% of all trips) in Melbourne by 2020 *(Melbourne 2030)*; from 7% to 10% of Adelaide's passenger kilometres by 2018 (*SA Strategic Plan* 2004); to reduce car-as-driver trips in Perth by one third by 2029 (*Perth Metropolitan Transport Strategy 1995-2029*); and to increase the proportion of peak hour trips by public transport to 25% in Sydney (*A New Direction for NSW - State Plan*, 2006).

2 UITP, additional information 23 March 2009. P. Moore (UITP) *Committee Hansard* 19 March 2009, p.13. In a Western Australian survey 87 per cent of respondents supported 'use road funding to pay for public transport, cycling and walking': Prof. P. Newman, additional information 23 April 2009. See also Public Transport Users Association 2009a:25 for public comment in the preparation of the *Melbourne 2030* plan; 'Fix public transport before roads, poll shows', *The Age* 25/11/2008:1 for an Age/Nielsen poll; RAC Foundation 2009:20.

services on trunk routes and in more congested inner areas of cities. Public transport in outer suburban and rural and regional areas usually has less role in relation to congestion, but still serves the other purposes.

Public transport to reduce traffic congestion

3.5 On present trends urban traffic will increase by 37 per cent between 2005 and 2020. The result will inevitably be more traffic congestion.[3]

3.6 The Bureau of Infrastructure, Transport and Regional Economics (BITRE, formerly BTRE) has estimated that the avoidable cost of congestion in the Australian capital cities was about $9.5 billion in 2005, and in the base case (business as usual on present trends) this will increase to $20.4 billion in 2020.

3.7 The BTRE notes that the growth of congestion over the last 15 years has been moderated by significant road-building, more sophisticated management to maximise road capacity, and peak spreading; however continued improvement in these ways 'will likely pose a challenge for some jurisdictions.'[4]

3.8 The base case assumes that the public transport mode share stays around its present level. The BTRE also ran the following scenarios:

- public transport, walking and cycling double their mode share.[5] In that case the 2005 avoidable congestion cost would have been about $7 billion (base case $9.5 billion), and the 2020 cost would reduce to about $14 billion (compared with base case $20.4 billion).
- all public transport, walking and cycling trips, present and projected, become car trips. In that case the 2005 avoidable congestion cost would have been about $12.5 billion (base case $9.5 billion), and the 2020 cost would increase to about $27 billion (compared with base case $20.4 billion).[6]

3.9 Thus it is estimated that about $3 billion per year of traffic congestion cost is avoided by the existence of walking, cycling and public transport use at their present levels; and this figure will double by 2020.

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3 Bureau of Transport and Regional Economics 2007:52

4 Bureau of Transport and Regional Economics 2007:52. The 'avoidable cost' of congestion is excess travel time and other resource costs or external costs which traffic suffers in excess of the costs which would be incurred if the traffic had operated at an economically optimal level of congestion. The economically optimal level of congestion is the level at which the cost of further abatement outweighs the benefits. Comparing actual congestion with 'no congestion' is not useful because 'no congestion' is unachievable in the real world, and it would not be economically rational to try to achieve it in any case (the cost would outweigh the benefits).

5 Except for peak hour public transport to city centres, which was assumed to have only 20 per cent spare capacity.

6 Bureau of Transport and Regional Economics 2007:57,119-120

3.10 This may be compared with the public subsidy to public transport estimated at about $3.3 billion (five capital cities - see paragraph 2.27ff).[7] The public transport subsidy includes subsidy to many services which have no congestion-helping role (typically, poorly patronised outer suburban services), so the subsidy relating to the services which do have a congestion-helping role may be quite cost effective (the subsidy of course also serves the other social policy goals discussed below).

3.11 It is by now generally accepted, including by road authorities, that urban traffic congestion cannot be solved by building roads - or at least, not only by building roads.[8] This is because building roads encourages the growth of traffic and entrenches patterns of urban development that create high car use. Even without this feedback, building enough roads to handle traffic growth would be impractical and unaffordable:

> Past transport studies and experience have shown that building freeways does not solve congestion, and they will in fact increase congestion in the long term.[9]

3.12 It is inevitable that as our cities grow public transport must play a greater role in combating traffic congestion.

How public transport moderates traffic congestion

3.13 Traffic congestion reaches an equilibrium at which the costs of entering the congested system are greater than the benefits for the marginal user. The marginal user will then travel to a less congested place, or at a less congested time, or avoid travelling, or use public transport.[10]

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7 Australasian Railway Association 2006:22. 'Five cities': Sydney, Melbourne, Brisbane, Adelaide, Perth

8 For example, Victorian Government 2008a:88. NSW Government 2005:160. This does not mean that no more roads should be built. It means that capacity expansions must consider the effects on the whole traffic system. A congestion point may act as a flowing-constricting valve which improves conditions downstream; if removed, the congestion created downstream may be worse than the congestion removed upstream: Metz 2008:54. See also submission 152, Save Our Suburbs, p.5, for discussion of the Downs-Thomson paradox: road expansion, if it degrades the viability of alternative public transport, may lead to a worse outcome for <u>all</u> travellers (motorists and public transport users). Downs 1992, Mogridge 1990. See SACTRA 1994 and Litman 2009 for discussion of induced traffic.

9 Submission 156, Municipal Association of Victoria, p3. Similarly NSW Government 2005:160: 'The cost of meeting unconstrained travel demands, particularly in peak periods, is becoming prohibitive. Building new capacity just to meet peak needs is very expensive, and as has been demonstrated in other cities, will not solve transport problems or improve accessibility on its own.' In Vancouver, alone among Canadian cities, the average time taken for the journey to work has been declining over the last 15 years as a result of policies to improve public transport and build no new major roads: Dr P. Mees, *Committee Hansard* 30 March 2009, p.62. Dr J. Stone, *Committee Hansard* 30 March 2009, p.49.

10 Litman 2009:1. This explains why it is found that closing roads often reduces the total traffic level, and rarely increases congestion to the extent that was feared: T. Avramis (People for Public Transport (SA) Inc.), *Committee Hansard* 23 July 2009, p.19. See Cairns et. al 2002

3.14 If public transport alternatives are improved, more motorists will use them, and the equilibrium point for the traffic will be a less congested situation.

3.15 When traffic is close to the capacity of a road even a small increase in traffic can greatly increase congestion.[11] From that position even a small reduction in traffic may have disproportionate benefits.

3.16 This applies best to services that are independent of the traffic congestion. Buses and trams cannot attract motorists from congested traffic if they are caught up in it themselves. This suggests a strong need for more bus and tram priority measures.

3.17 The benefit is increased by 'transit leverage': the car travel forgone is greater than the public transport travel created, as public transport users tend to plan their travel more economically.[12]

Connection between public transport and congestion charges

3.18 The second role of public transport in coping with traffic congestion is an indirect, political one: better public transport is essential to make congestion charges economically defensible and politically acceptable.

3.19 A motorist entering a congested road suffers delay, but also causes delay to others. A cost that a person imposes on someone else without paying for is an 'external cost.' If motorists are not required to pay for the costs they impose on others, their behaviour will not respond to the full cost, and economically inefficient overuse of the road will result.[13] Congestion is the most significant road-related external cost.[14]

3.20 Tailored 'congestion charges' are a way of reducing the external congestion cost. Motorists are charged to use roads at the most congested times and places.[15] Those who value their use of the road less than the charge adjust their behaviour by travelling less often, or at other times, or switching to public transport. Those who

11 Bureau of Transport and Regional Economics 2007:114

12 Submission 8, Prof. P. Newman, p.8

13 This applies regardless of whether motorists as a group pay the congestion costs that they create as a group (by jointly suffering the congestion). A relevant externality is a cost external to the *individual*, since that is what affects individuals' choices.

14 Bureau of Transport and Regional Economics 2002:93ff. Bureau of Infrastructure, Transport and Regional Economics 2008:59

15 For example, a cordon charge to enter a Central Business District (London, Singapore), or a charge varying with the time of day to use a dedicated lane on a motorway. See Bureau of Infrastructure, Transport and Regional Economics 2008.

value the use of the road more have a less congested trip. The overall result for community welfare is positive.[16]

3.21 The BITRE has estimated that levying optimal road user charges in major Australian cities could reduce peak hour travel by 20 per cent, overall travel time by 40 per cent, and total traffic fuel consumption by close to 30 per cent.[17]

3.22 In its 2006 review of urban congestion COAG said:

> Pricing measures stand out as the most effective option for alleviating congestion and improving the efficiency and productivity of the transport network (at least when delivered as part of a total policy package of complementary measures)…. Those price-based measures with the primary purpose of reducing congestion when and where it occurs are most effective. For example, the London area-based pricing scheme implemented in 2003 has achieved sustained improvements, including reduced traffic delays of 30-50 per cent, reduced overall travel times by around half this percentage, improved journey reliability, improved efficiency of distribution of goods and services, and improved city amenity.[18]

3.23 The economic case for congestion charging is strong, and some peak organisations now support it.[19] However it has been politically difficult because of the perception that it is 'yet another tax on motorists'.[20]

3.24 One review of 25 examples around the world found that 'the common experience was that pricing was only acceptable if this objective could be seen as the solution to an already accepted problem, and a sufficiently widespread acceptance that other existing policies are not capable of solving it.' To win support for a proposal it was very important that the revenue was hypothecated to transport improvements. It was found that channelling revenue to public transport in particular increases public and political acceptance.[21]

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16 To achieve the benefit it is important that the charge targets only congested times and places. A flat rate city-wide or state-wide 'road use charge' is not a congestion charge. Australian Automobile Association 2008:23

17 Bureau of Transport and Regional Economics 2002:xv. Bureau of Transport and Communications Economics 1996.

18 Council of Australian Governments 2006:12

19 For example, submission 58, RACQ, p.9. . M. Roth (RACQ), *Committee Hansard* 3 March 2009, p.75. Submission 33, Bus Industry Confederation, p.21 and submission 108, Roads Australia, p.3 refer to 'road pricing' apparently with the same meaning. The Australian Automobile Association (AAA) supports 'a user charge to address externalities' but this seems to refer to a more general, geographically undiscriminating charge, since the AAA then says 'other measures… should be introduced ahead of introducing a congestion charge.' Submission 127, p.11

20 The NSW government has recently ventured into congestion charging in a small way by making the Sydney Harbour Bridge toll higher in peak hours from 27 January 2009.

21 Commission for Integrated Transport 2006.

3.25 Better public transport is essential to make congestion charges politically palatable, by giving more motorists other choices:

> Congestion pricing receives community support when consumers are given sufficient alternatives to avoid the congestion charge and are understanding of the benefits through reduced congestion. To achieve this, an inner city congestion charge would need accompanying measures that improve the frequency and reliability of public transport, and the provision of free bypass or ring roads.[22]

3.26 In a recent review of this issue the BITRE commented:

> Congestion charging is gaining favour as an enduring solution that directly targets congestion, has strong theoretical foundations, has worked well in key cities and provides an 'innovative source of finance… [however] the gains from a scheme depend on behavioural change for which Australian cities may not be well-placed, due to insufficient coverage of high quality public transport services.'[23]

Committee comment

3.27 The object of a congestion charge is to reduce congestion. It is noteworthy that some peak organisations now support this. There are now a number of successful examples around the world to look to. The committee suggests that Australian governments should take a more active role in educating the public about the benefits of congestion charges. To make the idea more politically acceptable it is desirable to hypothecate the revenue to transport improvements. This should include improving public transport services, so that more motorists have alternatives to their cars.

Public transport to improve the urban amenity

3.28 Submissions argued that planning to give more priority to public transport, and less priority to roads and cars, improves the the general urban amenity (that is, the pleasantness of the urban environment for activities other than driving). Car-limiting and public transport friendly planning policies economise the amount of land needed for roads and parking, land which may be put to more attractive uses; and they strengthen older activity centres which are usually more accessible by public transport and have a better environment for pedestrians:

> [Waverley] Council's transport policy aims to reduce the land area of the public domain devoted to cars: private motor vehicle movements, vehicular access and parking by 5% by 2010. This would free-up and allow the re-

22 Submission 58, RACQ, p.10. Similarly P. Moore (UITP), *Committee Hansard* 19 March 2009, p.26.

23 Bureau of Infrastructure, Transport and Regional Economics 2008:v

> allocation of land to other uses: widening footpaths, cycleway, parks and community gardens.[24]
>
> Where significant investment in public transport has taken place, such as the construction of the northern and southern rail lines or bus enhancements like the CAT in Central Perth within the more established areas of the region; the public transport network has contributed to the overall vitality and cohesion of the wider city. This has typically occurred through 'place making' or by reinforcing the role of existing activity centres and former strip developments.[25]

3.29 There is strong worldwide evidence that public transport improvements (particularly congestion-free railways or busways) increase nearby property values. For example, according to a Transportation Research Board comparative study of busways, Brisbane's south-east busway, opened in 2001, caused increases in property values of about 4 per cent in Eight Mile Plains, 8 per cent in Upper Mount Gravatt, and up to 20 per cent in Holland Park West.[26]

3.30 Better public transport should improve the viability of car share schemes, since it makes it practical for more people to avoid owning a car by using a mixture of public transport and car share cars as needed. Less car ownership will reduce pressure on roads and parking space, particularly in inner suburbs.[27]

Public transport for environmental goals

3.31 Environmental goals, other than the urban amenity goals just mentioned, are -

- to reduce oil dependence; and
- to reduce transport greenhouse emissions.

3.32 These are closely related, since greenhouse emissions from transport are roughly proportional to fossil fuels burnt.

3.33 Public transport is relevant to these goals because it is more energy efficient than car transport. Urban buses, trams and trains use about a fifth to half as much fuel

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24 Submission 142, C. Mason, p.11. Similarly G. Broadbent (Australian Conservation Foundation), *Committee Hansard* 30 March 2009, p.3

25 Submission 123, WA Department for Planning and Infrastructure, p.2

26 See Transportation Research Board 2003 for Brisbane case study. The Royal Institution of Chartered Surveyors (2002) reviewed 150 studies, and said: 'Impacts are more easily identified for tram and metro investments than for bus investments.' (p.2) Similarly T. Litman, *Committee Hansard* 31 July 2009, p.4,10.

27 Car share: a kind of self-service car rental suitable for very short hires. Australia's biggest car share business, GoGet, has 140 vehicles in Sydney, Melbourne, Adelaide and Brisbane, mostly in inner suburbs. Cars are stabled in accessible places and members access them using a smart card. Submission 68, GoGet Carshare. C. Mason, *Committee Hansard* 31 March 2009, p.47

as cars per passenger kilometre, depending on the mode and the conditions. [28] The advantage of public transport is much greater in peak periods, since in peak periods, compared with the all day average, buses and trains tend to be fuller while cars tend to be less full. The advantage would be greater if there was more public transport use: see paragraph 3.45.[29]

Need to reduce oil dependence

3.34 Most of Australia's oil consumption (77 per cent) is used for transport, and almost all transport is fuelled by oil (95 per cent). Australia's reliance on imported oil is increasing. Oil prices have risen greatly in the last few years and now stand at $US70 per barrel. Prices are predicted to remain high: the International Energy Agency's 'reference scenario' assumes an average price of $US100 per barrel to 2015 rising to $US120 to 2030 (in 2007 dollars), since 'marginal costs of supply exert upward pressure on prices', with increased price volatility.[30]

3.35 There are concerns about when world oil production will peak. 'Peak oil' activists predict a peak soon, with serious economic detriments if mitigating action is not taken. Professor Aleklett of the Association for the Study of Peak Oil and Gas (ASPO) said:

> We are at the peak now, on a plateau, and the question is when we will start to decline from the plateau. I do not like to say that the future is the end of the world. Instead I would like to say we have to build a new world. We have to build a new crash mat and we have to build it as thick as possible, because if we get a thick crash mat we will not be so hurt when we fall down. [31]

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28 ABARE 2009:70. Garnaut 2008:509. Apelbaum 2008:10. Alford and Whiteman 2008:6. Australasian Railway Association 2006:49. Estimates appear to allow for actual typical load factors in service, however details are mostly unclear. The estimates in the different sources differ significantly: 'a fifth to half' covers most of the range. PTUA 2009b gives the clearest explanations: it estimates energy consumption in megajoules per passenger-kilometre, including allowance for the energy embodied in making the vehicle, as: train with 400 people - 0.2; tram with 20 people - 0.8; bus with 10 people - 1.4; car with 1.1 people - 4.7.

29 The advantage of electric trams and trains is not as great in greenhouse terms as in energy terms if coal-fired electricity is used, as coal fired electricity is more greenhouse intensive than petroleum per unit of energy delivered. According to Garnaut (2008:509) rail and bus have a greenhouse emissions intensity about half as much as cars per passenger kilometre in average conditions.

30 Bureau of Transport and Regional Economics 2005a:3. Department of Resources, Energy and Tourism 2009:13. ABARE, *Australian Commodities,* vol. 16 no. 2, p.331. International Energy Agency 2008:40. The current oil price of about $US70 per barrel, though lower than the 2008 peak of $US135 per barrel, this is still higher than the prices of $US25-30 per barrel which subsisted before the present price rises started in 2004.

31 Prof. K. Aleklett (ASPO), *Committee Hansard* 9 June 2009, p.7

3.36 Many others, including peak government agencies, accept that oil production will peak, but have varying views on how soon it will be and how concerning it is.[32] The International Energy Agency has given strong warnings of a possible oil 'supply crunch' in the near term if there is not enough investment in new capacity:

> Some 30 million barrels a day of new capacity is needed by 2015. There remains a real risk that under-investment will cause an oil supply crunch in that timeframe…. the gap now evident between what is currently being built and what will be needed to keep pace with demand is set to widen sharply after 2010.'[33]

3.37 Demand for oil is relatively inelastic because for its major use - transport - there are no easy substitutes. This means that a relatively small shortfall in supply can cause a large increase in price. This will increase the volatility of the price in response to small changes in supply when there is little spare capacity.

3.38 The Australian Government is currently working on an Energy White Paper expected to be released late in 2009. The terms of reference mention among other things 'conservation technologies', 'environmental sustainability' and 'energy security'. The discussion papers acknowledge the warnings in the *World Energy Outlook 2008* mentioned above - for example, 'There is increasing recognition that a major decarbonisation of the world's energy system is likely to occur in coming years'. They suggest a possible priority of 'reducing carbon emissions and energy intensity'. However the possibility of an unexpectedly early peak oil, which might require active mitigation, is not mentioned. [34]

Committee comment

3.39 It is regrettable that the discussion papers for the Energy White Paper now under development do not mention the possibility of an unexpectedly early peak oil which might require active mitigation. Given the risks involved, it would be wise for Australia to pay more attention to 'peak oil' concerns, and to adopt strong policies to reduce its oil dependence in the long term. Public transport, because of its energy efficiency, has an obvious role to play in that.

Transport greenhouse emissions

3.40 Transport accounts for 14.6 per cent of Australia's greenhouse emissions.[35] Passenger cars are responsible for 53 per cent of transport emissions. Transport

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32 Senate Standing Committee on Rural and Regional Affairs and Transport 2007:40ff

33 International Energy Agency 2008:41

34 Department of Resources, Energy and Tourism 2009:11,16

35 This refers only to fuel used in combustion. The figure would be higher if it took account of the energy embodied in building roads, railways and vehicles: see Lenzen 1999, Public Transport Users Association 2009b.

emissions are the second greatest source of of emissions growth after stationary energy.[36]

Committee comment

3.41 There is an obvious role for public transport to improve the energy efficiency of urban transport. In relation to greenhouse emissions, there is extra advantage in that electric rail can use renewable power.

3.42 The committee acknowledges that the principle of the government's Carbon Pollution Reduction Scheme is to allow market forces to focus greenhouse mitigation actions where they are most cost-effective. There is no particular demand for all sectors to contribute equally: if mitigation is more costly in transport than some other sector, there will be less mitigation in transport.

