Metropolitan Transport Forum

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Senate Standing Committee on Rural and Regional Affairs and Transport
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Inquiry into public passenger transport infrastructure and services

The (MTF) is a local government transport advocacy and networking group, with a membership of 20 Melbourne metropolitan local governments, with associate members from across the transport sector. It should be noted that when the MTF presents a submission on behalf of its local government members, the views presented are independent of the views of associate members.

The MTF supports the objective of sustainable transport and has advocated for federal involvement in expanding passenger transport infrastructure in cities. It thus welcomes the Senate Inquiry into public passenger transport infrastructure and services and believes this focus by the federal sphere is long overdue.

Our submission deals with the Senate Inquiry terms of reference as follows.

(a) Audit of the state of public passenger transport in Australia

The MTF supports such an audit and believes that this will demonstrate deficiencies in infrastructure, services, stock, signaling and maintenance due to inadequate public sector investment over many decades. It is argued that these deficiencies relate, in part, to the lack of federal investment in such infrastructure and a federal taxation system that has undermined state and private investment in passenger transport.

b) Current and historical levels of public Investment in private vehicle and public passenger transport services and infrastructure

Much of Australia's urban rail and tram network was laid down in the late 19th and early 20th centuries when the population of its capital cities was in the hundreds of thousands. Australia was in its early foundation, a world leader in rail and tram networks.

Since then, there has been relatively limited investment in public transport despite a much expanded population, particularly since World War II. Apart from

in Melbourne, tram systems have been discarded. Rail lines in capital cities, in regional and rural areas have also been abandoned, rail reservations sold, converted to parks, bike trails or left derelict.

Capital and regional cities have expanded well beyond the reach of their rail and other public transport networks. Without adequate public investment, passenger transport infrastructure has not kept up with the mobility needs of urban populations and the growing economy.

Proper cost benefit analyses

Australia has been identified as the only developed country in the world where its national government has not funded urban passenger transport systems.

Investment in public transport has been neglected on the argument that transport is a state matter. However, while failing to invest in urban passenger transport, the Commonwealth has nevertheless, provided substantial funding for road networks in urban and regional environments. As set out below section (e), the Commonwealth approach has served to disadvantage public transport investment.

Investment in public transport has also been argued to be too costly compared with road transport infrastructure solutions. This argument amounts to an orthodoxy based on a misunderstanding of transport economics. It fails to cost alternative transport systems including externalities, opportunity costs, and market distortions in favour of motor vehicles.

When properly costed, the reverse is apparent: the motor vehicle industry is heavily subsidised at the expense of public and freight transport.

The following table in a 2006 report of the Victorian Competition and Efficiency Commission (VCEC) Inquiry into Transport Congestion[1] based on Public Transport Users Association (PTUA) submissions, sets out the annual public subsidy for vehicle use.

Annual costs of car use in Australia and revenue collected from motorists

Costs of car use	Annual cost $m	Sources of revenue collected from motorists	Annual revenue $m
Road construction maintenance	8,500	Petrol and diesel excise	9,800
Land use costs	6,000	GST on fuel	1,700
Road trauma	15,000	Vehicle registration fees	3,300
Noise	700	Insurance premiums	9,000
Urban air pollution	4,300	Tolls	1,000
Climate change	2,200	Other revenue	2,150
Tax concessions	4,800		
State fuel subsidies	600		
Total Costs	**42,100**	**Total revenue**	**26,950**
		Road deficit	**15,250***

***** Note: the road deficit figure should read $15,150m, ie a $15.15 billion annual shortfall

[1] Making the Right Choices: Options for Managing Transport Congestion, Victorian Competition and Efficiency Commission Final Report, September 2006, page 90; source PTUA Submission No 132, www.vcec.vic.gov.au

There are other costs not included in the above table; eg the cost of vehicle congestion, at $9.3 billion in 2005, estimated to rise to over $20 billion nationally by 2020.[2]

Peter Moore of the International Association of Public Transport (UITP) Australian branch, has stated that "Australia just has not given mass public transport the priority it deserves" and that accordingly, Australia is missing out on opportunities for greater prosperity because of the lack of alignment on transport policy across the nation.[3]

The new Federal Infrastructure Fund and this Senate Inquiry provide bases for remedying this situation.

