



**Interim
Submission**

to

**The Senate Standing Committee on Rural and Regional Affairs
and Transport**

**Inquiry into the Investment of Commonwealth and State Funds
in Public Passenger Transport Infrastructure and Services**

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1. West Australian Local Government Association (WALGA)

The West Australian Local Government Association (WALGA) is the voice of Local Government in Western Australia. As the peak industry body WALGA is an independent, membership-based group representing and supporting the work and the interests of 141 Local Governments.

The Association provides an essential voice for almost 1,300 elected members and over 11,000 employees of Western Australia and Christmas Island and Cocos (Keeling) Island Councils. WALGA also provides professional advice and offers services that provide financial benefits to the Local Governments and the communities they serve.

2. Definition - Public Passenger Transport Infrastructure and Services

Public Passenger Transport infrastructure and services is not defined by the Committee. For the purpose of this submission WALGA is defining public passenger transport infrastructure and services to mean vehicles that transport members of the public such as a bus, ferry, taxi, fixed track vehicle such as trains and light rail and aircraft that provide a regular public transport services and the infrastructure required for these vehicles such as roads, including dedicated bus lanes, streetlights, road lights, airports, bus stop infrastructure and fixed tracks.

It is critical to consider public passenger transport infrastructure and services as part of an integrated land use and transport system that creates resilient and vibrant cities and minimises the need for private vehicle car use by supporting population densities to support effective public transport, reducing transport need by providing employment and other services within easy reach and by providing connectivity to public transport such as bicycle and pedestrian paths. Also to consider equity and assess issues in relation to public passenger transport infrastructure and service provision, in particular in rural and regional Australia where population and distance may mean that the market may not deliver services and infrastructure.

3. WA Local Government's involvement in public passenger transport

Local Government generally does not have responsibility for the direct provision of public transport such as trains, buses and taxis. However Local Governments contribute funding and in kind support for the provision of public transport services. Also Local Government plays a critical role in ensuring that public transport is effective and efficient by providing connectivity to services such as footpaths and cycle paths. The decisions made by Local Governments through integrated land use and transport planning of infrastructure and services can influence passenger transport modal choice through supply and demand side management such as local car parking policies.

The following outline the public passenger transport and service areas in which Local Government is involved:

3.1. Providing and maintaining public transport Infrastructure

- Manages local roads that are used by buses and taxis
- Provision of dedicated bus laneways on local roads
- Provision of non core, discretionary bus stop infrastructure such as shelters, bins and seats (in WA the State Government is responsible for the provision of bus stop infrastructure)
- Provision of road and street lighting
- Provision of airport infrastructure

3.2. Provision of transport services

- Subsidising public passenger transport services
- Joint provision of public passenger services with State Government
- Travel demand management programmes such as Travelsmart

3.3. Planning and provision of for integrated land and transport options

- Integrated land use and transport planning – ensuring sufficient population densities to support effective public transport and reduction of transport need by providing employment and other services within easy reach
- Providing connectivity to public transport such as bicycle and pedestrian paths
- Provision of car parking policies for development that support public transport utilisation and demand management

3.4. Provision of community transport infrastructure and services

- Provision of community transport services to supplement inadequate or non existent State Government provided public passenger transport infrastructure and services

4. Current and historical levels of public Investment in private vehicle and public passenger transport services and infrastructure

- In WA there is increasing investment in public passenger transport services and infrastructure by Local Government
- This shift of responsibility from State to Local Government for funding the provision of public transport infrastructure, in particular in rural and regional areas, is shifting resources from core Local Governments service provision and exonerating the State Government from providing mainstream public transport services in these regions.
- Local Governments which are able to generate an income from car parking through parking policies have utilised income to support public passenger transport such as the City of Perth Central Area Transport (CAT) service.
- There is an increased focus in metropolitan Perth on developing integrated transport plans in partnership with the State Government as a blueprint to guide transport

investment across all transport modes – State Government financial and in kind support for this type of initiative, through the Department of Planning and Infrastructure, has declined. Local Government in many cases is taking the lead role in the development and funding of integrated transport plans, such as the Eastern Metropolitan Region of Councils (EMRC) and the City of Stirling

- Historically Local Government has been responsible in WA for the funding and provision of bus stop infrastructure. Legal advice in 2007 clarified that the responsibility for core bus stop infrastructure i.e. hard stand, bus stop, tactile pavers, link to pathways is with the State Government. Local Government can on discretion provide ancillary bus shelter infrastructure such as seats, shelters and bins.
- The Commonwealth, in partnership with State and Local Government in WA provides funding support for regional air service provision; however there is no dedicated Commonwealth fund for airport capital infrastructure
- A positive Commonwealth initiative is the establishment of Infrastructure Australia, which will recommend to the Commonwealth Government infrastructure investment priorities; this can include recommendations for investment in public passenger transport infrastructure
- The Commonwealth has supported Travelsmart Projects through the Greenhouse Gas Abatement programme. Travelsmart aims to reduce car use by direct approach to targeted households, such as providing information about public transport services.