3.43 However, given the growth in transport emissions, the committee does not think it is satisfactory to imply that, having instituted the Carbon Pollution Reduction Scheme, the Australian Government does not need to take any interest in other avenues of mitigation in transport.[37]

3.44 Submissions stressed that there should be a multi-faceted approach to reducing transport emissions, of which a carbon charge is one element. This will include more ambitious fuel efficiency standards for cars, travel demand management; road pricing that reflects the full costs of road transport; landuse planning policies to reduce the demand for travel; and better public transport so that motorists facing higher fuels prices have more alternatives.[38]

3.45 The present car/public transport modal split in Australian cities is about 90%/10% on average. This may suggest that any realistically achievable increase in public transport use (for example, an 80/20 split, which is a goal in some policies), would still have only a small effect on total transport energy use. However the benefits would be increased by these considerations:

- On average one public transport trip tends to replace more than one car trip, as people adjust their habits to travel more efficiently; so increasing public transport mode share implies decreasing total travel.[39]
- While the *average* bus/train trip is about twice as fuel efficient as the average car trip, the gain from transferring the *marginal* trip will be much greater, since the marginal energy cost of putting an extra rider on an existing train or

36 Department of Climate Change 2009:6-7. 2007 transport emissions: passenger cars 41.9 Mt CO2e; total 78.8 Mt CO2e.

37 This was the general tenor of the Department of Climate Change's evidence to the committee: Ms S. Thompson, Department of Climate Change, *Committee Hansard* 20 March 2009, p.10ff.

38 Submission 33, Bus Industry Confederation, p.21. Submission 130, Environment Victoria, p.4

39 Submission 8, Prof. P. Newman, p.8

bus service is practically zero. Increasing public transport use implies an increasing average load factor, which will increase the energy advantage of public transport.[40]

- Where greater public transport use reduces traffic congestion, the remaining motorists may enjoy greater fuel efficiency in the less congested conditions.

Public transport to promote public health

3.46 Health costs of the current transport mix include -

- road deaths and injuries;
- effects of motor vehicle pollution;
- effects of an inactive, car-dependent lifestyle.

3.47 Greater public transport use, implying less car use, has benefits in reducing these costs.

Reducing the road toll

3.48 In 2000 the BTRE estimated road crash costs 'conservatively' at nearly $15 billion per year (1996 dollars), comprising human costs $8.3 billion, vehicle costs $4.1 billion, and general costs $2.5 billion. Since then road deaths have fallen, but injuries requiring hospitalisation have increased. In 2005-06 31,204 people were seriously injured in road crashes. A 2006 study estimated the road crash cost in 2003 at $17 billion. New estimates are now in preparation by the BITRE. [41]

3.49 Crash costs broken down by urban/ non-urban are not available; but if at a guess half the costs were incurred in major urban areas, it implies that a one per cent reduction in traffic created by a shift to public transport and active transport in these areas could save $85 million per year.[42]

Reducing health impacts of pollution

3.50 Pollution in the form of particulates and noxious gases from motor vehicles increases ill health from cardiovascular and respiratory diseases. Particulates are microscopic solid particles produced by the combustion of petrol and diesel and, combined with road dust, are suspended in the air and inhaled. This contributes to a

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40 As the existing service becomes full extra services must be provided, but providing an extra service for the first overflow passenger still gives an average load factor of at least 50 per cent, which is probably better that most public transport achieves at present as an all-day average.

41 Bureau of Transport Economics 2000:xi. Connelly & Supangan 2006. Berry & Harrison 2008:vii. 'Seriously injured': admitted to hospital.

42 Assuming that crash costs are proportion to traffic volume. Road deaths and serious injuries are much higher per population in rural areas than in metropolitan areas: Berry and Harrison 2008:28. NSW Centre for Road Safety 2007:32

cumulative decrease in lung function efficiency and can contribute to the incidence of breathlessness, heart disease and asthma. There is increasing recognition that even small exposures are injurious.[43]

3.51 Motor vehicles are the main cause of air pollution in cities. The BTRE has estimated that in 2000 motor vehicle pollution accounted for between 900 and 4500 morbidity cases, and between 900 and 2000 early deaths (this may be compared with Australia's road toll of 1,464 dead in 2008). The economic cost of pollution-related morbidity in 2000 was estimated at between $0.4 billion and $1.2 billion, and the economic cost of premature mortality was estimated at between $1.1 billion and $2.6 billion. [44]

3.52 A shift from car travel to public transport will help reduce air pollution. While overall a very large increase in public transport use would be needed to have more than a small marginal effect on pollution (because of the low public transport mode share at present), the prospects of public transport are best in more congested areas, and these are the areas that suffer most pollution.[45]

Public transport for a more active lifestyle

3.53 There has been much comment in recent years about the 'obesity epidemic'. According to Doctors for the Environment Australia:

> Australia faces an epidemic of obesity, with almost 60% of Australian adults and 25% of children being obese or overweight, with type 2 diabetes and other adverse health effects from physical inactivity and unhealthy diets prevailing… Currently diabetes is estimated to cost $6 billion annually. This is expected to double by 2020. [46]

3.54 Inactive lifestyles associated with excessive car use are a significant part of the problem:

> People who live in sprawling suburbs are more likely to drive their cars and have higher body mass indexes.[47]
>
> Research has indicated that each additional hour of daily driving leads to a 6% increase in the likelihood of obesity. [48]

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43 Submission 70, Doctors for the Environment Australia, p.2

44 Bureau of Transport and Regional Economics 2005b:ix. Department of Infrastructure, Transport, Regional Development and Local Government 2009:1

45 Brindle et al. 1999:27

46 Submission 70, Doctors for the Environment Australia, p.3

47 Submission 27, Australian Conservation Foundation, p.3, referring to Garden and Jalaludin 2008.

48 Submission 70, Doctors for the Environment Australia, p.3

3.55 Use of public transport and active transport can help ensure that people have minimum activity levels:

> Daily activities such as walking, cycling to the shops or to public transport, can provide the level of physical activity recommended in the National Physical Activity Guidelines. In studies of cities throughout the world a positive relationship has been found between availability of public transport and lower levels of obesity. This is simply due to factors such as commuters needing to walk to and from the bus, tram and train stops.[49]
>
> As little as 30 minutes exercise daily helps to promote weight loss and improve physical fitness.…Even moderate exercise via endorphin release in the brain as well as the positive benefits of feeling fitter promotes psychological wellbeing. Use of public transport of itself promotes exercise in that people need to get to transport nodes, either by walking or bicycling.[50]

3.56 Recent studies have confirmed that public transport use is associated with greater physical activity, after controlling for other variables.[51]

Committee comment

3.57 In the committee's view the connection between car-dependent lifestyles, inactivity and the incidence of overweight is a serious matter which needs to be taken up more vigorously in both public health policies and urban planning policies.

3.58 Building urban fringe developments in a way that makes it inevitable that more than 90 per cent of the residents' trips will be by car should be regarded as no more acceptable than building on contaminated land.

Public transport to reduce transport disadvantage and social isolation

3.59 Many submissions noted that public transport is important to reduce the transport disadvantage and social isolation.[52]

3.60 'Transport disadvantage' has two aspects: inadequate public transport for people who do not have licences or cars (or not enough cars for the needs of all household members); and the possibly excessive burden of car costs for those who are

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49 Submission 70, Doctors for the Environment Australia, p.3

50 Submission 13, Public Health Association Australia, p.4. Similarly S. Powrie (Bicycle Institute of South Australia), *Committee Hansard* 23 July 2009, p.51

51 Submission 142, C. Mason, p.7. Similarly M. Burke (Pedestrian and Bicycle Transport Institute of Australasia, *Committee Hansard* 3 March 2009, p.18. See also Public Health Association, additional information 26 March 2009. Wen & Rissel 2007. Bassett et al. 2008. Lachappelle & Frank 2009.

52 For example submission 67, Western Sydney Regional Organisation of Councils, p.6. Submission 114, Metropolitan Transport forum, p.4. Submission 123, WA Dept for Planning and Infrastructure, p.1. See also Currie (2007).

forced to have cars (or more cars than they might want) because of poor public transport.[53]

3.61 The Western Sydney Regional Organisation of Councils (WSROC) described research that found that almost a third of Sydney people live in transport disadvantaged census collector districts. Over half of those people were located in western Sydney:

> International studies… point to a strong evidence base that a lack of suitable and affordable public transport can be a significant barrier to participation in work and education and access to health services, shopping and social, cultural and recreational activities for socially disadvantaged people. [54]

3.62 Similarly in Melbourne, 83% of residents do not live within access of an at least half hourly full time bus service.[55]

3.63 For those who do have cars the cost of the car (or the second car) may be an excessive burden of necessity, especially for people of lower socio-economic status in the outer suburbs:

> An important and generally unique feature of Australian cities is the concentration of lower income and financially marginalized residents in fringe urban areas. There are strong relationships between where disadvantaged Australians live and the lack of public transport. There is also evidence that this has encouraged many low income families to be become car dependent. As a result a high share of low income households on the fringe of our cities have high car ownership despite high costs of running cars. The result is "transport poverty". Providing even a minimum public transport level of service can provide a significant release for these pressures.[56]

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53 Australia-wide the proportion of people of driving age with a licence is about 63% for under 20s, rises to 95% for age 40-49, and falls to 61% for over 70s. Figures for men and women are similar except that among over 70s 75% of men and 50% of women are licence holders (2003 information). About 9 per cent of dwellings have no motor vehicle. Austroads 2005a:37, ABS 2006 census. 'About 45% of Perth's population does not have ready access to a private car': submission 123, WA Dept for Planning and Infrastructure, p.1

54 Submission 67, Western Sydney Regional Organisation of Councils, p.6. Hurni 2006:2,6. 'Transport disadvantaged' was defined as living more than 800m from the nearest bus service that runs half hourly or better during the day, without regard to where the bus runs to.

55 Submission 34, Prof. G. Currie, p.2

56 Submission 34, Prof. G. Currie, p.5. Similarly submission 114, Metropolitan Transport Forum, p4. N. Sipe & J. Dodson, *Committee Hansard* 3 March 2009, p.38ff

3.64 In Melbourne 20 per cent of households with income below $500 per week are running two or more cars. Fifty-eight per cent of households in north west Sydney have two or more cars. [57]

3.65 Outer suburban people and rural and regional people with high car use will be particularly vulnerable to rising oil prices.[58]

3.66 In light of these points the Australasian Railway Association suggested that public transport services can be regarded as 'as essential as health services…'

> Like health services, transport services have 'socio-technical' content and both are identified as sectors ripe for greater Commonwealth investment and accountability for sustainability.[59]

3.67 Rural and regional people without cars suffer particular transport disadvantage. Many submissions described the difficulties of life for people without cars or driver's licences - for example, difficulties that the elderly have in getting to doctor's appointments, or that youth have in gaining the independence they need. This particularly applies to transport from the smaller towns to the regional centres. Providing even a little public transport can greatly increase these people's opportunities.[60]

57 Submission 87, Australasian Railway Association, p.41. Submission 67, Western Sydney Regional Organisation of Councils, p15

58 Dodson and Sipe 2008. N. Sipe & J. Dodson, *Committee Hansard* 3 March 2009, p.38ff

59 Submission 87, Australasian Railway Association, p.41

60 For example submission 4, Alexandrina Council. Submission 47 Fleurieu Regional Development. Submission 155, Municipal Association of Victoria, p.11. K. Owen & S. Holcombe (Municipal Association of Victoria), *Committee Hansard* 20 July 2009, p.2ff

Chapter 4

Improving public transport

4.1 This chapter summarises comments in submissions about how public transport should be improved.

4.2 Many of the points below are matters of organisational efficiency which apply regardless of the level of funding available ('need for better services and more infrastructure' are the obvious exceptions).

Need for better services

4.3 The most prominent comment in submissions was the need for better services.

4.4 The main elements of public transport service quality are route coverage, frequency, operating hours, speed and comfort.

4.5 Many areas of Australian cities have adequate route coverage,[1] but score poorly on frequency, operating hours and speed. Bus/tram services in inner areas are often adequately frequent (four per hour or more during the daytime), but very slow and unreliable because of traffic congestion. Bus services in outer areas are usually infrequent (two per hour or less) and not full-time. They are often slowed by extremely circuitous routes which are designed to give the greatest route coverage at least cost.[2]

4.6 A frequency of at least four per hour is an important threshold of service quality. Four to six per hour (one each 10-15 minutes) is the level where people start to not bother looking at the timetable ('turn up and go'). It is the level needed to encourage more interchange trips, as discussed below (paragraph 4.12ff). [3]

4.7 To improve public transport speed the major focus will have to be tram and bus priority measures, the aim of which is to make services congestion-free.[4] These measures are also very important to improve reliability, since delay in traffic

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1 In greenfields development areas routes are typically planned having regard to government guidelines about the maximum walking distance from a bus stop.

2 Mees 2000:238

3 Submission 136, Public Transport Users Association, p.6. K. Dobinson (10,000 friends of Greater Sydney, *Committee Hansard* 6 March 2009, p.44. Prof. J. Stanley, *Committee Hansard* 30 March 2009, p.67. G. Davis, *Committee Hansard* 20 July 2009, p.40. The threshold of 'forget the timetable' travel is commonly said to be a frequency of 12 minutes: for example TRL 2004:71, Mulley 2009:23

4 D. Mellish (BusNSW), *Committee Hansard* 6 March 2009, p.25. Heavy rail services being already congestion-free, to increase their speed much would require very costly investment in straightening alignments and rationalising junctions.

congestion is the major cause of unreliable service (and unreliable service is very detrimental to the rider's experience even if the nominal frequency is good).[5]

4.8 Speed and frequency combine to make total trip time, including waiting time, perceived by the rider, so tradeoffs between them are possible. Frequency and reliability will be more important for shorter trips, especially transfer trips (trips with interchange between two public transport services). Linehaul speed will still be important for longer trips between major interchange points.

4.9 Comfort involves both the design of the vehicle and the level of crowdedness. It is to be expected that as general living standards improve comfort becomes relatively more important, as can be seen in the improving design of trains and buses as well as cars (with air-conditioning standard, for example). Mr Litman (Victoria Transport Policy Institute) suggested that public transport operators should focus more on comfort as a way of marketing against the convenience of car travel.[6] Both actual and perceived safety and security concerns should also be addressed.

Committee comment

4.10 More frequent services will increase ridership, but it is unlikely that the extra ridership will be enough to cover the extra operating costs.[7] The overall operating subsidy needed will probably increase (an exception may be where new services create a 'network effect', as discussed below).

4.11 The present level of public transport service represents the communally accepted compromise between service quality and subsidy cost. A challenge for governments is how to improve infrequent 'social service' public transport to the point where it can begin to attract 'choice' riders, without excessively increasing the cost of public subsidy. The measures discussed below should help do this, as they improve service quality independent of frequency.

Need for a complete network

4.12 Historic public transport routes are mostly radial routes focussed on central business districts (especially for rail). However travel to central business districts is now only a small proportion of total travel.[8]

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5 Excess waiting time from unreliable service has a far greater perceived detrimental value than normal waiting time: TRL 2004:90.

6 T. Litman (Victoria Transport Policy Institute), *Committee Hansard* 31 July 2009, p.4-5. A survey of Sydney car commuters found that comfort and convenience factors (primarily 'vehicle faster') were very important, and cost factors were not important in forming their decision to use the car. Transport Data Centre 2008:13

7 That is, the elasticity of demand with respect to frequency is less than 1. Mees 2000:85. TRL 2004:19

8 For example, from 6.30-9.30am weekdays, trips to the Sydney CBD are about 5 per cent of all trips in the Sydney region. G. Corpuz, NSW Transport Data Centre, pers. comm July 2009

4.13 Submissions argued that to encourage use of public transport for a wider variety of trips, it is important to create a complete network. This requires a complete grid or spider's web of routes with sufficiently frequent services; quality interchange facilities; timetables and ticketing that facilitate transfers; excellent information services; and preferably a single metropolitan public transport authority to plan and promote these things (some of these points are expanded below).[9]

4.14 In practice this requires improving cross-suburban routes to create the parts of the grid or spider's web that are not served by existing radial services. This will mostly be by bus.[10] [11]

4.15 With a complete network and convenient transfers the effective reach of the network may be greatly increased very cost effectively, as public transport becomes more attractive for people whose origin and destination do not happen to lie on a single route.

> In establishing a role for public transport, it should be enshrined in the motto of delivering "frequency, connectivity and visibility"… Connectivity refers to the provision of door-to-door services with minimum delay and almost seamless interchanges. Visibility is predominantly knowing where the mode is coming from and going to, and when.. It is all about networks, not corridors per se.[12]

4.16 For example, comparing Melbourne with Toronto (which is often cited for its well-managed, integrated public transport service): though they have similar population and urban form, Toronto has a more rational grid of routes and better planned interchanges. It has a much higher proportion of linked trips (trips that involve transfer between two or more public transport vehicles) and a much higher occurrence of riders accessing train stations by bus. Toronto also has much higher

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9 For example submission 136, Public Transport Users Association. Submission 143, J. Scheurer. Dr G. Glazebrook, *Committee Hansard* 6 March 2009, p.50. Scheurer et al. 2005:23. Mulley 2009:27. Where the network is simple and service at 'forget the timetable' frequency is not affordable (for example, in regional centres), a 'pulse timetable' can be used to facilitate transfers: all buses meet at a central point at the same time in each cycle, wait a few minutes for transfers, then continue. P. Mees, *Committee Hansard* 30 March 2009, p.53

10 For example see submission 143, J. Scheurer, for suggestions for a better regional bus network in north east Melbourne. Similarly submission 33, Bus Industry Confederation, p.19

11 A few of Melbourne's tram routes have a cross suburban function. Cross suburban through city trips by rail may be important.

12 Submission 7, Prof. D. Hensher, attachment: 'Frequency and Connectivity: Key Drivers of Reform in Urban Public Transport Provision', *Journeys*, Nov. 2008, p.26-27. Similarly J. Scheurer, *Committee Hansard* 30 March 2009, p.41. See submission 136, Public Transport Users Association, p.5 for the mathematics of the network effect: completing the network may win new patronage far in excess of what would be predicted by normal elasticity of demand, because it makes already existing services usable by far more people.

public transport use per person than Melbourne. European cities with still higher public transport use have a still higher proportion of linked trips. [13]

Need for a legible network and integrated information services

4.17 To encourage occasional users and transfer trips, it is essential to have a legible network of routes and excellent information about timetables and ticketing.

4.18 In this regard the achievements of Australia's authorities are mixed. Some cities have integrated information and marketing under a single brand, even where service provision is contracted out (eg Transperth). In Sydney the separate government rail and bus authorities, on their websites, do not mention each other's existence.[14]

4.19 A legible network requires not only good information, but a simple route structure:

> Much evidence now supports the view that higher ridership can be achieved in public transport systems through the operation of frequency and simple network structures….[15]
>
> It is imperative that bus routes either provide fast, direct links between hubs (Smartbus) or slower, circuitous service to access a maximum number of households within walking distance, rather than both functions at a time.[16]

4.20 These things are particularly important to attract new and infrequent riders and offpeak riders. It is important to market to these groups, not only to the city commuters who are the focus of the most current concerns about overcrowding, because accommodating more offpeak riders on existing services has low marginal cost and will improve cost recovery.

> To encourage people to try public transport and then stick with it, we need to make their first public transport experience a good one. We need to give them information in advance on what options are available and how to use

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13 Submission 136, Public Transport Users Association, p.12. Submission 33, Bus Industry Confederation, p.30. Mees 2000:178. Access to rail stations is - in Melbourne: 61% by walking and cycling, 9% by bus 'in the early 1990s'; in Toronto: 20% by walking and cycling, 76% by bus: Scheurer et al 2005:8. See also submission 138, Bicycle Network, p.5, which gives a figures of 20% of Melbourne train riders accessing the station by bus.

14 Similarly they do not mention, and their network maps do not show, the many private bus routes that overlap their territories. Both websites (Cityrail and Sydney Buses) do link to a separate 'Transport Info' trip planner which covers almost all metropolitan bus and rail services, however they do not alert readers to the fact the the trip planner includes services other than their own. Sydney Buses links to Cityrail under a menu option described opaquely as 'useful links'.