(c) Benefits of public passenger transport including integration with bicycle and pedestrian initiatives

Transport systems have far reaching implications for the liveability and prosperity of cities. Passenger transport has benefits in: reducing emissions and congestion, and enhancing productivity, the economy, social integration and equity, housing affordability as well as health and safety.

That MTF submits that investment in sustainable transport infrastructure for cities should be accorded priority over road building for private car and road freight use given the substantial benefits to be gained:

- **Reduced greenhouse emissions -** together with reduced air pollution and land degradation. The energy and transport sectors, particularly motor vehicles are major contributors to emissions. The transport sector in Australia accounts for 14% of emissions and is the fastest growing source of greenhouse gas emissions. By contrast, ppublic transport performs with at least 30% fewer emissions per person kilometre than cars[4]. Increasing public transport mode share is thus an important source of lowering emissions. Further, powering public transport by electricity from greenpower would further help in reducing greenhouse emissions. Cycling has virtually zero greenhouse impacts.

- **Congestion reduction** - Reliance on private vehicles as the dominant form of transport in Australian cities, has created increasing demand for vehicle road space at the expense of land for housing, open space, economic and social activity. Dispersed urban settlement patterns without public transport services have promoted longer vehicle trips, undertaken in largely, sole occupant vehicles. Road congestion has resulted, generating adverse impacts on the economy, the environment, noise levels, health, safety and social integration. Without adequate public transport on all major transport corridors, there can be no long term solution to congestion and the resulting problems which beset cities.

- **Increased productivity** - Public transport and cycling are more efficient modes of transport in terms of fuel use, land use and other costs.

[2] Department of Transport and Regional Services (DOTARS) 2006
[3] Quoted in UITP (Australia/New Zealand) Members Daily New, Wednesday 25 February 2009
[4] Adele McCarthy, Public Transport Division, Department of Transport, Victoria; see also http://www.climatechange.gov.au/greenpaper/factsheets/fs4

Expansion of motor vehicle use in cities had led to over 30% of land use being devoted to motor vehicles. The development and efficiency of cities requires public transport links based on land use planning principles, which integrate communities with access to jobs, education and services. Such integrated planning can substantially reduce the footprint, time and cost of travel.

- **Economic benefits** - Benefit-cost analysis has indicated that for every $1 invested in passenger rail transport, returns $1.80 to the economy.[5] Apart from this, there are substantial economic benefits to households with easy access to public transport. The high cost of motor vehicle transport for households is revealed in comparisons of expenditure on housing and transport. In Melbourne, transport ranks with housing as a major expenditure item with over $140 per week spent on transport (car $133.37, public transport and taxis $7.50) while housing expenditure averages $144 per week.[6] Such high expenditure on car use contributes to household stress and detracts from liveability. Where good public transport connections exist, a lower proportion of household budgets is invested in transport.

- **Social disadvantage and equity** - Mobility is essential for access to jobs, education and services. In outer suburbs poorly serviced by public transport, 95% of trips are by private car. Families often have to cover the cost of running at least 2 motor cars, and when children attend tertiary institutions or work, they also need a car. Some families run 4 or more cars depending on the number of older children in a household. Vehicle costs over 30 years, accumulate to $350,000 plus per vehicle. Those who are unable to meet such high vehicle costs, lose out on access to jobs and services. Provision of public transport services is now recognised as a fundamental means of reducing transport disadvantage, to achieve greater equity in mobility and access to opportunities.

- **Housing affordability** – The lack of viable public transport and other infrastructure to service fringe suburbs, coupled with road congestion and higher fuel costs, has accelerated demand for inner city and middle ring housing. The demand has escalated property prices in these areas. This impacts by reducing economic and social diversity in the inner city, vital for the economy and vibrancy of cities.

  The escalation of overall housing prices and the problems of affordability in inner city areas is exacerbated by the failure to extend rail and tram services and other infrastructure to growth suburbs. This negative impact on housing affordability intensifies every year that the Government and development sectors fail to provide for effective public transport to service fringe suburbs and regional cities. Conversely, access to public transport in growth suburbs and regional cities helps reduce price pressures on land use and affordability in capital cities.