15 Submission 34, Prof. G Currie, p.9

16 Dr J. Stone, *Committee Hansard* 30 March 2009, p.47. Scheurer et al. 2005:23

public transport. This includes route maps, timetables, instructions on how to buy tickets.[17]

Need for convenient ticketing

4.21 It is essential to have convenient ticketing valid on all modes, and a fare structure which does not penalise transfers.[18]

4.22 Older systems typically have prepaid multiple ride tickets sold off the vehicle: one fare debited allows any number of boardings (bus or train) within a period (typically 1 ½ to 2 hours) to allow transfers (Melbourne, Canberra, Adelaide, Darwin, Newcastle buses, Hobart).

4.23 Modern systems use a stored value smartcard which is debited by tagging on and off the vehicle (Brisbane, Perth and many overseas cities). The user tops up the card value as needed. The system may be able to debit a savings account automatically, in which case the user never has to think about paying a public transport fare again. This is an important convenience for infrequent users who are more likely to be unfamiliar with the ticketing system.

4.24 Improvements may be very cost-effective. When a new ticketing system was introduced in Brisbane in 2004 public transport use jumped significantly.[19]

4.25 Usually single cash fares are still available on buses. This is desirable so as not to discourage occasional users.

Committee comment

4.26 Giving due attention to the points above is favourable to encouraging off-peak and infrequent riders, not only the city commuters who are the focus of most current concerns about overcrowding. Encouraging offpeak riders is important because it will improve cost recovery (since extra offpeak riders can be handled at little marginal cost). Encouraging infrequent riders is important in order to increase community awareness of public transport.

Need to integrate cycling and walking measures with public transport

4.27 Submissions noted the need to plan measures to encourage cycling and walking consistently with public transport measures, as they support each other.

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17 Submission 43, P. Flanagan, p.4

18 Mulley 2009:34

19 Submission 191, Brisbane City Council, p.24. Brisbane City Council, additional information 3 March 2009. Blake 2009:21. Other factors may have contributed, including an effective fare cut and service improvements about the same time: Cr J. Prentice (Brisbane City Council), *Committee Hansard* 3 March 2009, p.8,10. Streeting and Barlow 2007.

Cycling can greatly increase the catchment area of train stations, while almost all public transport trips have a walking element:

> Cycling has to be seen as part of the mainstream transport system….There is a very strong body of science that says that the value of public transport use is multiplied several times when you increase the connectivity between cycling and walking activity and using buses and trains.[20]

4.28 The Bicycle Network submitted that cycling is very suitable to replace many short car trips to train stations. Most of these trips are less than 5 km long, and providing commuter carparks at stations is very expensive by comparison with providing facilities for bicycles. A paved car parking space costs $5,000-$15,000 (not including land value); by comparison, a cage for 26 bicycles costs $60,000. [21]

4.29 Submissions noted initiatives in Australia and elsewhere to enable bicycles to be carried on public transport: for example, racks on buses (Canberra) and special compartments on trains (eg Portland Oregon, San Francisco). Submissions urged that Australian authorities should implement these measures. [22]

4.30 Submissions urged the need to fund infrastructure improvements to enable safe cycling, as lack of safe routes is the greatest disincentive:

> The reason people are not riding is not because they do not have a bike. It is because they do not have somewhere to ride. As soon as you provide places to ride, people will get bikes.[23]

> Well maintained, safe to use (free from obstacles, separated from traffic) and secure (well lit, patrolled) network of walking and cycle ways, that actually follow routes that people tend to use (rather than following vacant usable land), will promote their use. [24]

4.31 Brisbane City Council described its city cycle amenities:

> We have provided the first end-of-bike-ride facility in Australia, down at King George Square… That provides showers, lockers, laundry services

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20 S. Powrie (Bicycle Institute of South Australia), *Committee Hansard* 23 July 2009, p.51. Similarly S. Lennon (Pricewaterhouse Coopers), *Committee Hansard* 6 March 2009, p.55.

21 Submission 138, Bicycle Network. Mr H. Barber, *Committee Hansard* 30 March 2009, p.11ff. 40 per cent of trips in Melbourne are less than 2km long: submission 130, Environment Victoria, p.5. Similarly M. Burke (Pedestrian and Bicycle Transport Institute of Australasia), *Committee Hansard* 3 March 2009, p.17. Similarly P. Strang (Bicycle Federation of Australia), *Committee Hansard* 19 March 2009. p.41

22 Submission 76, Cycling Promotion Fund, p.24,38,39. Submission 115, Environment House Inc, p.5. Similarly M. Burke (Pedestrian and Bicycle Transport Institute of Australasia), *Committee Hansard* 3 March 2009, p.25.

23 Mr H. Barber (Bicycle Victoria), *Committee Hansard* 30 March 2009, p.18. Similarly Dr E. Hanna (Public Health Association), *Committee Hansard* 20 March 2009, p.4. H. Webster (Fleurieu Regional Development), *Committee Hansard* 23 July 2009, p.4

24 Submission 13, Public Health Association Australia, p.6

> and hair dryers so that you do not have to have helmet hair, which is a big issue. What amazes us are the thousands of people who go out in the morning from five to six to get their cycling exercise then go home, have a shower and get in the car and come in to work. What we are trying to do is encourage them to commute to work.[25]

4.32 The Australian National Cycling Strategy 2005 was developed by the Australian Bicycle Council (an association of relevant government agencies such as road and traffic authorities and other stakeholders). It aims to encourage cycling with policies such as:

- cycling should be an essential consideration in integrated land use and transport planning;
- suitable infrastructure and facilities should be provided; and
- cycling should be supported and promoted.

4.33 The strategy is an 'agreement to cooperate', and is not prescriptive. It leaves it to the member governments to decide what targets they will establish for increasing cycling.[26]

4.34 Submissions urged Australian Government assistance to promote cycling.[27] Submissions noted the need for more fine-grained planning of the urban environment to facilitate walking:

> [Transport planning] should also entail attention to the physical facilities for access and connectivity for people walking and cycling – often the fine-grained details that can make such a difference, such as the cross-ability of an intersection or shelters from rain and sun.[28]

Need for better institutional arrangements

4.35 Submissions stressed the need for good governance to make sure that the city's public transport services are delivered effectively and to make sure that infrastructure investment is prioritised widely.

4.36 Infrastructure Australia in a recent report to the Australian government said similarly:

> Simply investing in more capacity is not the only requirement to improve public transport in Australia. Public transport is not administered and managed in Australian cities as well as in many cities overseas. With more emphasis on public transport in the future, and with more funds set to be invested, governments need to ensure that public transport meets best

25 Cr J. Prentice (Brisbane City Council), *Committee Hansard* 3 March 2009, p.13-14

26 Austroads, *The Australian National Cycling Strategy 2005-2010,* 2005, p.4 and pp 14-15.

27 For example, submission 87, Australasian Railway Association, p.64.

28 Submission 142, Dr C. Mason, p.5

> practice and is as efficient as possible… Public transport administration in Australia could benefit from a more outwardlooking approach including cooperation and communication with other agencies and governments when planning for the future.. With the Commonwealth signalling that it might invest in urban transport systems as a means to boost national productivity, now is the time for nationwide reform to improve public transport governance.[29]

4.37 In evidence to this inquiry the key element of good governance was usually said to be a single regional public transport authority with the power and responsibility to plan and deliver the city's public transport service in an integrated way under a single brand (whether or not service provision is contracted out).[30]

4.38 Perth has such an authority (Transperth). Brisbane has recently established one.[31] Sydney and Melbourne do not. Melbourne's franchising out of train and tram operations since 1999 has been particularly criticised for creating a lack of clear accountability for managing the whole network:

> No-one is in charge. Whose job is it to make the bus connect with the train in Melbourne? It is kind of everyone's and therefore it is nobody's… we do not have anyone in charge because our public transport system is franchised. We do have a departmental regulator but they collect statistics on things and report how often trains are late and so on. They do not integrate and knit all the different parts of the system together.[32]

> Metlink has been established as an agency owned by the two operators and responsible for revenue distribution and user information…. However, Metlink's role is not that of an accountable public transport agency - comparable, for instance, to Western Australia's TransPerth or Vancouver's TransLink - with the authority to conduct comprehensive planning for network and service improvements, and implement them independently of the commercial interests of the operators. As a result, the involvement of the public sector in network and service development across the train and tram operations remains largely passive.[33]

4.39 Zurich was mentioned as a good model in which service provision is contracted out, but the central agency remains fully responsible for planning the total

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29 Infrastructure Australia 2008:45

30 For example submission 67, Western Sydney Regional Organisation of Councils, p.2. Submission 136, Public Transport Users Association, p.30. S. Lennon (Pricewaterhouse Coopers), *Committee Hansard* 6 March 2009, p.57. Dr J. Dodson, *Committee Hansard* 3 March 2009, p.41,46. D. Mellish (BusNSW), *Committee Hansard* 6 March 2009, p.27.

31 The Translink Transit Authority: see http://www.translink.com.au/aboutus.php

32 Dr P. Mees, *Committee Hansard* 30 March 2009, p.55-6. Similarly Dr J. Stone, *Committee Hansard* 30 March 2009, p.40,47; Dr. Bowen (Public Transport Users Association), *Committee Hansard* 30 March 2009, p.21

33 Scheurer 2005:29.

network and ensuring performance by the contractors, and politically responsible for the outcome:

> Their traffic planning division has only six staff and they do all the timetabling, coordination and integration. The reason they are able to do that is that they have other agencies which, by and large, are public agencies such as the Swiss Federal Railways which provide the services for them… The overall coordinating agency runs not just timetables and integrates things but also keeps an eye on the people providing the services to make sure that they do so competently and efficiently.[34]

4.40 Submissions argued that Australian Government funding should be conditional on best practice governance, including the presence of a regional public transport authority to plan and deliver a fully integrated network service.[35]

Committee comment

4.41 The Committee agrees that Australian Government funding for transport initiatives should be conditional on reforms to state and territory transport and planning departments to create central coordinating agencies along the model of the Public Transport Authority of Western Australia.

Need for a strategic transport plan

4.42 Submissions stressed the need for a long term strategic transport plan for the city as a whole, which has goals and actions detailed enough for performance to be monitored:

> While comprehensive transport policy statements that set out the governmental goals to be pursued in a sector like transport may be unusual, the existence of integrated transport plans (e.g. for a city or larger region) that set out system development requirements (including infrastructure development needs) to meet these goals, with clearly defined roles and responsibilities for delivering and updating the plans and maintaining long term plan currency (with regular update), is equally unusual. This has become known in some conversations as the 'tactical level gap'. This tactical level weakness reflects an inability, or unwillingness, on the part of governments, mainly at State level, where most infrastructure development responsibilities lie, to take a long term strategic view of sectoral development needs and to maintain the commitment.[36]

4.43 Submissions regretted what they saw as a lack of consistency and follow through in Sydney and Melbourne transport planning in particular:

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34 Dr P. Mees, *Committee Hansard* 30 March 2009, p.56

35 For example submission 136, Public Transport Users Association, p.26. Dr J. Stone, *Committee Hansard* 30 March 2009, p.39,46.

36 Submission 33, Bus Industry Confederation, p.16

> For too long planning in NSW has been a fragmented, ad-hoc process undertaken by a range of government and non-government agencies often operating in complete isolation from each other. As a result many transport plans have lacked a strategic or long-term focus, have incorporated conflicting priorities and are often ambivalent in terms of specific commitments and undertakings. Plan-making has become largely marginalised from the Government's budget-setting process and has been "captured" by the State Treasury and some large agencies such as the RTA.[37]

> Although the Victorian Government's Meeting Our Transport Challenges (MOTC) document theoretically allocated a good proportion of the total package to public transport, many of the public transport proposals were in the distant future or poorly directed. A number of the MOTC public transport proposals now appear to have been dropped in the government's latest Victorian Transport Plan.[38]

4.44 Some submitters suggested that Australian Government funding for transport infrastructure projects should be conditional on the existence of a strategic plan, with adequately detailed goals, actions and performance criteria so that the success of projects can be assessed, and evidence that the project is consistent with the plan.[39]

Need to integrate transport planning and urban planning

4.45 Submissions stressed the need to integrate transport planning with urban planning generally. The public transport will not attract riders if the pattern of development in the region makes it impossible to plan an efficient network that serves the places where people want to go. For example:

> The area between Wallsend and Minmi has been an ongoing development for many years. The original road between Wallsend and Minmi was a narrow bitumen road. Now it looks like the main stem of a bunch of grapes with small residential areas hanging off it like berries. A nightmare to plan movements of buses to reasonably service the area.[40]

4.46 Major city strategic plans invariably express a goal of making urban development more conducive to public transport use - for example, by promoting infill development, slowing urban fringe development, and concentrating commercial

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37 Submission 67, Western Sydney Regional Organisation of Councils, p.1

38 Submission 136, Public Transport Users Association, p.13

39 For example submission 33, Bus Industry Confederation, p.16. Submission 13, Metropolitan Transport Forum, p6. D. Bowen (Public Transport Users Association), *Committee Hansard* 30 March 2009, p.26. Similarly S. Holliday (Planning Institute of Australia), *Committee Hansard* 20 March 2009, p.22-23; B. Nye (Australasian Railway Association), *Committee Hansard* 20 March 2009, p.39; Prof. D. Hensher, *Committee Hansard* 6 March 2009, p.31.

40 Submission 30, B. Griffin, p.1

development in selected regional centres which can be the focus of logical public transport networks.[41]

4.47 Measures to reduce car-dependence and make public transport work better in new suburbs include:

- reserving new corridors for fast public transport early in the planning of greenfields developments;
- subdivisions planned with a street pattern that allows buses to be routed efficiently, with good pedestrian access from bus stops to the surrounding area;
- activity centres located rationally so they can be the focus of transport networks or interchange points;
- design principles that give high priority to a quality environment for cyclists and pedestrians - for example, cycle-friendly road design, permeable street layouts which do not force circuitous trips, and suitably placed local and neighbourhood centres to promote walking and cycling for trips within the neighbourhood;
- public transport services provided from the outset, rather than being retrofitted years later, after the new residents have established car-dependent habits;
- 'transit oriented development' - medium density mixed-use development around public transport nodes; and
- increase in residential density generally (since this makes public transport services more viable).[42]

4.48 Increasing residential density in established areas ('urban consolidation'), is controversial. However it should be stressed that general urban consolidation is not the same as transit-oriented development. Urban consolidation is usually taken to mean the attempt to increase population over wide areas of established suburbs by infill development or rezoning for denser development. Capital city strategic plans now commonly aim to house a significant proportion of future population growth within the existing urban footprint, to limit the amount of greenfields development at

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41 For example, NSW Government 2005:81.120,156. Victorian Government 2008b:3

42 For example submission 26, Campbelltown and District Commuters Association, p.4. D. Mellish (BusNSW), *Committee Hansard* 6 March 2009, p.25. S. Fingland (Western Sydney Regional Organisation of Councils), *Committee Hansard* 6 March 2009, p.64. D. Smith (Davis Bus Lines), *Committee Hansard* 20 July 2009, p.33. Submission 8, Prof. P. Newman, p.15. Submission 53, Council of Mayors SEQ, p.14. Submission 98, ACEA, p.8. NSW Government 2005:81,155. Victorian Government 2008b:9,17. Government of Western Australia 2009:2. Queensland Government 2009:140. For an overview of transit oriented development see for example http://www.patrec.org/conferences/TODJuly2005/TODJuly2005.html which is the papers of a 2005 conference by the Western Australia Planning and Transport Research Centre (PATREC).

the fringe.[43] Undiscriminating urban consolidation usually arouses strong opposition from existing residents, and experts debate whether the benefits are worth the costs.[44]

Committee comment

4.49 Most public discussion of promoting public transport focuses on the technicalities of improving the public transport service, and unfortunately gives little attention to the important land use planning connection. It should always be stressed that all land use planning is transport planning, as land use planning decisions have a dominating effect on people's travel habits. The best public transport service will not attract riders if the nature of urban development in the catchment area makes it impossible for the route to serve people's needs.

4.50 Urban strategic planning is the responsibility of State and Territory governments. The needed initiatives involve State and local government. Most of them require regional scale planning going beyond the boundaries of any one local government area. The right institutional arrangements and powers are needed to ensure that the planning and the execution are coherent.

4.51 The committee takes no position here on the urban consolidation debate, but stresses that many other planning initiatives to promote walking, cycling and public transport, as noted above, can and should be done in any case, regardless of views about the best overall urban population density.

4.52 Governments who promote urban consolidation to reduce car use need to remember that the planning policy is not enough: improved public transport must also be provided. Denser population in areas where existing public transport is mediocre or overloaded, without improvement, will simply increase traffic congestion.

Need for infrastructure investment

4.53 Most submissions argued the need for significant investment in public transport infrastructure. However they stressed the need for orderly cost benefit analysis and prioritisation, in keeping with a city-wide long term strategic transport plan.[45]

4.54 Infrastructure Australia, a statutory authority established in 2008 to advise on infrastructure funding, recently commented:

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43 For example Victorian Government 2008b:3; NSW Government 2005:123,134; Queensland Government 2009:90; Government of Western Australia 2009:2

44 For example see Troy 1996. For an example of residents opposition see Save Our Suburbs (NSW) at http://www.sos.org.au/new_home.html See discussion in House of Representatives Standing Committee on Environment and Heritage, *Sustainable Cities,* 2005:43.

45 For example submission 58, RACQ, p.4

> In large measure, Australian cities have drawn upon the investment in rail networks made in the early to mid twentieth century. Major new investment is now needed to sustain our cities over the next several decades and beyond. Increased network capacity is required to meet population-driven patronage growth and to provide the scope for significant mode shift from private vehicles to public transport.[46]

4.55 Most Australian governments have recently made or are planning major investments in key public transport corridors (busways in Brisbane, heavy rail elsewhere).[47] The Australian government in the May 2009 budget committed to funding a number of major public transport projects. They include Regional Rail Express (Tarneit link) in Melbourne, Gold Coast light rail in Queensland; Gawler Rail line modernisation in Adelaide; Seaford to Noarlunga rail extension in Adelaide; and Adelaide O-bahn buslane extension. The Australian Government is also contributing to preconstruction or feasibility work on the West Metro (Sydney), East-West tunnel (Melbourne) and Brisbane inner city rail expansion. The total Australian Government commitment to these projects is about $4.6 billion.[48]

4.56 There was some discussion in evidence of the merits of light rail and bus rapid transit.[49] The consensus was that they have different strengths. Light rail provides higher quality service at higher capital cost, and (it is argued) can more successfully reshape urban development towards public transport use because of its visibility and permanence. High quality bus rapid transit can provide similar benefits (possibly not to the same extent) at lower capital cost, and has flexibility as buses can move from the busway onto local streets.[50] Which of them is more economical on operating costs will depend on the particular situation.[51]

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46 Infrastructure Australia 2008:45

47 Long term plans for rail expansion in Brisbane are also under study: Hon. R. Nolan, Minister for Transport, *Cross river rail key to city's transport future*, media release 12 May 2009. See Queensland Transport 2008.

48 Hon. A. Albanese, Minister for Infrastructure, Transport, Regional Development and Local Government, *Budget provides historic investment in rail*, media release 12 May 2009

49 'Bus rapid transit': high quality congestion-free bus services. Details vary: for example Brisbane and Adelaide (O-bahn) have completely grade separated bus roads. In Curitiba and Bogota (the most cited examples) buses use segregated median lanes on arterial roads. Sydney has separate bus roads without grade separation, with significant on-street running in central areas: Parramatta-Liverpool T-way and north west T-way. See Currie 2009 for an overview.

50 This refers to busways designed for kerbside boarding. Systems with high, level boarding (for example Curitiba and Bogota) need a platform at every stop.

51 Light rail will become relatively more economical at higher loads because of the ability to run fewer, longer vehicles: K. Warrell, *Committee Hansard* 6 March 2009, p.57

4.57 The most common view was that it is wrong to say that one is generally superior to the other: it is a matter of 'horses for courses' depending on the situation.[52] Brisbane's high quality busways, though expensive, are generally regarded as successful;[53] on the other hand the Gold Coast, after considering both options closely, has chosen light rail.[54] [55]

4.58 Submissions noted that in any case there is a strong need for more widespread bus/tram priority measures to make street public transport congestion-free more widely than is possible by building only trunk route busways.[56]

Committee comment

4.59 The committee agrees that significant catch-up investment in public transport infrastructure is needed, particularly in light of the current strong growth in patronage, and the inevitability that congestion-free public transport will be more important in future as our cities become bigger and more congested.

4.60 Investment may be by government, subject to the normal discipline of ensuring that the benefits will outweigh the costs taking account of non-financial matters, or by public-private partnership where the situation makes that practical. This will tend to be where it is practical to recover costs through direct user charges. Where benefits are widely spread among the community at large or it is not practical to

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52 For example M. Roth (RACQ), *Committee Hansard* 3 March 2009, p.77. Prof. D. Hensher, *Committee Hansard* 6 March 2009, p.34. K. Warrell, *Committee Hansard* 6 March 2009, p.56. M. Apps (Bus Industry Confederation), *Committee Hansard* 19 March 2009, p.37. R. Waldock (Public Transport Authority of WA), *Committee Hansard* 23 March 2009, p.6. Prof. G. Currie, *Committee Hansard* 30 March 2009, p.37. Mr Litman argued that 'rail transit has a more long term leverage effect [on property values]':*Committee Hansard* 31 July 2009, p.4

53 Some commentators question whether the benefits justify the high cost, or suggest that priority should be given to upgrading the railways that already exist nearby: submission 58, RACQ, p.4 & *Committee Hansard* 3 March 2009, p.77. Mees 1997; Dodson & Sipe 2006:43; RACQ 2008:12. See also Queensland Parliament Public Works Committee, reports 39 and 42, 1997. Brisbane busways complete, under construction or committed have/will cost about $2.9 billion (south east 2001: $599 million; inner north 2008: $466 million; Boggo Rd 2009: $226 million; eastern stage 1: $140 million; eastern stage 2 to Coorparoo: $465 million; northern stages 1 & 2 to Kedron: $777 million; south east Springwood extension $230 million. Extensions east to Capalaba and north to Bracken Ridge are proposed. ('Busways' at www.transport.qld.gov.au accessed 5 August 2009; Queensland Department of Transport and Main Roads, additional information 11 August 2009)

54 W. Rowe (Gold Coast City Council), *Committee Hansard* 3 March 2009, p.65. Mickel 2008. Blake 2009:23.

55 A further issue for both modes (but in practice, more for busways) is that public transport using freeway easements, though it may serve long distance commuters well, is not well suited to serving transfer trips over the whole network, since freeways tend to skirt around the activity centres or arterial road junctions which are the logical interchange points. Mees 2000:75.

56 For example Prof. G Currie, submission 34, p.9. D. Mellish (BusNSW), *Committee Hansard* 6 March 2009, p.25.

recover costs commercially, it is necessary to make the investment publicly.[57] Related issues are discussed in Infrastructure Australia's December 2008 report.[58] These issues were not much mentioned in evidence to this inquiry and will not be considered further here.

4.61 The committee sounds these cautions:

- High profile high cost projects (current proposals are mostly rail) may be needed as once in a generation city-shaping initiatives; however they should not be allowed to remove attention from the need for continuous improvement to the total network (such as bus/tram priority measures, better interchange arrangements, coordinated timetabling, real time information systems).
- Major projects should be consistent with a long term strategic transport plan for the city, and should be properly justified and prioritised by cost benefit analysis.
- Cost benefit analysis should give adequate attention to externalities, and to matters that are hard to quantify or have not been sufficiently noted in the past (such as agglomeration benefits).[59]
- If public-private partnerships are used, they should not be allowed to bias decision-making towards projects that find private partners more easily, at the expense of other projects that may be a higher priority for the city's overall transport plan.

Issues for rural and regional public transport

4.62 Many submissions raised concerns about poor public transport in rural and regional areas. For example:

> The levels of investment in rural and regional services is negligible in comparison to metropolitan areas. This is quite apparent in the State Plan; State Infrastructure Strategy and the Ministry of Transport's Accessible Transport Action Plan for NSW Transport, Roads and Maritime Agencies.[60]
>
> To date, local government does not have the financial funding capacity to invest the required money and the State Government has not shown the same commitment to Regional areas as it has done to Metropolitan areas.

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57 Public private partnerships in transport have been used mostly for tollroads. They may also be used for airspace developments. Prof. P. Newman, *Committee Hansard* 23 March 2009, p.38

58 Infrastructure Australia 2008:72ff

59 'Agglomeration benefits': positive externalities created by firms colocating with a certain density. See discussion in Infrastructure Australia, *Outline of Infrastructure Australia's prioritisation methodology*, September 2008, p.12. Including agglomeration benefits in cost-benefit analysis will tend to favour public transport in comparison with road projects, as public transport can better serve the needed density of activity. Prof. P. Newman, *Committee Hansard* 23 March 2009, p.44-45. Prof. G. Currie, *Committee Hansard* 30 March 2009, p.33.

60 Submission 111, Northern Rivers Social Development Council, p.5

> Our region supports nearly 40,000 people spread over 5 major urban towns and several smaller rural communities. Combined they would qualify for some State Government help – individually they don't…. When compared to the tax-payer funds which are expended on city dwellers, the effort spent on rural residents is minuscule. In many cases, a single passenger trip in the city, is subsidised by up to $10. Some people in rural areas would not get that level of subsidy in a year. There is no equity of public transport services between the city and regional taxpayers.[61]

4.63 Local town services, where they exist, have the features of outer suburban services: they are mostly infrequent 'social service' services for non-drivers, which cannot attract 'choice' customers. Intertown services connecting smaller towns to regional centres are usually extremely infrequent, and may have poor coordination of information services and marketing, which discourages occasional users.

4.64 Submissions noted not only poor basic services, but deficiencies of organisation and coordination which limit the usefulness of such services as do exist. For example:

> Access to the school bus for regular and senior passengers is at the discretion of the bus operator…. Buses to Canberra and Parramatta cannot set down in Moruya as this is less than 30kms from Tuross Head…. It will be patently obvious that there are some serious incongruities when it is possible to travel from the Tuross Head highway turn off point to Newcastle for $2.50 for a journey in one day and it is not possible to commute to Moruya for all the immediate requirements of community living. The whole range of services is fraught with complexities and inconsistencies…[62]

> [Transport infoline website and call centre] services are not available for transport services across rural and regional NSW.[63]

4.65 Cross-border coordination problems also exist. For example, TOOT suggested that the regional transport service linking the Northern Rivers of NSW to Brisbane would probably be much better if there was not a state border between them.[64]

Committee comment

4.66 As with suburban public transport, a key challenge for governments is to provide more effective service without excessively increasing the cost in public subsidy. However even without increasing operational budgets there is obviously

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61 Submission 47, Fleurieu Regional Development, Similarly submissions 4, Alexandrina Council, 46, City of Victor Harbor Council, 105 Wellington Shire Council, 118 East Gippsland Shire Council, 119 Light Regional Council

62 Submission 24, Tuross Head Progress Association, p.1

63 Submission 111, Northern Rivers Social Development Council, p.5. Similarly submission 119, Light Regional Council, p.3, referring to the Barossa Valley.

64 K. Kolbe (TOOT), *Committee Hansard* 31 July 2009, p.14

room for improvement in providing better centralised information and marketing, and coordinating services so that the timetables are rational and riders are not hampered by bureaucratic restrictions relating to operators' territories.

Special needs public transport, community transport

4.67 Submissions noted that some needs which are currently met inadequately or not at all by regular public transport may be more suitable for community transport.

> Providing improved access opportunities by public transport will sometimes be achieved by improving route bus service levels. In other situations, it can be achieved by increasing the use of existing school bus services, with suitable contractual variations to encourage greater use of these vehicles or it may be met by use of community transport services. Community transport is a growing sector servicing a large number of community needs such as the distribution of food to the elderly, taking the disabled to education, shopping, medical and other destinations. With an ageing population and high fuel costs long term, this service sector is likely to be increasingly demanded. It is increasingly being considered as a form of public transport in its own right.[65]

4.68 'Community transport' has no precise boundaries, but usually refers to transport more tailored to special needs than is possible with regular public transport - for example, serving the health care or social needs of people with disabilities or the frail elderly. It may be offered by local councils or charitable groups using buses, minibuses or cars. It has a focus on door-to-door service, but may also involve scheduled services (for example, a weekly community bus). Drivers are often volunteers.

4.69 Community transport is funded by Local Councils, or by the Commonwealth/State Home and Community Care Program (HACC), or by states separately from HACC.[66] Eligibility criteria typically limit the use of community transport services to particular categories of people and/or types of trips.[67]

4.70 A review of HACC by the Bus Industry Confederation (BIC) found that in 2002-03 there were approximately 3,000 HACC funded organisations providing services to 700,000 people a year. HACC transport serviced 4.7 million trips with a national spending of $44.1 million.[68] The Municipal Association of Victoria advised that Victorian Councils spend about $5.8 million per year administering community transport. This rises to about $21.3 million if the cost of vehicles and contributions to other community transport services are added:

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65 Submission 33, Bus Industry Confederation, p.25

66 For example, NSW Community Transport Program.

67 Submission 33, Bus Industry Confederation, p.26. See also submission 187, Community Transport Organisation.

68 Submission 33, Bus Industry Confederation, p.26

> The lack of investment for regional public transport, both train and coach services, has resulted in councils and not-for-profit organisations providing buses or trying to use whatever transport infrastructure is within those towns to move people around…councils have really stepped up to the plate to fulfill a gap in transport…[69]

4.71 Community transport needs are increasing because of the aging population and the trend to regional centralisation of health services and similar social services.[70] Submissions noted the increasing burden that is falling on local councils who provide transport not only for special needs groups but also to make up for the lack of adequate regular public transport. For example, the Western Australian Local Government Association (WALGA) described the situation in the Shire of Roebourne:

> There is no dedicated public transport within or connecting towns in the Shire of Roebourne, Over the past 5 years, the Shire of Roebourne has sought to provide a transport option for the residents… Saturday bus is funded by PTA. Sunday bus is jointly funded by Shire of Roebourne, Rio Tinto and PTA… Feedback from the Shire is that the community bus is not meeting fully the needs of the community: the timetable is very limited… The general feeling is that PTA should fund public transport.[71]

4.72 Submissions suggested that the interface between regular public transport and community transport could be better organised to give more cost effective service:

> The community bus service has only recently been increased to a weekly run and this service could be folded into a regular daily service and for those who required personal assistance because of special needs could be aided in that environment rather than on the community bus…[72]

> When allowance is made for school transport services, regional route bus services and community transport, including HACC funded initiatives, it is apparent that there are many resources currently being devoted to providing mobility for various categories of people who are often transport disadvantaged, in regional Australia. However, eligibility criteria tend to exclude some categories of traveller and/or types of trips. Yet there is often physical capacity for additional travellers to have their needs met. [73]

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69 Submission 155, Municipal Association of Victoria, p.13. S. Holcombe (MAVV), *Committee Hansard* 20 July 2009, p.5

70 Submission 40, P. Mackenzie, p.5. Submission 105, Wellington Shire Council, p.5. Submission 155, Municipal Association of Victoria, p.13

71 Submission 134, Western Australia Local Government Association, p.5-6. Similarly J. Cherry (Council of Mayors South East Queensland), *Committee Hansard* 3 March 2009, p.54. W. Rowe (Gold Coast City Council), *Committee Hansard* 3 March 2009, p.67ff

72 Submission 24, Tuross Head Progress Association, p.1. Similarly Cr L. Rosenberg, *Committee Hansard* 23 July 2009, p.17. M. Apps (Bus Industry Confederation), *Committee Hansard* 19 March 2009, p.35.

73 Submission 33, Bus Industry Confederation, p.26

4.73 The Australian Taxi Industry Association suggested that taxis should be used more for community transport.[74] The Community Transport Organisation disagreed on the grounds that community transport is a specialised service requiring different skills, and that community transport organisations do already use taxis where appropriate.[75]

4.74 Julia Farr Association described the difficulties that people with disabilities have with transport - in particular, limited availability of accessible taxis; slow progress of public transport operators towards meeting the 2002 Disability Standards for Accessible Public Transport; and the declining availability of air travel to people with special needs, for a number of reasons which may be summarised as the unhelpful attitude of operators.[76]

Committee comment

General committee comment: need to plan for long term change

4.75 To return to public transport more generally: the aim of the measures mentioned above is to change people's travel behaviour in favour of more sustainable, less car-dependent behaviour, leading to cleaner and less congested cities. That change may be slow, as it requires changing patterns of urban development and human behaviour developed over two generations.

4.76 The important thing is to set a trend to reduce car-dependence in the long term by creating incentives for behaviour change and providing the means for that change to occur. In the foreseeable future walking, cycling and public transport will continue to be unsuitable for many travel needs. The aim is to make it easier for people to use them where they are suitable. On the positive side, because the present public transport share is so low, only a small behavioural change by motorists is needed to greatly increase public transport use. This would make better services more viable.[77]

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74 Submission 99, Australian Taxi Industry Association, p10

75 Submission 187, Community Transport Organisation, p.4ff: 'Specialist Community Transport operations catering specifically and exclusively to the needs of the frail, aged and disabled and their carers came into existence in large part because of a notable incapacity and unwillingness of mainstream public transport operators – especially taxi drivers – to consistently empathise with and meet the higher care needs of vulnerable passengers.'

76 Submission 71, Julia Farr Association. A. Fidock & L. Hallahan (Julia Farr Association), *Committee Hansard* 23 July 2009, p.26ff

77 For example, if car and public transport trips are now in the ratio 9 to 1, and 10 per cent of car trips become public transport trips, this would almost double public transport use.

Chapter 5

The role of the Australian Government

5.1 This chapter reviews arguments put in submissions about a possible greater role for the Australian Government in developing public transport. All submissions argued that the Australian Government should take a greater role.

Past Australian Government involvement in public transport

5.2 Historically the Australian Government has had little involvement in urban public transport. In the 30 years to 2004 it spent $58 billion on roads, $2.2 billion on rail, and $1.5 billion on public transport. The Australian Government has had little or no role in policy or regulatory reform or public and passenger transport services.[1]

5.3 The most recent significant Australian Government involvement in urban affairs or public transport was in the early 1990s, through a short-lived Urban Public Transport Program, and through the Better Cities program. More recently the Australian Government has had minor involvement by assisting 'Travelsmart' behavioural change programs, however this funding ended in June 2009.

Urban Public Transport Program 1990-1993

5.4 The Urban Public Transport (UPT) program aimed to improve public transport in the outer metropolitan regions of the capital cities and major provincial centres. Projects were undertaken by state and territory governments with Commonwealth funding. Over $220 million was provided under the program between 1990 and 1993.

5.5 Almost two-thirds of the 148 projects received less than $1 million and 90 per cent received funding of less than $5 million. Projects were mostly measures such as interchanges, rail station upgrading, and bus priority measures. A few projects were of a more major engineering character such as contribution to rail duplication or electrification.[2]

Better Cities program 1991-1996

5.6 The Better Cities Program (originally 'Building Better Cities') ran from 1991 to 1996. Commonwealth funding contributed to improvements in urban areas

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1 Submission 77, National Transport Commission, p.2

2 Department of Infrastructure, Transport, Regional Development and Local Government, additional information 30 July 2009. Department of Transport, *Evaluation of the Urban Public Transport Program*, April 1995. The biggest projects were Shellharbour electrification, Riverstone-Richmond electrification, Kuraby-Beenleigh duplication, and 22 Sprinter trains for Victoria.

identified in area strategies. These included redeveloping inner city precincts, building and refurbishing housing, building and upgrading railways and transport interchanges, new light rail systems, new water management infrastructure, as well as developing under-used government land. Construction and development activity was carried out by the States and Territories, which also contributed financially. Over six years the Australian Government provided $816 million and the states/territories $1,519 million.

5.7 Many projects focussed on urban renewal (for example, Newcastle waterfront, East Perth). Transport projects included contribution to the Gold Coast railway (opened 1996-98); to the Sydney light rail line (opened 1997-2000); and to the Parramatta 'Y-link' (which allowed trains to run directly from Parramatta to Liverpool, opened 1996).

5.8 A planned second tranche (Building Better Cities Mark 2) was approved in the 1995 budget, but was cancelled after the election of the Howard government in 1996.[3]

5.9 A 1995 evaluation report was generally positive:

> The availability for Commonwealth funding for the Area Strategies has enabled many desirable projects to be undertaken years before they could otherwise have been progressed… Projects which might otherwise have been designed from a narrower functional perspective have instead been planned on a cross-agency basis with an emphasis on improved integration of facilities and services and maximising community benefit. State, Territory and Local Government, business and community assessments of the Area Strategies are generally positive.[4]

Travelsmart

5.10 'Travelsmart' refers to activities to promote behavioural change in favour of less car use by direct approach to targeted households - for example, to provide information about public transport services. Larger projects routinely show decreases in car use of 4-15 per cent, and increased walking, cycling and public transport use. Results are extremely cost-effective compared with public transport infrastructure projects. Evaluation of Travelsmart projects in Western Australia found a community benefit of $30 for every $1 invested.[5]

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3 Collins et al. 1995:78. Hon. J. Sharp, Minister for Transport and Regional Development, *Regional* development, media release 17 July 1996. Australian National Audit Office 1996.

4 Collins et al. 1995:78.

5 Submissions 123 & 186, WA Department for Planning and Infrastructure, C. Ashton-Graham (WA Department of Planning and Infrastructure), *Committee Hansard* 23 March 2009, p.16. Department of Environment and Heritage 2005:5. Department of Environment, Water, Heritage and the Arts 2008:7.

5.11 From 2003 to 2007 the Australian Government contributed to Travelsmart projects through the Greenhouse Gas Abatement Program (GGAP). 38 projects in Victoria, Queensland, South Australia and the ACT were part funded with $6.4 million. This funding ended with the Greenhouse Gas Abatement Program. [6]

5.12 The Western Australian Government advised that 'despite the success of the GGAP co-funded program the Department of Environment, Water, Heritage and the Arts advised that, after June 2009, it will not be able to provide any funding or provide a coordination role for work on travel behaviour change…. it is unlikely that the national transport portfolio will take on this task as the Department of Infrastructure, Transport, Regional Development and Local Government (DITRDLG) does not appear to see a role for itself in this area.'[7]

Recommendation 1

5.13 That the Commonwealth recognise the cost-effectiveness of the 'Travelsmart' behaviour change program and consider reinstating funding for it from an appropriate department.

Recent Australian Government policy on public transport

5.14 Apart from its small contribution to Travelsmart programs through the Environment portfolio, the Australian Government's policy in recent years has been that urban public transport is the responsibility of the states. The 2004 Auslink White Paper, which established the current system of Australian Government land transport funding, said:

> The Australian Government's position on public transport is clear: it is primarily a State and Territory government responsibility. The Australian Government considers that State and Territory governments are best placed to deal with the metropolitan and local complexities of public transport. The Australian Government's role has focused, and will continue to focus, on interstate connectivity and trade and commerce between the States and with other nations. [8]

5.15 However the Australian Government has recently signalled a renewed interest in urban policy by establishing a Major Cities Unit in Infrastructure Australia, the Government's new infrastructure advisory body, 'to identify opportunities where federal leadership can make a difference to the prosperity of our cities and the

6 Kemp 2003. Maunsell 2008:7

7 Submission 186, WA Department for Planning and Infrastructure, p.16. C. Ashton-Graham (WA Department for Planning and Infrastructure), *Committee Hansard* 23 March 2009, p.21

8 Department of Transport and Regional Services 2004:9. Similarly submission 52, Department of Infrastructure, Transport, Regional Development and Local Government, p.1

wellbeing of their residents'.[9] The 2009 budget funded a number of significant urban public transport projects (mostly rail), with a total commitment of about $4.6 billion, as noted in paragraph 4.55.

Australian Government contribution to community transport

5.16 The Australian Government contributes to the joint Commonwealth/State Home and Community Care program (HACC). This includes a transport component, as discussed at paragraph 4.67ff. On the evidence it seems that there is potential to improve the interface between regular public transport and community transport to ensure the most cost-effective service to the most people. The Committee recommends that the Department of Health and Ageing, which is accountable for the efficient use of HACC transport funds, should be mindful of this in negotiation of future HACC agreements.