- **Health and safety benefits** – The over-reliance on the motor vehicle has created national problems in terms of the physical and mental health of our

[5] G Karpouzis et al, *The Value of City Rail to the NSW community 1997-1998 to 2006-07*, RailCorp, NSW, June 2007

[6] 2006 ABS Household Expenditure Survey, summary in Transport Demand Information Atlas for Victoria 2008, www.transport.vic.gov.au

communities. Daily walking to catch a train, tram or bus, and cycling for both transport and recreation, involve a more active way of life reducing obesity and other diseases of inactivity, plus contributing to a lower road toll. Exercise also has a positive impact on mental health. Obesity, combined with lack of physical exercise, is said to cost the economy $58 billion per annum[7] given causal links for many diseases including cardiovascular disease, diabetes, cancers and debility. Road trauma also costs the nation at least $15 billion per annum in terms of accidents and demands on hospitals and other elements of the health system. Some 50% of all car trips are under 5 kms, 30% under 2 kms and 20% under 1 km. Encouraging mode shift, particularly for these short trips, would have substantial health, economic and emission benefits.

Funding of cycling and pedestrian infrastructure.

The bicycle industry in Australia has grown dramatically over the last ten years from 650,000 bicycles sold in Australia in 1998 to over 1.3 million per annum in 2008. It is estimated that 6,000 Australians are employed in the bicycle industry with 1500 independent bicycle retailers across Australia. Cycle sales, purchase of accessories, servicing and employment, generated $950 - $1 billion per annum in 2008 to the Australian economy.[8] This industry is growing rapidly.

At the same time, cycling generates substantial savings to the economy in health terms. Cyclists are fitter, healthier and suffer less disease than sedentary travellers. Similarly, those who catch public transport and walk to their tram, train or bus station, maintain regular physical exercise. It is estimated that the cost savings to the health budget of such active transport amounts to some $13 billion per annum.

The most sustainable forms of transport are walking and cycling with infrastructure largely the responsibility of local governments. Safe cycle and pedestrian paths require substantial capital investment from Councils who are already financially strapped. It is submitted that federal allocations should be provided directly to Local Government for investment in cycling and pedestrian infrastructure. Federal support is urged for bicycle hire facilities in each capital city, as part of federal support for inter-state trade and commerce.

(d) Measures by which the Commonwealth Government could facilitate improvement in public passenger transport services and infrastructure

- Federal investment is sought in new rail lines and services for urban growth areas, together with investment in high speed rail to join regional cities. In Melbourne, there is need to upgrading core rail spines and signaling to support new lines and capacity expansion. Other projects in Melbourne that merit Commonwealth contributions include the construction of a rail service to Doncaster, Melbourne's eastern corridor that is not serviced by any rail system. Another project to be supported by the Commonwealth is a rail service to Rowville to meet the mobility needs of the Monash University campus at Clayton. Growth and development of the Monash University

[7] Access Economics, 2008 *The Growing Cost of Obesity in 2008*, Access Economics, Canberra. http://www.accesseconomics.com.au/publicationsreports/showreport.php?

[8] Cycling Issues Sheet, Bicycle Sales 2008, Cycling Promotion Fund, January 2009

Clayton campus is restricted because of public transport access. Indeed the Clayton Campus is close to being outstripped by the Monash Caulfield campus due to the latter's far superior accessibility by public transport.

- The most effective means of improved passenger transport services is where transport planning is integrated with land use planning. Transportation and other land uses can enhance each other if they are integrated. If state and local transportation systems and land uses work together, citizens have more options for travel, lower travel times on major corridors, and more efficient access to goods and services. Funding of urban passenger transport should encourage development of more compact communities that integrate housing, employment and services to help make shorter vehicle trips, and with destinations accessible by walking and cycling. Coordination between local, state, and federal agencies with responsibility for land use and transport planning is essential.

- Restructuring of the declining motor vehicle industry with transfer of skills to the manufacture of trams, trains and buses within Australia and infrastructure maintenance. Car sales slumped by almost 16% in Australia during 2008 leading to calls for protection of jobs in the motor vehicle industry. Rather than seeking to prop up car sales in an era of declining demand, the government should encourage the transfer of skills to manufacturing in the area of public passenger transport where demand is rising rapidly.
- When funding public transport initiatives, it would be helpful to apply performance criteria and measures of success. International experience suggests that critical success factors are an integral part of the on-going monitoring of transport plans to ensure objectives of public policy and actions achieve desired outcomes. Suggested criteria are:

Criterion	Measure of Success
Modal Split (daily total journeys)	Reduction of the proportion of motorised individual transport to 50% by 2050 Increase the proportion of cycling to 5% by 2050. Increase the proportion of public transport to 45% by 2050. By 2050 double the proportion of 2008 pedestrian traffic levels By 2050 the choice of mode of transport should reach 50% environmentally-friendly modes
Modal Split (daily commuter journeys)	Change of distribution of modes of transport between public transport (including cycling) and motorised transport by 2050 to 35% PT & 65% MV
Traffic density	The number of journeys by car (car km) should not increase further
Mobility access	By 2050, 100% of inhabitants to live within 15 minutes of a public transport stop. The annual network season ticket price to remain at least constant in relation to the average income
Transport Safety	The number of deaths and injuries through traffic accidents to be 0 by 2050 as part of towards zero objectives
Emissions	The instances of exceeding maximum nitrogen oxide limits at road intersections, to be reduced to zero by 2020.

Liveability and amenity are also two key issues in measuring the success of public policy by government. In moving forward and ensuring that there is a uniform approach from the local communities, a set of principles that would enable the measurement of key performance criteria is essential.

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(e) Role of legislation, taxation, subsidies, policies and other mechanisms that either discourage or encourage public passenger transport

The MTF seeks reform of the taxation system through a level playing field between private vehicles and public transport commuters.

Fringe Benefits Tax

Fringe benefits tax (FBT) is structured so as to provide greater benefits the more a motor vehicle is used. This is evident from the following table where the FBT rate reduces from 26% to 7%.

Initial Cost Base	Annualised Km	%	Taxable Value	Type	Grossed Up Benefit	FBT Payable
25,770.00	40,102	7	1,803.90	1	3,724.51	1,731.90
25,770.00	28,166	11	2,834.70	1	5,852.81	2,721.55
25,770.00	18,193	20	5,154.00	1	10,641.46	4,948.28
25,770.00	11,466	26	6,700.20	1	13,833.90	6,432.76

The structure of the current statutory FBT formula has the impact of encouraging greater use of motor vehicles in order to achieve a lower percentage rate of taxation in respect of the vehicle. The overall cost to the federal budget is approaching $2 billion per annum.

At a time when governments, communities and individuals are concerned with the need to minimise greenhouse gas generation (GGG) through reducing car dependence, it is vital to ensure that taxation and other policies and processes are not diametrically opposed to that goal.

The MTF thus seeks a review of the FBT concession on motor vehicles.

Apart from FBT, other elements of the tax system include tax credits and subsidies for mining, trucking, and aviation fuels. These should also be reviewed.

Tax incentives for employers offering public transport passes, car pooling, car sharing, bikes

Travel to and from work has generally been viewed in the tax system as a private expense. However, this has been inconsistently applied in relation to the substantial tax advantages for car use. The failure to provide tax incentives for employers offering public transport passes, car pooling or car sharing has put public transport in an adverse discriminatory position. This should also be reviewed.

Motor vehicles in employment contracts

Another mechanism discouraging public transport use is the provision of motor vehicles in employment contracts, including for public sector employees. It is estimated that 30-40% of peak hour traffic involves vehicles provided by government or subsidized through salary packaging, that is, company and government cars. The aim by Governments since the 1980's to emulate the private sector, saw massive expansion of vehicles as part of employment contracts. Until then, generally, only Departmental Heads were provided with a vehicle. Tackling congestion and emissions, requires review of the provision of motor vehicles in new employment contracts, and measures to support phasing out of vehicles for existing employees. Incentives are also required for State governments and the corporate sector to do the same.

Taxation and other changes cannot be done in isolation from a major expansion in the provision of public transport infrastructure as the changes would further increase public transport demand in response to peak oil and the desire of citizens to access jobs, education and services, more sustainably. It is essential that supply of passenger transport services is expanded to meet the demand.

(f) Best practice international examples of public passenger transport services and infrastructure.

There are many excellent examples internationally of public transport infrastructure integrated with land use planning supporting urban redevelopment and the liveability of cities. However, the MTF highlights transport in these cities:

- Vancouver and Portland in North America;
- Manchester and Birmingham in the UK;
- Zurich in Switzerland;
- Berlin, Munich, and Hanover in Germany.

Conclusion

There is huge catch-up required in passenger transport across Australia, both in capital cities and regions. This is because investment and taxation have for many decades, been heavily biased to favour motor vehicles while passenger transport, modes have been neglected. Australian cities and the nation as a whole have been disadvantaged because of this. Reshaping national investment policy to fund urban public transport would help meet national strategic priorities.

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