Recommendation 2

5.17 The Commonwealth in future negotiation of HACC agreements should be mindful of -

- **the effectiveness of present community transport services;**
- **future transport needs of groups targeted by community transport;**
- **appropriate balance between community transport, regular public transport and taxis to meet those needs; and**
- **appropriate division of responsibilities, actions and funding to meet those needs.**

Submissions on a future Australian Government role

5.18 Almost all submissions argued that the Australian Government should take a greater role in promoting public transport for the sake of sustainable cities. The most common reasons put forward were related to climate change, peak oil and urban congestion, serious issues of national importance that require a nationally led response.[10] For example the National Transport Commission said:

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9 'Major Cities Unit' at http://www.infrastructureaustralia.gov.au/mcu.aspx accessed 30 July 2009. Infrastructure Australia is a statutory authority established by the *Infrastructure Australia Act 2008* to advise government on infrastructure needs and priorities. It does not itself make funding decisions, which remain with government.

10 For example submission 27, Australian Conservation Foundation. Submission 155, Municipal Association of Victoria, p.16. M. Roth (RACQ), *Committee Hansard* 3 March 2009, p.74-5. Cr C. Moore (Sydney City Council), *Committee Hansard* 6 March 2009, p.12. Prof. D, Hensher, *Committee Hansard* 6 March 2009, p.31. B. Nye (Australasian Railway Association), *Committee Hansard* 20 March 2009, p.39. M. Paterson (Veolia Transport Australasia), *Committee Hansard* 30 March 2009, p.64. K. Petersen (Tourism and Transport Forum), *Committee Hansard* 31 March 2009, p.24

> Urban congestion is an issue of national importance. When considering what is 'national' it is no longer sufficient to look at issues that are Commonwealth responsibilities or those that relate to 'cross-border' issues. A 'national' issue is one which affects a significant proportion of Australian. irrespective of where they live. Public and passenger transport should no longer be considered the domain of one state or local government,. but an issue which is going to affect the majority of Australians, and our potential economic growth. Many OECD countries have developed national 'moving people' strategies, and the increased interest in public and passenger transport by the Commonwealth, including Infrastructure Australia, is welcome.[11]

5.19 The Western Sydney Regional Organisation of Councils (WSROC) argued that 'the Federal Government is already involved in urban issues but in a piecemeal and inconsistent way…

> …for example, in relation to airports and national highway and freight corridors, many of which also combine Local, State and Federal responsibilities. The Commonwealth needs to have a much more strategic and integrated focus to its engagement in urban areas.[12]

5.20 Mr Litman (Victoria Transport Policy Institute) noted that in North America highway programs which ostensibly related to regional and interstate transport have in fact had strong, perhaps unplanned effects on urban transport systems, since in urban areas the vast majority of motorists on the 'interstate' highway are making urban trips.[13] The same point could apply in Australia in relation to the urban sections of the Auslink national network which has been the focus of the Australian Government's recent road funding.[14]

5.21 Submissions noted that in most developed nations the central government takes a significant role in public transport planning and funding:

> The general Federal position on urban public transport involvement has been that it is the responsibility of the States. This is unfortunate since there are clearly important national economic, social and environmental objectives (see earlier) which public transport can assist with. This position is also in stark contrast with the position of other countries… Australia is

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11 Submission 77, National Transport Commission, p.2

12 Submission 67, Western Sydney Regional Organisation of Councils, p.20. Similarly S. Holliday (Planning Institute of Australia), *Committee Hansard* 20 March 2009, p.21-22.

13 T. Litman (Victoria Transport Policy Institute), *Committee Hansard* 31 July 2009, p.6

14 Dr J. Stone, *Committee Hansard* 30 March 2009, p.49. Australian Government contributions or commitments to recent or planned major urban roads have included Sydney's M7 ($356 million), Brisbane's Ipswich Motorway ($2.5 billion) and proposed Northern Link ($500 million), Melbourne's Western Ring Road ($900 million) and Adelaide's Northern Expressway ($451 million) and South Road upgrade ($500 million).

> unique in being the only OECD country which does not have some Federal role in funding and supporting public transport.[15]

5.22 The contrast between the past disinterest of the Australian Government, and the US Federal government's urban transit initiatives, was much noted.[16] The US Federal Government funds public transport through SAFETEA-LU, which also funds roads.[17] Funding includes capital support for startup projects, and some support of recurrent operating costs. 15.5% of gasoline tax is hypothecated to the Mass Transit Account. The current program provides $US52.6 billion for urban transit over 2004-2009, or about $US9 billion per year. Weighting for population this would be equivalent to the Australian government spending about $A800 million per year. [18]

5.23 As to how the Australian Government should be involved, the main themes in submissions were:

- need for national leadership and coordination;
- need for a national research body; and
- Australian government funding of public transport and active transport.

National leadership for best practice transport planning

5.24 Submissions argued that there should be greater national coordination of transport policy and greater Australian Government involvement in promoting best practice transport planning for national goals such as sustainable cities and greenhouse abatement.

5.25 For example, the National Transport Commission said that 'potential opportunities for a more coordinated national approach to public and passenger transport could include…'

> • national objectives and strategies for people movement, linked to regional strategies to underpin the next generation of investment in passenger transport;
>
> • best practice transport governance structures - for regulators, government agencies and service providers across all modes - to ensure urban transport works more effectively together as an integrated system;

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15 Submission 34, Prof. G. Currie, p.5

16 For example, submission 33, Bus Industry Confederation, p.33. Submission 34, G. Currie, p.5. Submission 87, Australasian Railway Association, p.65. Submission 136, Public Transport Users Association, attachment, p.14

17 SAFETEA-LU: Safe Accountable Flexible Efficient Transportation Equity Act - A Legacy for Users. Total SAFETEA-LU funding includes roads is $ 244 billion: see http://www.fhwa.dot.gov/safetealu/summary.htm accessed 7 August 2009. US Federal transport funding has generally been about 80 per cent to roads, 20 per cent to public transport: T. Litman, *Committee Hansard* 31 July 2009, p.5

18 Submission 34, Prof. G. Currie, p.6

> • minimum standards for transport access;
>
> • a common technology platform for integrating 'smart card' technology on any transport mode in any city…[19]

5.26 The National Transport Commission in early 2008 provided wide-ranging advice to the Australian Transport Council (ATC - Australian and state/territory transport ministers) on a 'national transport policy framework'. On 28 February 2008 transport ministers agreed that 'there is a need for a national approach to transport policy'. Since then the ATC has affirmed the joint development with the Local Government and Planning Ministers Council of guidelines for integrating transport and landuse planning, especially in outer urban locations. The ATC has agreed to implement a future work agenda arising from the NTC's proposal through a structure of subcommittees of the Standing Committee on Transport.[20]

Committee comment

5.27 The committee agrees that there is a need for a more coordinated approach to urban transport planning and supports the ATC's initiatives in this regard.

Nationally coordinated public transport research

5.28 Submissions argued that there is a need for greater national coordination and support of research relating to best practice public transport planning and operations. Prof. Currie noted a lack of interstate knowledge sharing, leading to duplication of research and an emphasis on reactive rather than proactive research:

> Because planning and management is State based, there is a tendency for localised planning with a lack of cross border cooperation and sharing of knowledge…. Road authorities have solved this problem through the development of the Austroads national group which is supported by the Federal Government. No such body exists for public transport which is again disadvantaged compared to the roads sector. There is a clear role for the Federal Government to address this issue. [21]

5.29 Again Australia performs poorly compared with its peers:

> Yet again this problem does not surface in our comparable overseas partners. Europe, like the United States is encouraging an active development and sharing of knowledge about managing and planning public transport systems on a national and trans-national scale.… [In the USA] SAFETY-LU includes over $US 373M to undertake research in public transport (2004-2009).[22]

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19 Submission 77, National Transport Commission, p.3

20 Australian Transport Council communiques 29 February 2008, 7 November 2008, 22 May 2009

21 Submission 34, Prof. G. Currie, p.7-8

22 Submission 34, Prof. G. Currie, p.7-8 & *Committee Hansard* 30 March 2009, p.29

5.30 Similarly the Bus Industry Confederation (BIC) regretted that there is no peak entity for public transport related research, at the the level of technical detail which is normal for roads:

> Transport research is very poorly funded in Australia, relative to the size of the sector (e.g. compared to the multitude of such institutions in agriculture). In particular, there is no peak entity that leads research in public transport. Several university institutes undertake research in the field and there are two chairs of public transport that have been established in recent years. However, Australia has no public transport equivalent to Austroads.[23]

5.31 The National Transport Commission suggested as a short to medium term priority 'establish a national transport research board…. this will include facilitating a collaborative approach to transport research in conjunction with Austroads, BITRE, ARRB, Rail CRC and university centres.'[24] The BIC suggest that the Australian Government 'should establish an Australian Transport Research Board (similar to the US Transportation Research Board, scaled down), to be the peak body co-ordinating Australian transport research. The agency should have a sufficient budget to be able to support original research that assists development of public passenger transport in both urban and regional Australia'.[25]

5.32 The Australian Transport Council (ATC) has .accepted that 'there is a need to support a new National Transport Policy with a collaborative strategic research agenda that looked beyond a modal focus.' Minister agreed to examine whether existing relevant bodies could take this role or whether a new body is needed.[26]

Committee comment

5.33 The committee agrees that there is a need for a national transport research agency whose remit includes detailed technical research on public transport and active transport. Whether this should be a new body or should be done by extending the

23 Submission 33, Bus Industry Confederation, p.39

24 Submission 77, National Transport Commission, attachment 1, *National Transport Policy Framework - a new beginning*, February 2008, p.19

25 Submission 33, Bus Industry Confederation, p.40

26 Australian Transport Council, communique 2 May 2008, p.5

remit of one of the existing bodies (BITRE, Austroads or ARRB) would be a matter for further consideration. [27]

Recommendation 3

5.34 The Australian Government in consultation with the states/territories and other stakeholders should establish a national transport research body suitable to be a national centre for detailed research into world's best practice public transport and active transport.

A public transport and active transport funding program

5.35 Many submissions urged the Australian Government to establish an ongoing funding program for public transport and active transport comparable to its roads programs. For example the Australian Automobile Association said:

> The cost of congestion in Australian cities is significant and demands attention. Currently, Federal and State Governments are investing billions in road construction that can help to relieve this congestion by removing bottlenecks and improving links to ports. However, this investment is not being matched by Commonwealth investment in public transport which is clearly necessary given the large scale funds required for major projects. Such investment in public transport can help to improve the overall efficiency of the transport network, the livability of Australian cities and generate overall benefits to the nation.[28]

5.36 Submissions suggested types of projects that could be funded. These could include not only major projects such as those that have been put forward to Infrastructure Australia, but also many small scale, widespread continuous improvements (comparable to the smaller roads programs) - for example bus priority measures (bus lanes, queue jump lanes, traffic light priority), interchanges, bus stop or train station facilities (real time information, Easy Access upgrades); park and ride and secure bike parking; cycle paths and bike storage centres; and Travelsmart behavioural change programs. [29]

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27 A detailed discussion is in submission 77, National Transport Commission, attachment 2, *National Transport Policy Framework - a new beginning* , vol.2 February 2008, p.89ff. The Bureau of Infrastructure, Transport and Regional Economics (BITRE) is a work group within the Department of Infrastructure, Transport, Regional Development and Local Government. Its focus is on statistics and higher level economic analysis. Austroads is the association of Australian and New Zealand road transport and traffic authorities (with the Australian Local Government Association (ALGA)). It publishes detailed guidelines and reports on technical matters (mostly written by ARRB). ARRB Group Ltd is a non-profit company owned by the Australian and New Zealand road transport and traffic authorities (with ALGA). It does publicly funded research, competitive research and consulting, and publishes *Road and Transport Research Journal.*

28 Submission 127, Australian Automobile Association, p.11

29 For example submission 27, Australian Conservation Foundation, p.7. Submission 63, Bus NSW, p.2. Submission 91, Blue Mountains Commuter and Transport Users Association, p.5

5.37 Several submissions suggested a program modelled on the 'Roads to Recovery' roads program, or suggested that Roads to Recovery funds should be able to be spent on other transport infrastructure to give councils more freedom to fund things like public transport interchanges and bike racks.[30]

5.38 It was sometimes unclear whether submitters were suggesting that the Australian Government should contribute to infrastructure costs only, or also to operating costs. Most comments implicitly referred to infrastructure. The equivalent US program does include some funding of operating costs, but the committee was told that this element is controversial.[31]

5.39 Submissions argued that Travelsmart behavioural change programs should be supported.[32] The WA Department for Planning and Infrastructure thought that a national coordination role is needed for this 'relatively new discipline':

> Whilst the CCEEWG has indicated a willingness to consider national level travel behaviour change initiatives, further progress will require an on-going coordination and facilitation role at a national level. Travel behaviour change programs are a relatively new discipline in the transport sector and are likely to require on-going coordination and funding support by the Commonwealth Government at least until they can be mainstreamed.[33]

Need for funding to be conditional on good planning and governance

5.40 Submissions argued that future Australian Government funding for public transport infrastructure should be conditional on having best practice integrated management of the whole network; a strategic long term transport plan with goals, actions and performance criteria detailed enough so that performance can be monitored over time; and rigorous cost benefit analysis of project proposals that includes the indirect benefits and those that are hard to quantify:

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30 For example submission 56, Local Government Association of Queensland, p.4. Submission 134, Western Australia Local Government Association, p.14. Submission 136, Public Transport Users Association, p.27. J. Fristacky (Metropolitan Transport Forum), *Committee Hansard* 30 March 2009, p.81. Roads to Recovery funds local councils on a lump sum basis according to a formula to help them with local roadworks. $1.75 billion will be provided over five years from 1 July 2009. 'Roads to Recovery' at http://www.nationbuildingprogram.gov.au/funding/r2r/index.aspx accessed 31 July 2009

31 Mr T. Litman (Victoria Transport Policy Institute), *Committee Hansard* 31 July 2009, p.5

32 Submission 6, D. Kilsby, p14. Submission 63, Bus NSW, p.3. Dr M. Burke (Pedestrian and Bicycle Transport Institute of Australasia), *Committee Hansard* 3 March 2009, p.19

33 Submission 186, WA Department for Planning and Infrastructure, p.16

> Funding should require States to undertake a public planning process which generates a long term agreed public transport plan as a condition of receipt of such funds.[34]
>
> The Commonwealth should also continue its encouragement of detailed cost-benefit analysis to help make those decisions; make sure they are based on evidence and make sure that they look at the problem and quantify it before jumping straight to solutions.[35]

5.41 Submissions urged the need for good reporting of outcomes:

> Commonwealth requirement for providing funding support for public transport infrastructure and services should be the preparation and annual updating of publicly available information on asset stocks and condition, and on service utilisation in an agreed format..[36]

5.42 In its December 2008 report Infrastructure Australia said:

> With the Commonwealth signalling that it might invest in urban transport systems as a means to boost national productivity, now is the time for nationwide reform to improve public transport governance.[37]

Committee comment

5.43 The committee agrees that the demand on public transport infrastructure will continue to rise and require an expansion of its role and capacity in meeting the commuter task. Nevertheless, public transport has traditionally been the responsibility of the states and a key element of service delivery regarding which the voting public quite rightly hold their state governments to account. Moreover, public transport involves complex urban planning, land use and development decisions that are best carried out by the states since they are the closest constitutional level of government to the community. The Committee does not propose to recommend that this should change.

Recommendation 4

5.44 Commonwealth funding for public transport should only occur in the context of overall funding for infrastructure projects that meet a strict merit-base criteria. These include an objective assessment of the broader community and economic benefits and the degree to which the sponsoring state government has adopted an integrated, inter-modal, best-practice approach to transport planning and management. The Commonwealth can only make such decisions in

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34 Submission 88, Dr. G. Glazebrook, p.2. Similarly submission 33, Bus Industry Confederation, p.16. M. Lockwood (Council of Capital City Lord Mayors, *Committee Hansard* 19 March 2009, p.9

35 S. Lennon (Pricewaterhouse Coopers), *Committee Hansard* 6 March 2009, p.53

36 Submission 33, Bus Industry Confederation, p.11

37 Infrastructure Australia 2008:45

the context of broader judgements regarding all competing infrastructure projects that have national significance.

Other matters: suggested tax incentives for public transport

5.45 Many submissions suggested that there should be tax incentives to use public transport. Tax-exempt fringe benefits, concessionary fringe benefits taxation, tax deductions or tax rebates were mentioned or noted in international examples.[38]

5.46 Submissions referred to international examples of tax incentives to encourage public transport use. For example:

- In the USA, tax-exempt benefits for transit/public transport were introduced 25 years ago. 'By 2002 in San Francisco, 27% of employers participated and over one-quarter of weekday commuter rail riders were transit benefit recipients.
- In Canada since 2006, riders can claim a tax rebate of 15.5 per cent of the cost of a monthly or weekly public transport pass.[39]

5.47 COAG in 2006 noted that 'some governments (particularly at the local and regional government level) have also provided direct financial support to employers to introduce public transport initiatives for their employees.'[40]

5.48 A 2006 report for the NSW government recommended fringe benefits tax exemption for public transport benefits, on the grounds that this would encourage 'buy-in' by employers:

> The findings of most studies seem to indicate that countries that have sought to provide some form of employer sponsored incentive (which is one of the advantages of an FBT exemption) have been more successful in achieving a modal shift from private to public transport than those that have sought to provide broad based tax incentives alone.[41]

5.49 On the other hand, Treasury has previously argued that a tax benefit for public transport use would seem to be contrary to the fundamental principle of distinguishing work-related and private expenditure in the tax system:

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38 For example submission 2, Blue Mountains Sustainable Transport Alliance, p.4. Submission 33, Bus Industry Confederation, p.37. Submission 87, Australasian Railway Association, p.58ff.

39 Submission 87, Australasian Railway Association, p.59

40 Council of Australian Governments 2006:59. For other examples see Bureau of Transport and Regional Economics 2002:22-3; Ernst & Young 2006:22ff

41 Ernst & Young 2006:1

> If you were to start using the fringe benefits tax regime to provide an incentive for people to use public transport, you would run into an issue about effectively providing a tax deduction for private expenditure.[42]

Committee comment on tax incentives for public transport

5.50 In forming a view on this question, some considerations are:

- An incentive for public transport fares would be contrary to the fundamental logic of distinguishing work-related and private expenditure in the tax system. For the sake of a rational tax system this should be given some weight.
- In current conditions the quality of public transport service is much more important than the cost in forming people's travel choices. To attract new ridership it is more important to make services better than to make them cheaper. A policy that focuses political attention on making public transport cheaper, if it takes attention away from the primary need to make it better, may be counter-productive. [43]
- On the other hand, measures that show the Government's commitment to sustainable transport, and encourage 'buy-in' by employers to promote this, are desirable.

5.51 On balance the committee is not inclined to recommend tax concessions for public transport at present. However the committee agrees that the likely benefits should be further investigated.

Recommendation 5

5.52 The Government should investigate options for tax incentives for public transport including estimating their likely effects on people's travel behaviour.

5.53 Measures that encourage 'buy-in' by employers to promoting sustainable transport in their workforces should be encouraged.

Recommendation 6

5.54 Government support for behavioural change programs ('Travelsmart') should include measures to encourage 'buy-in' by employers in promoting sustainable transport in their workforces.

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42 M. Jacobs (Department of the Treasury), *Committee Hansard,* 18 August 2006, p.30 (inquiry into Australia's future oil supply and alternative transport fuels).

43 As living standards increase over time it should be expected that quality becomes relatively more important than price. A survey of Sydney car commuters found that comfort and convenience factors (primarily 'vehicle faster') were very important, and cost factors were not important in forming their decision to use the car. Transport Data Centre 2008:13. See also TRL 2004:15ff

5.55 The fact that certain taxi travel is exempt from fringe benefits tax, while similar public transport travel is not exempt, is discussed below (paragraph 5.93ff).

Other matters: fringe benefits taxation of cars

5.56 Many submissions argued that the concessionary tax treatment of cars as a fringe benefit (car FBT) should be abolished. They argued that the concession encourages the use of cars, significantly contributes to urban traffic congestion and parking problems, and is contrary to widely held goals to promote public transport and restrain transport greenhouse emissions. They argued that there is no similar concessionary treatment of public transport fares, which biases employers to offer car fringe benefits and not public transport fringe benefits.[44]

5.57 Two issues which should be distinguished, although they are often confused in comment on car FBT, are:

- the construction of the statutory formula used to calculate the tax encourages excess driving in order to reach a threshold distance which earns a reduction in tax (the 'March rally');
- the tax is generally concessionary, which distorts economic behaviour in favour of more car use.

Description of car fringe benefits tax

5.58 Private use of employer-provided cars is taxed under the *Fringe Benefits Tax Assessment Act 1986.* The taxable value is calculated, at the taxpayer's choice, by recording actual business and private use (the operating costs method), or by deeming certain proportions of business and private use using a statutory formula. About 90 per cent of car fringe benefits tax is calculated by the statutory method.[45]

5.59 The statutory formula deems that the taxable fringe benefit is the base value of the car times a percentage which varies according to how far the car is driven in in total (work-related and privately) during the year. The taxable fringe benefit is less if the car is driven further. The rationale for this seems to be an assumption that if the car travels further, it is likely that it has a smaller amount of private use.

5.60 Tax calculated by the statutory formula is concessionary because the formula underestimates the amount of private use; thus less tax is paid than would be the case if the cost of the benefit was paid by the employee out of after tax cash remuneration.

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44 For example submission 58, RACQ; submission 77, National Transport Commission, attachment, *National Transport Policy Framework - A new beginning*, 2008, p.45; submission 33, Bus Industry Confederation; submission 87, Australasian Railway Association. M. Paterson (Veolia Transport Australasia), *Committee Hansard* 30 March 2009, p.45. K. Petersen (Tourism and Transport Forum), *Committee Hansard* 31 March 2009, p.24, H. Webster (Fleurieu Regional Development) *Committee Hansard* 23 July 2009, p.7.

45 See Appendix 4, Treasury's answers to questions.

The Treasury estimates that the concession (value of revenue forgone, compared with a benchmark non-concessionary situation) was worth $1.7 billion in 2008-09, projected to rise to $2.09 billion in 2011-12.[46]

5.61 The number of cars taxed by the statutory formula method officially appears to be around one million, however this figure, advised by Treasury, is very unreliable. The Federal Chamber of Automotive Industries (FCAI) estimates that about 500,000 vehicles incur FBT.[47]

5.62 The car FBT concession is one of the largest tax expenditures outside superannuation and capital gains tax. It is almost equal to GST exemption of health supplies ($2.3 billion in 2008-09) or GST exemption of education supplies ($2.25 billion in 2008-09). It is noteworthy for the unusual combination of the large tax expenditure with the low reliability of the estimate.[48]

Car FBT concession considered as assistance to the Australian car industry

5.63 It appears that concessionary fringe benefits taxation of cars was adopted to support the Australian car industry, which at the time (1986) attracted significant government support and provided nearly 85 per cent of car sales.[49] Australian-made cars are now only 25 per cent of all car sales, however they are still a high proportion of fleet (business) sales; and fleet sales are more likely to be fringe benefits cars.[50] The 1999 Ralph Review of Business Taxation said, 'The domestic car industry has argued that any tightening of the formula would damage its sales and encourage employers to

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46 Treasury, *Tax Expenditure Statement 2008,* p.163

47 See Appendix 4, Treasury's answers to questions. FCAI, submission to the review of Australia's tax system, March 2009, p.3. In Treasury's figures, the time series of cars involved contains enormous fluctuations which, compared with the time series of employers involved, are not believable. The committee understands that this may be because of taxpayers' mistakes in filling in FBT returns: a few big mistakes (for example, putting the taxable value in the 'number of cars' cell) could completely corrupt the total. The 'number of cars' field, being for information only, is not checked for accuracy except in the case of an individual audit.

Figures in the 50,000s for the number of cars involved, which are sometimes seen in comment on this issue, are a mistaken reference to the number of employers involved.

48 Treasury, *Tax Expenditures Statement 2008*, p12

49 This seems to be generally accepted (for example Kraal 2008:193; Institute of Chartered Accountants in Australia 2006:19); however the committee could not find any policy statement from the time to confirm it. See Appendix 4, Treasury's answers to questions.

50 2007 sales of passenger motor vehicles, local/ imported/ total, were: private - 35,948/ 316,089/ 352,037; fleet government - 30,721/ 13,896/ 44,617; fleet non-government - 90,593/ 149,772/ 240,365; total - 157,262/ 479,757/ 637,019. Department of Innovation, Industry, Science and Research, *Key Automotive Statistics 2007*. Federal Chamber of Automotive Industries, *VFACTS.*

choose cheaper, imported cars.'[51] The concern appears to be that without the concession there would be little incentive to offer cars as fringe benefits; and employees left to their own devices would be more likely to buy imported (in keeping with observed private buying behaviour). It appears that there is no knowledge of what the behavioural change might be.

5.64 If the purpose of the concession is to support the Australian car industry (no other purpose has been suggested), the government for some reason is reluctant to admit it. When the committee asked Treasury, 'At present, what is the policy purpose of making FBT of cars concessionary?' Treasury gave an uninformative answer which avoided the question. [52]

5.65 Concessionary car FBT, considered as a form of assistance to the Australian car industry, should be seen in context of other government support for the industry.

5.66 According to the Productivity Commission, in recent years direct Australian Government assistance to the motor vehicles and parts industry has been around $600 million per year, mostly through the Automotive Competitiveness and Investment Scheme (ACIS). Adding the net effect of tariffs increases the total to $1.2 billion (2007-08). Motor vehicles and parts has an effective rate of assistance about three times the manufacturing sector average. This does not include the car FBT concession, which is not mentioned in the relevant Productivity Commission report.[53]

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51 Ralph 1999:224. Submissions to the current Australia's Future Tax System Review have the same implication: see Toyota Finance Australia Ltd, submission 17/10/2008:3; Federal Chamber of Automotive Industries, submission 26/03/2009:7; Motor Trades Association of Australia, submission 1/5/2009:4. Similarly Toyota, submission 80 to the Bracks Review of the Automotive Industry, 2008, p.36.

52 See Appendix 4. The answer was: 'The policy of the FBT statutory formula for valuing car benefits is set out in chapter 13 of the Australia's Tax System Review Consultation Paper of December 2008.' The only relevant comment in chapter 13 of the consultation paper is: 'The statutory formula method for valuing car fringe benefits applies a declining taxable value the further the car is driven in a year. The original purpose of this policy was to apply tax to the private use of the vehicle, not its use for work purposes, and distance travelled was used as a proxy for the proportion of business travel. The value of the car for FBT purposes is its cost multiplied by a 'statutory fraction' which depends on how far the car is driven in the relevant tax year. The statutory fraction, and hence the taxable value of the car benefit, reduces as the number of kilometres driven increases… This valuation formula has two main impacts on incentives. It reduces the overall cost of car ownership and provides employees with an incentive to drive additional kilometres to reduce the amount of FBT payable. These incentives indirectly encourage increased greenhouse gas emissions, pollution and congestion through increased car use.' (p251)

Note that whether the tax should be concessionary, and whether there should be a statutory formula for the sake of easy compliance, are different questions, since a statutory formula could be retained but the concessionary aspect removed by adjusting the rates.

53 Productivity Commission, *Trade and Assistance Review 2007-08*, 2009, p.16-19,164.

5.67 On 10 November 2008 the Government announced *A New Car Plan for a Greener Future.* This includes a new Automotive Transformation Scheme (grant assistance of $3.4 billion from 2011 to 2020), a Green Car Innovation Fund (grant assistance of $1.3 billion over ten years from 2009), and several other measures whose total cost is very small compared with the first two.[54] The detailed timing is unclear,[55] but the average effect will be direct assistance of about $4.8 billion over ten years, or $480 million per year (not including the net effect of tariffs).

5.68 Thus it appears that the concessionary car FBT at about $1.7 billion per year, considered as assistance to the car industry, is by far the largest element of government assistance to the industry. It is effectively a subsidy of at least $10,000 to secure a consumer's decision to buy Australian instead of imported. 'At least' should be stressed - the true figure may be much higher, since it depends on how much the concession actually influences people's behaviour (the more people who would buy Australian anyway, the greater is the subsidy taken over each of the buyers whose behaviour is influenced). This seems to be unknown.[56]

Previous comments on car FBT

5.69 Many previous reports have mentioned this issue or urged reform.[57] Most recently the Garnaut Climate Change Review (2008) said:

> 'The current treatment of vehicles and parking spaces distorts decisions towards private vehicle use and greater demand of transport overall. These provisions could be improved by: • ensuring the salary sacrifice

54 Hon K. Carr (Minister for Innovation, Industry, Science and Research), *A New Car Plan for a Greener Future*, media release 10 November 2008.

55 'Assistance will be progressively phased down over the period'. Ausindustry, *Automotive Transformation Scheme (ATS) - fact sheet*, n.d.

56 'At least $10,000': 2007-08 tax expenditure $1,700 million divided by 157,262 Australian sales of Australian-made cars, (DIISR, *Key Automotive Statistics 2007)*, gives notionally $10,810 per sale. However many of these sales would be unaffected by removing the concession. The effectiveness of a subsidy which aims to change consumer behaviour must be judged in relation to the number of consumers whose behaviour is actually changed.

The tax concession relates to all the cars in use, not just the year's sales. The comment treats the flow of subsidy to each car over its life as equivalent to a lump sum at the time of purchase. This is valid if the average life of a car, thus the ratio of stock to sales, is stable over time.

57 For example, Industry Commission 1997:131. Ralph 1999:224. Bureau of Transport and Regional Economics 2002:22. House of Representatives Standing Committee on Environment and Heritage 2005:77. Institute of Chartered Accountants in Australia 2006:20. Ernst and Young 2006:1 (NSW submitted this report to the October 2006 meeting of the Australian Transport Council where 'ministers discussed a report provided by NSW and agreed to forward to the Council of Treasurers.' Australian Transport Council, *joint communique*, 13 October 2006). Senate Standing Committee on Rural and Regional Affairs and Transport 2007:163. Victorian Government, response to VCEC's report on managing transport congestion, March 2007, pp.15. Taxpayers Australia and Taxation Institute of Australia: *Australian Financial Review,* 9 January 2008, p.7. Bracks 2008:68ff

> arrangements are mode neutral; • amending the statutory fraction method to ensure it is distance neutral.'[58]

5.70 A consultation paper for the 'Henry' review of the tax system now in progress said: 'The concessional treatment of car fringe benefits provides a strong incentive for some employees to take a car as part of their remuneration package and to skew their consumption toward motor vehicle services...

> Most submissions [to this review which mentioned this matter] oppose a tax system that encourages people to drive more and contribute to noise and air pollution, greenhouse gas emissions and urban traffic congestion."[59]

5.71 The review is now considering car fringe benefits as part of a wide-ranging review of Australia's tax system.[60]

Issue: the statutory formula encourages excess driving

5.72 Many submissions noted that the construction of the statutory formula encourages excess driving simply to reach one of the thresholds (15,000, 25,000 and 40,000km) that earns a lower tax (the 'March rally').

5.73 Since excess driving incurs costs the incentive exists only for drivers whose 'genuine' mileage is already within striking distance of one of the thresholds. A 2007 survey of 1,250 fringe benefits cars cars estimated that about 19 per cent of them had driven further deliberately to reach a threshold.[61]

5.74 The excess driving distance is probably small in proportion to the total distance travelled by fringe benefits cars. However it involves a significant proportion of the drivers.

5.75 Submissions (and many previous comments elsewhere, including in motor industry submissions to the 2008 Bracks review of the automotive industry) suggested that this perverse incentive could easily be removed in a tax neutral way, either by increasing the number of distance bands to the point where the prize for reaching the next threshold becomes too small to be worth trying for, or by reducing them to one (a flat rate).[62]

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58 Garnaut 2008:527

59 The Australia's Future Tax System Review Panel [Henry tax review], *Australia's Future Tax System Consultation Paper*, December 2008, p90

60 Department of Innovation, Industry, Science and Research 2008:21

61 Kraal 2008:202. The estimate of excess private driving was made by comparing the distribution of distances driven by the sampled cars (which showed a bunching of cars just above each threshold distance) with what would have been the result if there had been no bunching.

62 For example, SG Fleet (submission 67 to the Bracks Review) suggested 10 distance bands with a gradually declining statutory percentage. The Australian Fleet Managers Association (submission 95 to the Bracks Review) suggested a flat 15% statutory percentage.

Committee comment on excess driving

5.76 The way the statutory formula encourages excess driving is clearly absurd and contrary to planning and environmental goals to curb the growth of car traffic in cities. It sends a bad message about the sincerity of the Government's environmental policies.

5.77 The situation can easily be remedied by adjusting the statutory formula.

5.78 The committee suggests that it would be preferable to increase the number of distance bands rather than use a flat rate, since a flat rate advantages cars which are driven further, which should be seen as contrary to environmental goals to restrain car use.

Recommendation 7

5.79 The Government should amend the car FBT statutory formula to remove the incentive to drive fringe benefits cars excessively to reach the next threshold.

Issue: the general effect of concessionary car FBT

5.80 Concessionary car FBT is widely deplored because it encourages overuse of cars, which increases the environmental detriments of urban congestion and pollution and reduces the viability of public transport. However the extent of the effect appears to be unknown. The Council of Australian Governments (COAG) in its 2006 review of urban congestion said:

> The lack of information on the temporal and spatial impacts of this measure makes it difficult to make an informed judgement on the extent to which the FBT concession contributes to congestion…. this is an issue requiring further consideration. [63]

5.81 In a 2006 survey of Sydneysiders who drive to work, 10 per cent of respondents cited 'vehicle provided by business' as a reason for driving. However respondents were offered 12 answers and could give more than one answer, so the figure may omit people who were actually using a company car but, in context, did not regard that as a significant reason.[64] Data from the same survey series found that in 2001 company cars were about 21 per cent of total cars on the road during the morning peak period, but this does not show how many of them were fringe benefits cars. [65]

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63 Council of Australian Governments 2006:60

64 Transport Data Centre 2008:13

65 Council of Australian Governments 2006:60, referring to NSW Transport and Population Data Centre (2006), 2001 Household Travel Survey: Average Weekday Vehicle Driver Trips by Time of Day and Car Ownership, unpublished data.

5.82 A 2004 Sydney study found that 52 per cent of workers had employer assistance to travel to work, most of which related to cars, and 17 per cent reported that the employer 'provides company car'. Those whose car use was subsidised made more car trips (average 5.89 car trips per day) than those who were not subsidised (average 4.17 car trips per day).[66]

5.83 Submissions stressed that regardless of the actual amount of driving involved, the tax concession is bad in principle because it encourages a 'car culture' in the workplace, and discourages employers from taking initiatives to encourage public transport use.[67]

Committee comment on concessionary car FBT

5.84 The committee accepts the submissions that concessionary fringe benefits taxation of cars encourages a car culture in the workplace, contributes to traffic congestion, and hinders the take up of public transport. The extent of these effects is unknown.

5.85 If the Australian Government wishes to assist the Australian car industry it is entitled to do so (subject of course to any obligations under international trade agreements that Australia adheres to).[68] Whether that is appropriate in context of broader industry policy is beyond the scope of this inquiry.

5.86 Concerns about the environmental and traffic congestion effects of car FBT are really not about whether a consumer buys an Australian or an imported car, but about the excessive use of cars.[69]

5.87 In the committee's view the Government should aim to disconnect car buying from car use as much as possible, so that assistance to buy Australian (if that is desired) does not encourage excessive car use. Australia should aim to be more like Europe: in many wealthy European cities the rate of car ownership is very similar to Australia's, but the rate of car use is much less - presumably because of better public transport, among other things.

5.88 It is admittedly uncertain how much people's travel behaviour would change if the concession was removed. The fact that a certain percentage of cars on the road in peak hours are fringe benefits cars does not mean that if the concession was ended these cars would disappear. Some of the cars would continue to be offered as fringe benefits even without a concession, and some of the people would continue to drive

66 Three per cent of employees received assistance in the form of the employer paying public transport fares. Corpuz 2006:8.

67 For example, Submission 87, Australasian Railway Association, p.58

68 Australia is bound by the 1994 WTO Agreement on Subsidies and Countervailing Measures.

69 There are of course valid environmental concerns about the energy and resources embodied in manufacturing, but this applies equally to all consumer goods.

even without a fringe benefits car. However it is fair to say that at the margin the concession must have some effect in encouraging car trips which might otherwise be public transport trips.

5.89 It is sometimes said that concessionary car FBT is justified because the statutory formula reduces compliance costs (compared with the alternative operating costs method which requires logging actual use).[70] This is not valid. A statutory formula can be maintained for ease of compliance, but the concessionary aspect can be removed by adjusting the details.

5.90 The Committee notes the view of the Federal Chamber of Automotive Industries (FCAI) in its submission to the current review of Australia's future tax system:

> The FCAI submits that the Review should undertake a detailed analysis of the impact of the current Statutory Formula on the incentive for vehicle use. The FCAI urges the Review to evaluate a range of policy options compared with the status quo of retaining the existing Statutory Formula. In determining any recommendations, the FCAI urges the Review to consider carefully the implications for the Australian car industry and to consult affected stakeholders.[71]

5.91 Given the large amount of revenue forgone ($1.7 billion per year expected to rise to $2 billion), it is surprising that the Government is unwilling or unable to say clearly what the purpose of the concession is (see paragraph 5.64). The Committee considers that the Government should state the purpose of concessionary FBT of cars more clearly, and investigate the likely effects of making it less concessionary (noting that whether the tax should be concessionary, and whether there should be a statutory formula for the sake of easy compliance, are different questions).

Recommendation 8

5.92 In relation to fringe benefits taxation of cars by the statutory formula method -

- **the Government should state the purpose of making the tax concessionary (noting that whether the tax should be concessionary, and whether there should be a statutory formula for the sake of easy compliance, are different questions);**
- **the Government should investigate and report on how well the concession is achieving its purpose; and**

70 For example, Mr M. Jacobs (Treasury), *Committee Hansard* 18 August 2006, p.29 (inquiry into Australia's future oil supply and alternative transport fuels).

71 FCAI submission to review of Australia's future tax system, 26/3/2009, p.7

- **the Government should investigate and report on what the likely effects on consumer behaviour would be if the concessionary aspect of car FBT was reduced or removed.**

Other motor vehicle related FBT issues

5.93 Other FBT car-related tax expenditures are:

- Taxi travel to and from work in certain circumstances is an exempt benefit (no FBT is paid). Estimated value of the concession is unknown but thought to be somewhere between $10 million and $100 million. Public transport fares to and from work are not exempt.[72]
- Employer-provided car parking is a taxable fringe benefit if rather complicated and restrictive conditions are met. The benefit is taxed using statutory formula methods which are concessionary. Estimated value of the concession in 2007-08 is $11 million.[73]
- As an exception to the previous point, car parking provided by certain small business employers, if it is not in a commercial car park, is an exempt benefit. Estimated value of the concession in 2007-08 is $5 million. [74]
- Minor, infrequent and irregular private use of a company vehicle that is not a car is an exempt benefit. Estimated value of the concession is unknown but thought to be something less than $10 million.[75]

5.94 Fringe benefits which are 'vehicles other than cars' (as defined) are taxed by different rules. How many vehicles are involved and whether this tax is concessionary is unknown, as it is not reported separately from 'other fringe benefits'.[76]

Committee comment on other motor vehicle related FBT issues

5.95 The exemption for taxi travel to and from work, while public transport fares are not exempt, is unjustified and inequitable. The scope of FBT exemptions should be consistent between car transport and public transport.

Recommendation 9

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72 Except in the case of the employees of a transport operator: Treasury, *Tax Expenditures Statement 2008*, p57,159

73 Treasury, *Tax Expenditures Statement 2008*, p166. Australian Tax Office, *Fringe Benefits Tax - a guide for employers.* The main condition for the existence of a taxable benefit is that there is a commercial parking station within one kilometre.

74 Treasury, *Tax Expenditures Statement 2008*, p163.

75 Treasury, *Tax Expenditures Statement 2008*, p57,169.

76 See Appendix 4, Treasury's answers to questions.

5.96 The Government should change FBT rules so that the scope of exemptions is consistent between car transport and public transport.

5.97 The committee makes no comment on the other matters as the amounts are small and the concessions may well be justified by economy of compliance costs.

Senator Fiona Nash

Chair, Rural and Regional Affairs and Transport References Committee

Additional Comments - Australian Greens

Senator Scott Ludlam, Thursday 20 August 2009

The Australian Greens welcome this report which clearly makes the case for the inherent value of well funded public transport services. The document is a valuable and coherent summary of the many reasons why targeted Commonwealth investment in public and active transport is timely and essential.

Almost all submissions argued that the Australian Government should play a much greater role in promoting [5.18] and providing funding for public transport and active transport [5.23]. In the face of this evidence, it borders on the bizarre that the report does not make a clear recommendation in this respect.

The Committee heard evidence that central governments of nearly all industrialised nations play a significant role in public transport planning and funding [5.21], and that Australia is the only OECD country in which the Federal Government does not have a formal role in funding and supporting public transport.[1]

The Australian Automobile Association and the National Transport Commission urged the Australian Government to establish an ongoing funding program for public transport and active transport comparable to its roads programs [5.18 and 5.35].

Two previous Parliamentary Committee Reports[2] have clearly and unequivocally called for federal funding for public transport and urban mass transit [1.13 and 1.15] and this reflects the more recent recommendations by Garnaut (2008) and Infrastructure Australia (2008).

The Government is yet to respond to the previous Parliamentary inquiries; it is hoped that this report may play some role in focusing Government attention on the urgent need for a systematic re-prioritising of transport funding.

The Committee also recognises that building more roads does not alleviate congestion, but actually encourages growth of traffic and entrenches patterns of urban development that create high car use [3.11]. Despite this fact, the Commonwealth

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[1] Submission 34, Prof. G. Currie, p.5

[2] House of Representatives Standing Committee on Environment and Heritage, *Sustainable Cities*, August 2005 and Senate Standing Committee on Rural and Regional Affairs and Transport, *Australia's future oil supply and alternative transport fuels*, February 2007.

continues to fund roads, thus worsening congestion, and refuses to institutionalise targeted funding for public transport measures that will alleviate that congestion.

The report takes a contradictory position in the executive summary and at [5.43], implying that public transport remain solely the financial and planning responsibility of the States, while then going on to persuasively argue the case why this should change.

The report notes that the Committee "agrees that the demand on public transport infrastructure will continue to rise and require an expansion" [5.43] however refuses to take the next logical step to recommend that the Commonwealth allocate any funding for this task.

As such, the Greens propose the following recommendations replace recommendation 4 in the committee report:

Recommendation 1

The Commonwealth make infrastructure funding available for public transport, subject to strict merit-based criteria.

Recommendation 2

Proposed Commonwealth funding for public transport be subject to an objective assessment of the broad community and economic benefits and the degree to which the sponsoring state or territory government has adopted an integrated, inter-modal, best-practice approach to transport planning and management.

Travelsmart

In recognition that 'Travelsmart' can reduce car use by up to 15 per cent and is more cost-effective than capital intensive public transport infrastructure projects, it is strongly recommended that Commonwealth funding of 'Travelsmart' be continued[3].

Recommendation 3

The Commonwealth recognise the cost-effectiveness of the 'Travelsmart' behaviour change program and reinstate its funding, building on the valuable work undertaken in this programme to date.

[3] Evaluation of Travelsmart projects in Western Australia found a community benefit of $30 for every $1 invested.

Fringe Benefits Tax

The Committee's recommendations relating to fringe benefits tax outline sensible interim measures for assessing the benefits of the way this tax is applied to cars. However it may be that in the light of the data and policy advice obtained as a consequence of Recommendation 8 (which queries the purpose of the tax and the way it is applied), the concessionary tax treatment of cars as a fringe benefit should be abolished altogether.

Senator Scott Ludlam

Australian Greens Senator for Western Australia

Appendix 1

List of Submissions

1	Councillor Jon Strachan
2	The Chartered Institute of Logistics and Transport
3	Ms Mary Jenkins
4	Alexandria Council
5	Australian Rail, Tram and Bus Industry Union
6	Kilsby Australia Pty Ltd
7	Institute of Transport and Logistics Studies
8	Mr Peter Newman
9	David G Lamb Pty Ltd
10	Public Transport Ombudsman Victoria
11	Mr Ian McKenzie
12	Mr Paul Archer
13	Public Health Association Australia
14	Mrs Heidi and Mr Urs Christen
15	10,000 Friends of Greater Sydney
16	Parks and Playgrounds Movement
17	Professor Philip Laird
18	North Sydney Council
19	Action for Public Transport (NSW)
20	Mr Andy Gough

21 Mr Matthew Frawley

22 Mr Yarrow Andrew

23 Blue Mountains Sustainable Transport Alliance

24 Tuross Head Progress Association Inc

25 Deafness Forum of Australia

26 Campbelltown & Districts Commuter Association

27 Australian Conservation Foundation

28 Plug-in Australia

29 Wollongong Transport Coalition

30 Mr Bernard Griffin

31 Mr Henry Hatch

32 The Sustainable Transport Company Ltd U.K

33 Bus Industry Confederation of Australia

34 Professor Graham Currie

35 Ms Marion Byass

36 Veolia Transport

37 People for Ecologically Sustainable Transport

38 International Association of Public Transport

39 Mr Leon Ebbelaar

40 Mr Peter Mackenzie

41 Sustainable Jamboree

42 Mr Ramakrishna Naidu

43 Mr Peter Flanagan

44 Barking Mad

45 Associate Professor Chris Rissel

46 City of Victor Harbor

47 Fleurieu Regional Development Inc

48 Mr Matt Mushalik

49 Deaf Services Australia

50 North Sydney Council

51 Australian Local Government Association

52 Department of Infrastructure, Transport, Regional Development and Local Government

53 Council of Mayors (South East Queensland)

54 Gold Coast City Council

55 InvestWEST Alliance of Councils

56 Local Government Association of Queensland Inc

57 Public Transport Alliance

58 The Royal Automobile Club of Queensland Ltd

59 Mr Guy Le Roy

60 Australian Association for the Study of Peak Oil and Gas

61 BicycleNSW

62 BikeSydney

63 Bus and Coach Association NSW

64 Macarthur Regional Organisation of Councils

65 Northern Sydney Regional Organisation of Councils

66 City of Sydney

67 Western Sydney Regional Organisation of Councils Ltd

68 GoGet Carshare

69 Cr. Chrissy Halton

70 Doctors for the Environment Australia

71 Julia Farr Association

72 Australian Green Development Forum

73 South Penrith Residents Action Group

74 Australasian Centre for the Governance and Management of Urban Transport

75 South West Group

76 Cycling Promotion Fund

77 National Transport Commission

78 NSW Disability Discrimination Legal Centre Inc.

79 Mr Ian Hundley

80 The Royal Automobile Club of WA (Inc)

81 Ms Cathy Gossel

82 Mr Alex Sims

83 Mr David Hodgson

84 Western Sydney Community Forum

85 City of Yarra

86 Mr Adrian Glamorgan

87 Australasian Railway Association Inc

88 Dr Garry Glazebrook

89 Australian Association for the Study of Peak Oil & Gas

91 Blue Mountains Commuter & Transport Users Assoc.Inc

92 Ms Denise Fry

93 NGV Solutions Pty Ltd

94 Independent Pricing and Regulatory Tribunal

95 Borough of Queenscliffe

96 Mr Michael Lomas

97 Planning Institute of Australia

98 Association of consulting engineers Australia

99 Australian Taxi Industry Associations

100 ICLEI – Local Governments for Sustainability, Oceania

101 Centre for Policy Development

102 Northern Transport Links

103 ACT Light Rail

104 Victorian Community Transport Association

105 Wellington Shire Council

106 Mr Stephen White

107 Royal Automobile Club of Victoria (RACV) Ltd

108 Roads Australia

110 36 Climate Action Groups joint submission

111 Northern Rivers Social Development Council

112 Mr John Davidson

113 Mr Peter Brohier

114 Metropolitan Transport Forum

115 ENVIRONMENT HOUSE Incorporated

116 Transport Network Associates

117 Ms Lina Mbirkou

118 East Gippsland Shire Council

119 Light Regional Council

120 Local Government Association of the Northern Territory

121 The Australian Network of Environmental Defenders Offices

122 Sustainable Energy Now Inc.

123 Department for Planning and Infrastructure WA

124 Mr Peter Mills

125 Bicycle Federation of Australia

126 Conservation Council of SA

127 Australian Automobile Association

128 Health Cities Illawarra Inc.

129 Mr Shane Phillips

130 Environment Victoria

131 Prof. Carey Curtis

132 Sustainable Transport Coalition WA

133 Planing and Transport Research Centre

134 Western Australian Local Government Association

135 Dr Paul Mees

136 Public Transport Users Association Inc.

137 Tourism & Transport Forum

138 Bicycle Network

139 Hobart City Council

140 Tasmanian Government

141 Cool Pool Tas

142 Dr Chloe Mason

143 Australian Housing and Urban Research Institute (AHURI)

144 Bicycle Tasmania

145 FAQ Consulting

146 Victorian Council of Social Service

147 The Institute for Open Systems Technologies Pty Ltd

148 Mr Nick Casmirri

149 Mr William Chandler

150 Kangaroo Island Council

151 Professor Frank Fisher

152 Save our Suburbs Inc

153 Mr Ian Addison

154 Land Values Research Group, Prosper Australia

155 Municipal Association of Victoria (MAV)

156 Mr Peter Campbell

157 Ms Judy Blyth

158 Climate Change our Future (CCOF)

159 Ms Sue King

161 Mr Shane Phillips

162 Clyde Hudson & Associates

163 Mr Pete Malavisi

164 Ms Gwen Lee

165 Mr Anthony Rowley

166 Ms Lynette Murphy

167 Mr Darren McClelland

168 Mr Glen Mills

169 Mr Denis Watson

170 Mr Greg Archibald

171 Ms Julie Bauers

172 Ms Jenny Brearley

173 Ms Anne Keaney

174 Ms Jannette Wells

175 Ms Ursula Heffernan

176 Ms Sharneen Gotty

177 Mr Christopher Dean

178 Ms Kirsten Seipolt

179 Ms Ilona Box

180 Ms Pia Kirke

181 Ms Debra Algar

182 Ms Clara Tyler

183 Mrs Anne-Michele Baker

184 St George Community Housing

185 Mornings with Simon Beaumont, Perth's Newstalk 882 6PR

186 Department for Planning and Infrastructure (WA)

187 Community Transport Organisation

188 Mr Ken Barker

189 Ministry of Transport (NSW)

190 Brisbane City Council

191 Pricewaterhouse Coopers

192 H.A Davis Motor Service

193 City of Ballarat.

Appendix 2

Witnesses who appeared before the Committee at the Public Hearings

Tuesday, 3 March 2009
Cliftons Conference Centre, 288 Edward St
BRISBANE

Brisbane City Council
Councillor Jane Prentice, Chair of Public and Active Transport and Economic Development Committee
Mr Barry Broe, Divisional Manager Brisbane Infrastructure
Ms Yvonne Sylvia, Principal Officer Marketing and Communication Brisbane Infrastructure
Mr Alan Warren, Divisional Manager Brisbane Transport
Mr Tom Savage, Senior Program Manager Brisbane Infrastructure

Pedestrian and Bicycle Transport Institute of Australasia
Dr Matthew Burke

Local Government Association of Queensland
Mr Mark Piorkowski, Manager Roads Transport and Infrastructure
Mr Greg Hoffman PSM, Director Policy & Representation

Far North Queensland Regional Organisation of Councils (by teleconference)
Ms Darlene Irvine, Executive Officer

Griffith University School of Environment
Professor Neil Sipe

Griffith University School of Environment
Dr Jago Dodson

Council of Mayors South East Queensland
Mr John Cherry, Executive Director
Mr Eric Perez, Principal Policy Officer
Cr Melva Hobson, Mayor of Redlands

Gold Coast City Council
Mr Warren Rowe, Director Planning, Environment and Transport
Mr Rod Grose, Manager Transsort Planning

InvestWEST Alliance of Councils
Cr Graham Moon, Deputy Mayor of Lockyer Valley Regional Council
Mr Tony Krimmer, Coordinator

RACQ
Mr Michael Roth, Executive Manager Public Policy
Ms Susan Furze, Senior Transport Economist

Community Action for Sustainable Transport
Mr David White, President

Public Transport Alliance
Mr Michael Yeates

Friday, 6 March 2009
Cliftons Conference Centre, 200 George St
SYDNEY

Chartered Institute of Logistics and Transport

Sydney City Council

BusNSW

Institute of Transport and Logistics Studies, University of Sydney
Prof. David Hensher

10,000 Friends of Greater Sydney
Mr Ken Dobinson

University of Technology Sydney
Dr Garry Glazebrook

Pricewaterhouse Coopers
Mr Scott Lennon

Metro Transport Sydney
Mr Kevin Warrell

Western Sydney Regional Organisation of Councils
Ms Sharon Fingland, Assistant Director

Northern Sydney Regional Organisation of Councils

Macarthur Regional Organisation of Councils
Cr Anoulack Chanthivong, President

Shore Regional Organisation of Councils
Ms Leta Webb

NSW Government
Mr Jim Glasson
Mr Rod Staples

Bicycle NSW & Bike Sydney
Dr Chloe Mason

Action for Public Transport

Thursday, 19 March 2009
Committee room 2S1, Parliament House
CANBERRA

Council of Capital City Lord Mayors
Mr Michael Lockwood, Acting Executive Director
Prof. Rob Adams, Director Design and Culture, City of Melbourne

International Association of Public Transport (UITP)
Mr Peter Moore, Executive Director

Bus Industry Confederation
Mr Michael Apps, Executive Director
Mr Isuru Neelagama

Bicycle Federation of Australia
Mr Peter Strang, Executive Director

Friday, 20 March 2009
Committee room 2S2, Parliament House
CANBERRA

Public Health Association of Australia
Mr Michael Moore, CEO
Dr Liz Hanna

Department of Climate Change
Ms Shayleen Ann Thompson, First Assistant Secretary, Strategies and Coordination Division

Planning Institute of Australia

Australasian Railway Association
Mr Brian Nye, CEO
Mr Phil Sochon, Deputy CEO & Manager Government Relations

Department of Infrastructure
Ms Carolyn McNally, Executive Director Nationbuilding, Infrastructure and Investment Division
Mr Robert Stewart, General Manager, Bureau or Infrastructure, Transport and Regional Economics
Mr David Gargett, Research Leader, General Manager, Bureau or Infrastructure, Transport and Regional Economics

Monday, 23 March 2009
Legislative Council Committee Office, Parliament Place, West Perth
PERTH

WA Dept for Planning and Infrastructure
Mr David Igglesden, Acting Director Urban Transport Systems
Mr Tim Wyatt, Team Leader Policy and Precincts, Urban Transport Systems

Public Transport Authority of Western Australia
Mr Reece Waldock, CEO

WA DPI Livingsmart program
Mr Colin Ashton-Graham, Principal Policy Officer Household Sustainability

Bicycle Transportation Alliance

Curtin University Sustainable Policy Institute
Professor Peter Newman

Sustainable Transport Coalition WA
Mr David Worth
Mr Ben Rose

ASPO Australia
Mr Bruce Robinson, Convenor

Professor Carey Curtis (Australasian Centre for the Governance and Management of Urban Transport)

WA Local Government Association
Cr Bill Mitchell, President
Ms Michelle Mackenzie, Executive Manager Infrastructure

Planning and Transport Research Centre
Prof. Greg Martin

Southern Coast Transit
Mr Ray Cochrane, Executive Director

Monday, 30 March 2009
Cliftons conference centre, 440 Collins St
MELBOURNE

Australian Conservation Foundation
Ms Gail Broadbent, Public Transport Campaigner

Bicycle Victoria
Mr Harry Barber, CEO

Public Transport Users Association
Mr Daniel Bowen, President
Mr Tony Morton

Public Transport, Institute of Transport Studies
Professor Graham Currie, Chair

GAMUT - Australasian Centre for the Governance and Management of Urban Transport, RMIT University
Dr John Stone & Dr Jan Scheurer

Dr Paul Mees,(**RMIT University)**

Veolia Transport
Mr Mark Paterson, Head of Corporate Affairs
Mr Rob Ellison, General Manager, Franchise, Connex Melbourne Pty Ltd

Institute of Transport and Logistics Studies, University of Sydney
Professor John Stanley

Metropolitan Transport Forum
Councillor Jackie Fristacky, Chair
Ms Susir Strain, Executive Officer

Victorian government

Tuesday, 31 March 2009
The Old Woolstore Hotel, 1 Macquarie St. Hobart
HOBART

Tasmanian Government
Mr David Peters, Deputy Secretary Infrastructure, Department of Infrastructure Energy and Resources
Ms Sarah Poortenaar, Acting Assitent Director Planning, DIER
Dr Bernard Carlington, Manager Passenger Transport Services, DIER
Mr Simon Buxton, Manager Traffic Engineering Branch, DIER
Ms Babette Moate, Principal Policy Analyst, DIER
Mr Peter Kruup, Principal Policy Analyst, DIER

Cool Pool Tas
Ms Georgi Marshall

Tourism and Transport Forum (by teleconference)
Ms Olivia Wirth, Executive Director
Mr Kary Petersen, Manager Transport

Hobart City Council
Mr Stuart Baird, Sustainable Transport Officer

University of Technology Sydney
Dr Chloe Mason

Tasbus
Mr. Shane Dewsbery, President
Mr Geoff Lewis, General Manager

Bicycle Tasmania
Mr Ambrose Canning, membership secretary

Tuesday, 9 June 2009
Committee room 2S2, Parliament House
CANBERRA

Association for the Study of Peak Oil and Gas
Professor Kjell Aleklett, President

Monday, 20 July 2009
Ballarat Town Hall
BALLARAT

Municipal Association of Victoria
Ms Kaye Owen, Director, Research and Policy
Ms Skye Holcombe, Policy Adviser

Department of Transport, Victoria
Mr David Ward, Regional Manager, Grampians

Davis Bus Lines
Mr Graeme Davis, General Manager
Mr David Smith, Manager

Ballarat City Council
Mr Trevor McCullough, Director, Development and Infrastructure
Mr Ross Cowie, Manager, Infrastructure Development

Wednesday, 22 July 2009
Darwin City Council Chambers
DARWIN

Local Government Association of the Northern Territory
Mr Tony Tapsell, Chief Executive Officer

Metro Minibus
Mr Bill Piantoni, Manager

Department of Planning and Infrastructure (NT)
Mr Greg Scott, Director, Transport Policy and Planning

FAQ Consulting
Mr Wal Walker

Thursday, 23 July 2009
Holiday Inn
ADELAIDE

Fleurieu Regional Development
Mr Barry Featherston

Local Government Association of South Australia
Mayor James Maitland (Wakefield Regional Council) as chair of the SA Regional Organisation of Councils
Mayor Lorraine Rosenberg (City of Onkaparinga) as representative of the Metropolitan Local Government Group

People for Public Transport, SA Inc.
Ms Margaret Dingle

Julia Farr Association
Ms Alicia Fidock

University of Adelaide, Department of Geographical and Environmental Studies
Dr Jennifer Bonham

Planning Institute Australia – SA Division
Mr John Rushworth
Mr Paul Johnson

Beyond Oil South Australia
Mr James Ward

Bicycle Institute of South Australia
Mr Sam Powrie

Friday, 31 July 2009
Teleconference

Mr Todd Litman
Victoria Transport Policy Institute, Canada

Trains On Our Tracks (TOOT)
Ms Karin Kolbe, President.

Appendix 3

Additional information

Additional information accepted as public evidence of the inquiry:

Dated/ Received	Lodged By	Hansard reference (if applicable)	Details
03/03/09	Brisbane City Council	p2	graph of growth of bus purchases
03/03/09	Brisbane City Council	p3	graph of bus patronage history
03/03/09	Brisbane City Council	p10	charts
03/03/09	Council of Mayors South East Qld		1. *South East Queensland One Community - a case for further Federal Government investment in further South East Queensland infrastructure*, August 2008 2. *South East Queensland One Community - a case for further Federal Government investment in further South East Queensland infrastructure*, addendum October 2008 3. SEQ projects indentified within Infrastructure Australia's interim report
003/03/09	Mr Yeates	p82	speaking notes
04/03/09	Mr Yeates		induced traffic; cost of road crashes
06/03/09	10,000 Friends of Greater Sydney	p41	document: The Sydney Integrated Transport Strategy
19/03/09	Mr Lockwood, CCCLM	p2	Council of Capital City Lord Mayors, *Australian Capital Cities - partners in prosperity*, 2007 1. executive summary. 2. national policy statements
19/03/09	Prof. Adams, CCCLM	p4	1. paper 'Future Infrastructure - how might Australian Cities be reconfigufred…?' 2. paper 'Transforming Australian cities for a more financially viable and sustainable future - transportation and urban design' 3. slides
23/03/09	Mr Igglesden, Dept for Planning and Infrastructure	p2,6	1. QEIIMC planning approval 2. Summary of UWA/ QEIIMC/ HPH Public Transport Masterplan

			3.Transperth Strategic Corridors Map 4. Perth Metropolitan Region Scheme Map 5. Workplace Travel Plans summary 6. QEII Medical Centre Travel Plan summary
26/03/09	Public Health Association		1. cover note 2. Wen & Russel, 'Inverse association between cycling to work, public transport, and overweight and obesity…' *Preventative Medicine* 46(2008) 29-32 3. Bassett & ors ,'Walking, Cycling and Obesity Rates in Europe, North America and Australia, *Jnl of Physical Activity and Health,* 2008, 5, 795-814 4. P. Kinney, 'Climate Change, Air Quality and Human Health', *American Journal of Preventative Medicine*, 2008; 35 (5) 5. Cycling Promotion Fund, *Economic Benefits of Cycling for Australia*, 2008 6.Cycling Promotion Fund, *Cycling - Getting Australia Moving*, 2008
30/03/09	Ms Fristacky, Metropolitan Transport Forum	p78	slides
30/03/09	Mr Hopkins, Victorian Dept of Transport	p88	slides
02/04/09	Western Sydney Regional Organisation of Councils		1. cover note. 2. A. Hurni, *Transport and Social Disadvantage in Western Sydney*, 2006
03/04/09	Australian Conservation Foundation		answers to questions
04/04/09	Bicycle NSW		cover note; bicycle map; a back street guide for cyclists
04/04/09	Sydney City Council		answers to questions
23/04/09	Prof. P. Newman		survey of attitudes to public transport
23/04/09	Sydney City Council		submission to Infrastructure Australia
23/04/09	Tasmanian Bus Association		sample bus contract
23/04/09	International Association of Public Transport		A Metlink survey of attitudes to public transport
24/04/09	Australian		1. cover note

	Conservation Foundation		2. paper on transport greenhouse emissions 3. paper on rail transport injuries 4. paper on road transport injuries 5. paper *Investing in Sustainable Transport: our clean, green transport future*, March 2009
26/04/09	WA Public Transport Authority		1. cover note 2. history of Transperth integration 3.PATREC, *Future Connections - Planning for the next decade of public transport in Perth*, 2008 4. Evaluation of different bus concepts for WA
27/04/09	Prof. D. Hensher		criteria for Commonwealth funding of public transport
04/05/09	Australian Transit Enterprises		1. cover note 2. paper about light trams
13/05/09	Prof. C. Curtis		housing costs
15/05/09	Prof. C. Curtis		SNAMUTS model of assessing public transport accessibility
090626 26/06/09	Department of Climate Change		answers to questions
090720 20/07/09	Municipal Association of Victoria		speaking notes
090720 20/07/09	Victorian Dept of Transport Grampians Region	p19	various statistics
090722 22/07/09	FAQ Consulting		speaking notes
22/07/09	NT Government		sample bus timetables
22/07/09	NT Government		NT Transport Strategy, request for tender
22/07/09	NT Government		*Working Future - fresh ideas, real results*, flyers
23/07/09	Beyond Oil South Australia		slides
23/07/09	Bicycle Institute of South Australia		speaking notes
30/07/09	Department of Infrastructure, Transport, Regional Development and Local		answers to questions

	Government		
31/07/09	Department of the Treasury		answers to questions
10/08/09	Ballarat City Couuncil		answers to questions
11/08/09	Qld Dept of Transport and Main Roads		cost of Brisbane busways

Appendix 4

Car fringe benefits tax:

Questions to Treasury and Treasury's answers

The committee's questions:

QUESTIONS TO TREASURY - CAR FRINGE BENEFITS TAX

Concerning tax expenditure D24 relating to the concessionary taxation of car fringe benefits by the statutory formula method (2008 Tax Expenditures Statement, p163):

1. How are the tax expenditure amounts estimated and what are the input data used? Please give details of the data used relating to the years shown in the 2008 Tax Expenditures Statement.

2. What is the reliability of the estimate for past years?

3. What is the reliability of the estimate for future years?

4. How are the amounts of actual private and work-related use by the affected cars estimated?

5. Is taxation of cars by the operating costs method concessionary (as could be the case for example if the statutory depreciation and interest rates were out of step with true depreciation and interest rates)? If so, what is Treasury's estimate of the tax expenditure, and is it included in the D24 reported figures?

6. Does the reported tax expenditure include exempt car fringe benefits? If not, what is Treasury's estimate of the tax expenditure associated with exempt car fringe benefits?

7. For each of the last ten years, please give:

   • FBT paid relating to car benefits calculated by the statutory formula method; the number of employers involved; the number of cars involved;

• FBT paid relating to car benefits calculated by the operating costs method; the number of employers involved; the number of cars involved.

8. What is the government's knowledge of the income distribution of the beneficiaries of the tax expenditure (ie the affected employees, assuming employers pass the benefit through)? For example, what proportion of the beneficiaries have income at a level that incurs the top marginal rate?

9. At the time FBT was established, what was the policy purpose of making FBT of cars concessionary? Please give references to any written government policy or statement of the time supporting this.**

10. At present, what is the policy purpose of making FBT of cars concessionary?**

11. What is the present purpose of setting the statutory formula thresholds and percentages at the chosen numbers? If there is an assumption that the percentages reflect average amounts of work-related and private use by cars in the various kilometrage categories, what research or data supports this?

12. What is the government's knowledge of the extent to which the concessionary aspect of car FBT, and/or the construction of the statutory formula, encourages use of cars which would not otherwise occur?**

13. Is there any practical or administrative impediment to changing the details of the statutory formula (for example, the number of kilometrage categories, or the statutory percentages), if the Government should wish to do so?

14. Has Treasury done any modelling of the likely cost to revenue of these scenarios:

    • make employer-provided public transport fares to and from work an exempt benefit;

    • make employer-provided public transport fares generally a benefit taxed concessionally to the same degree that car benefits by the statutory formula method are taxed concessionally.

    If so, what were the results?

** Note that whether the tax should be concessionary, and whether there should be a statutory formula method for the sake of easy compliance, are separate questions, since a statutory formula method could be maintained, but the concessionary aspect reduced, by adjusting the details of the statutory formula: see this committee's report on *Australia's Future Oil Supply and Alternative Transport Fuels* (2007), paragraphs 8.88 & 8.95, at http://www.aph.gov.au/senate/committee/rrat_ctte/completed_inquiries/2004-07/oil_supply/index.htm

Concerning fringe benefits taxation of vehicles other than cars:

15. For each of the last ten years, please give:

    • FBT paid relating to vehicle other than car benefits; the number of employers involved; the number of vehicles involved.

16. Does Treasury believe that FBT of vehicles other than cars is concessionary? Why/ why not? If so, what is the estimated value of the tax expenditure? Does this include exempt benefits?

25 June 2009

Treasury's Answers:

Concerning tax expenditure D24 relating to the concessionary taxation of car fringe benefits by the statutory formula method (2008 Tax Expenditures Statement, p163):

1. **How are the tax expenditure amounts estimated and what are the input data used? Please give details of the data used relating to the years shown in the 2008 Tax Expenditures Statement.**

The tax expenditure amounts were calculated using the following methodology:

- The taxable value of packaging cars using the operating cost method (OCM) was considered the benchmark treatment. This was used to determine the tax that would be payable if the statutory formula method (SFM) was removed.
- The calculated forgone income tax was then compared to the current revenue attained using the statutory formula method. The difference between the two is the cost of this expenditure.

Input data included:

- FBT return from data was used to provide information on car benefits calculated using SFM and OCM.
- Individual income tax return data was used to calculate the marginal tax rates of those with reportable fringe benefits recorded.
- External data such as NRMA data was used to provide estimates on motor vehicle operating costs
- Statutory interest rates were fixed at the current level and CPI forecasts were also used.
- Other assumptions were made to account for late lodgers, private use of vehicles and growth in the number of vehicles.

1a. Why was there a big jump in the estimated tax expenditure between the 2006 and 2007 Tax Expenditures Statements?

In the 2006 Tax Expenditures Statement, the estimates for this particular tax expenditure were based on assumption that if the concession did not exist, many drivers would give up their cars, reducing the estimate of revenue forgone.

Such a methodology was effectively excluding the current level of concession to those cars assumed to be 'forgone', and was therefore underestimating the total value of concessions applicable to the total current volume of cars using the statutory formulas.

This methodology was updated as part of the estimates presented in the 2007 Tax Expenditures Statement, which estimate the total value of concessions applicable to all cars currently utilising the statutory formulas (i.e. prior to any behaviour change). This methodology change brought its treatment into line with other tax expenditure, which in turn is consistent with methodology applied in other countries.

The updated methodology effectively removes any impact associated with the behaviour changes of individuals, and simply analyses the existing stock of concession utilisation.

2. What is the reliability of the estimate for past years?

In the 2008 TES, the reliability of this tax expenditure estimate was reported to be low. This is because it is difficult to be certain of the distance travelled by packaged cars and therefore the proportion of cars to allocate to each statutory fraction under the statutory formula method.

Some of the significant uncertainties related to these estimates are outlined below:

- Distributions of car prices/ values for which the statutory formula method (SFM) is applied, including whether there is any relationship between the value of a car and the likelihood of a particular SFM fraction being applied.

- Distributions of depreciation, insurance and registration costs for cars within each SFM range.

  – These costs are relevant to calculating the taxable value of each car under the operating cost method (OCM), and therefore relevant to the estimated cost of the concession.

- Distributions of kilometres travelled within each SFM kilometre range.

  – Per kilometre costs such as petrol and repairs/ maintenance are relevant to calculating the taxable value of each car under the OCM, and therefore relevant to the estimated cost of the concession.

- Distributions of private usage within each SFM kilometre range, as well as the average level of private usage within each range.

3. What is the reliability of the estimate for future years?

- The reliability of this tax expenditure estimate for future years is also considered to be low.

  – In addition to the uncertainties noted in the response to Question 2, estimates for future years also rely on projections of the number of cars taxed using the statutory formula method.

4. How are the amounts of actual private and work-related use by the affected cars estimated?

No data is available on the percentage of private use for individuals using the operating cost method.

- The assumed percentage of private usage under the statutory formula method was used as a proxy for the percentage of private usage under operating cost method, which forms part of the benchmark for this TES estimate. Estimates of the percentage of private and work-related use of estimated cars are benchmarked to observed outcomes relating to the taxable value of cars reported under each method (SFM and OCM).

5. Is taxation of cars by the operating costs method concessionary (as could be the case for example if the statutory depreciation and interest rates were out of step with true depreciation and interest rates)? If so, what is Treasury's estimate of the tax expenditure, and is it included in the D24 reported figures?

The operating cost method is not considered to be concessional and therefore not included in TES calculation for this item.

- The operating cost method was used as the benchmark for estimating the value of concessions applicable to the statutory formula method.

6. Does the reported tax expenditure include exempt car fringe benefits? If not, what is Treasury's estimate of the tax expenditure associated with exempt car fringe benefits?

The estimate for this Tax Expenditure Item (Item D24 in 2008) includes exempt fringe benefits.

- Employers are required to report both exempt and non-exempt benefits on their fringe benefits tax return when reporting fringe benefits related to utilisation of the statutory formula for valuing car benefits.

7. For each of the last ten years, please give:

FBT paid relating to car benefits calculated by the statutory formula method; the number of employers involved; the number of cars involved;

FBT paid relating to car benefits calculated by the operating costs method; the number of employers involved; the number of cars involved.

Fringe Benefits Tax paid relating to car benefits is not able to be separately identified. The table below provides data for the 10 most recently available years related to:

(1) The taxable value of car benefits (which are then grossed-up using the Type 2 fringe benefit gross-up rate of 2.0647 to convert them to reportable fringe benefits and then taxed at the FBT rate of 46.5 per cent where the fringe benefit is not subject to an exemption);

(2) The number of employers involved; and

(3) The number of vehicles involved.

For both the Statutory Formula Method (SFM) and Operating Cost Method (OCM) of valuing car fringe benefits.

Year	Statutory Formula Method (SFM)			Operating Cost Method (OCM)		
	Taxable Value ($m)	No. of Employers	No. of Vehicles	Taxable Value ($m)	No. of Employers	No. of Vehicles
1998-99	1,530	48,675	607,252	110	17,855	99,777
1999-00	1,577	46,940	587,622	116	18,030	127,558
2000-01	1,880	43,570	773,541	141	17,735	1,609,476
2001-02	1,593	41,985	1,521,821	135	17,730	1,100,391
2002-03	1,567	40,790	751,330	136	17,745	515,695
2003-04	1,598	40,380	3,309,166	145	18,030	869,783
2004-05	1,644	39,565	1,185,103	147	18,215	3,048,735
2005-06	1,674	38,490	758,689	151	18,005	1,450,932
2006-07	1,658	37,215	958,687	151	17,215	1,126,405
2007-08	1,594	34,600	977,190	144	15,675	1,156,179

Note: Taxable value and number of employer figures are sourced from FBT Table 7B of 2006-07 Taxation Statistics.

Figures for the number of vehicles are sourced from FBT Table 6B of 2006-07 Taxation Statistics. However, as incorrect reporting of the number of vehicles provided by businesses does not impact upon FBT outcomes (which are calculated on the basis of taxable values reported, with no calculation link back to the number of

vehicles provided), we believe that the figures reported for the number of vehicles provided cannot be considered reliable.

8. What is the government's knowledge of the income distribution of the beneficiaries of the tax expenditure (ie the affected employees, assuming employers pass the benefit through)? For example, what proportion of the beneficiaries have income at a level that incurs the top marginal rate?

As fringe benefits related to cars are reported at an employer level and reportable fringe benefits for each affected individual are not disaggregated by type, no administrative data is available on which to estimate the taxable income distribution of affected employees.

9. At the time FBT was established, what was the policy of making FBT of cars concessionary? Please give references to any written government policy or statement of the time supporting this.

The original purpose of the statutory method for valuing car fringe benefits was to apply tax to the private use of the vehicle, not its use for work purposes, and distance travelled was used as a proxy for the proportion of business travel. It was designed to provide employers with a low compliance cost alternative to the operating cost method, eliminating the need to maintain a vehicle log book, and introduced in 1986.

While the statutory method does not explicitly distinguish between business and private use of a vehicle, because a significant proportion of cars provided as fringe benefits will have some business use, the statutory formula effectively incorporates a business use element into the valuation of the benefit. This implicit business use element increases with the annual distance travelled by the vehicle, such that the FBT payable decreases. The actual concessionality of the statutory formula method for each taxpayer would depend on their individual circumstances but the rates were based on assumptions of average use at the time of introduction.

The statutory formulas were amended (the statutory percentage was lowered for people travelling more than 15,000 kms per year) as a result of discussions with the Australian Democrats, in order to secure the passage of the original FBT Act, making the rates more concessionary and therefore not necessarily reflective of assumptions of average use at that time.

10. At present, what is the policy purpose of making FBT of cars concessionary?

The policy of the FBT statutory formula for valuing car benefits is set out in Chapter 13 of the Australia’s Tax System Review Consultation Paper of December 2008.

An employees private use of a taxi, panel van, utility or other commercial car is exempt from FBT in certain circumstances (for example, travel between work and home and minor non-work-related use), due to compliance cost savings.

11. What is the present purpose of setting the statutory formula thresholds and percentages at the chosen numbers? If there is an assumption that the percentages reflect average amounts of work-related and private use in the various kilometrage categories, what research or data supports this?

The current statutory formula percentages were set in 1995. The changes in 1995 increased the rates for all distances travelled. The changes reduced concessionality, but made no changes to the underlying assumptions.

In the second reading speech, the then Assistant Treasurer Mr George Gear, MP, stated:

"In order to maintain the revenue neutrality of this package of compliance cost reduction measures, the bill will increase the statutory fractions used in the statutory formula for car benefits by approximately 10 per cent. Even with these increases in the statutory fractions, the statutory formula will remain significantly concessional under a wide range of circumstances. This amendment is estimated to raise $121 million in 1995-96 and $91 million in each later year."

No data is available on the percentage of private use for individuals using the operating cost method.

The assumed percentage of private usage under the statutory formula method was used as a proxy for the percentage of private usage under operating cost method, which forms part of the benchmark for this TES estimate. Estimates of the percentage of private and work-related use of the estimated number of cars are benchmarked to observed outcomes relating to the taxable value of cars reported under each method (SFM and OCM).

12. What is the government's knowledge of the extent to which the concessionary aspect of car FBT, and/or the construction of the statutory formula, encourages use of cars which would not otherwise occur?

The extent to which current utilisation of cars valued using the statutory formula method (SFM) is driven by the concessional taxation treatment applicable under this formula is unknown and uncertain. However, there is some discussion about these issues in Chapter 13 of the Australia's Tax System Review Consultation Paper of December 2008 and in the Review of Australia's Automotive Industry undertaken by the Hon Steve Bracks.

There are two primary groups for whom the current construction of the statutory formula will have minimal (if any) impact on their use of cars. These groups are as follows:

(1) Employees who are provided with a car as part of an employment contract and have no discretion in terms of opting in or out of packaging a car within their remuneration agreement; and

(2) Employees for whom the SFM and the operating cost method (OCM) provide similar taxation liability outcomes (typically where the percentage of business use is quite high), but for whom the SFM involves a much simpler calculation of the tax liability.

No administrative data is available to estimate the size of each of the groups noted above relative to the total group of employees utilising the SFM.

13. Is there any practical or administrative impediment to changing the details of the statutory formula (for example, the number of kilometrage categories, or the statutory percentages), if the Government should wish to do so?

There is no legislative impediment to changing the elements of the statutory formula. The nature of any practical impediments would be dependant on the nature of the proposed change.

14. Has Treasury done any modelling of the likely cost to revenue of these scenarios:

- **make employer-provided public transport fares to and from work an exempt benefit;**
- **make employer-provided public transport fares generally a benefit taxed concessionally to the same degree that car benefits by the statutory formula method are taxed concessionally.**

If so, what were the results?

Treasury has not specifically modelled potential costs to revenue for making employer-provided public transport fares to and from work an exempt benefit, or making it a benefit taxed concessionally.

TES Item D16 'Exemption for free or discounted commuter travel for employees of public transport providers' gives expenditure estimates for what is essentially a subset of taxfilers. Subsection 47(1) of *Fringe Benefits Tax Assessment Act 1986* provides details for this exemption:

- Where an employer operates a business of providing transport to the public, the provision of free or discounted travel (other than in an aircraft) to employees of that business for the purpose of their travelling to and from work is exempt from fringe benefits tax.
- Where an employee's place of work is in a metropolitan area, free or discounted travel on a scheduled service within that area is also exempt from fringe benefits tax.

It is estimated that this exemption leads to revenue forgone of $25 million per annum from 2009-10.

Concerning fringe benefits taxation of vehicles other than cars:

15. For each of the last ten years, please give:

FBT paid relating to vehicle other than car benefits; the number of employers involved; the number of vehicles involved.

The value of fringe benefits tax collected in relation to vehicles other than car benefits, the number of employers involved and the number of vehicles involved are all unquantifiable, as this type of fringe benefit is not separately identified on fringe benefits tax returns submitted by businesses.

16. Does Treasury believe that FBT of vehicles other than cars is concessionary? Why/ why not? If so, what is the estimated value of the tax expenditure? Does this include exempt benefits?

The value of fringe benefits tax collected in relation to vehicles other than car benefits, the number of employers involved and the number of vehicles involved are all unquantifiable, as this type of fringe benefit is not separately identified on fringe benefits tax returns submitted by businesses.

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