4.1 Local Government's role in public passenger transport services and infrastructure

4.1.1 Rural and regional Local Governments

In lieu of public transport infrastructure and service provision by the State Government to rural and regional communities a number of WA Local Government provide a community transport option. Often this is undertaken in partnership with State Government and local business. For the majority of remote Aboriginal communities within rural and regional Western Australia there is generally no access to a public transport service.

Regional Case study – Shire of Roebourne

The North West of Western Australia is characterised by isolated regional communities. Information provided to WALGA by the Shire of Roebourne indicates that in lieu of the provision of State Government public transport Local Government is providing community transport.

- The Shire of Roebourne is 1550km from Perth, population of approximately 16,000 people
- It comprises of 5 distinct towns Karratha, Dampier, Roebourne, Wickham and Point Sampson and a number of mining camps and Aboriginal communities within a 20-60km radius
- 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
- The community bus service was established with the financial support of Public Transport Authority, the North West Shelf Venture, Rio Tinto and the Shire of Roebourne
- Saturday bus is funded by PTA.
- Sunday bus is jointly funded by Shire of Roebourne, Rio Tinto and PTA
- A pilot project Tuesday and Thursday is jointly funded by Shire of Roebourne, Rio Tinto, North West Shelf Venture 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 bus runs Saturday and Sunday there is also a trial project operating on Thursday and Friday
- The general feeling is that PTA should fund public transport.

The community impact of the lack of public transport is:

- In extreme heat of summer, it is impractical to walk/ride making public transport a necessity for those without personal vehicles.
- Older people and people with disability need to travel to centralised medical and banking services in Karratha but have to rely on taxis.
- Many residents from low socio economic backgrounds cannot afford personal vehicles and the cost of taxi fares is prohibitive. Research indicates 40% of residents within the Shire of Roebourne population earn below basic wage.
- Youth depend on parents for transport but because of long shifts, most parents are fatigued and unable to support young people move from place to place
- There are job opportunities for young people but to be able to travel to work and back home, they need transport of some sort. If both parents are employed, getting to and from work without public transport options can be difficult.

4.2 Metropolitan Local Governments

4.2.1 Case Study City of Fremantle

The City of Fremantle is a metropolitan Local Government approximately 20km from Perth. Over the last fifteen years the City has initiated or participated in a number of programmes. As of 2007, the City contributes approximately \$640,000 pa to the operation of local public transport services.

Free Transit Zone

- The City introduced a Free Transit Zone in 1996 in partnership with Transperth.
- The City was required to pay an annual fee to Transperth, which equated to the estimated loss of public transport fare revenue.
- The Free Transit Zone initiative stopped in January 1998 after Transperth informed the City that it was not prepared to continue the scheme as the foregone revenue was too high relative to its success in achieving a modal shift of car users to public transport.

Fremantle Central Area Transport (CAT) Service

- A three year funding agreement for a free CAT service was agreed with the State government with each party funding 50% of the costs
- The City's funding allocation for the CAT service was hypothecated from two sources:
 - In 1996, parking fees were increased across the board specifically to generate the additional revenue needed to fund the Free Transit Zone.
 - Similarly, in May 2000, the City introduced on-street parking charges on Sundays, which generated an additional to establish and fund the operation of the CAT service.
- Subsequent contract negotiations resulted in the state reducing its contribution to 40%. The additional cost to the City has been funded through general revenue.

4.2.2 Case Study - City of Perth

- The Central Area Transport Service (CATS) is a free bus service that operates around the Central Business District free transit zone.
- The *Perth Parking Management Act* – and Perth Parking Fund/ Perth Parking Policy (Land Use Planning Document) – provides the framework which funds the CATS and Free Transit Zone.

The Perth Parking Management Act (Section 23) requires that:

- A specific Fund be created to receive all revenue raised from Perth parking licence fees
- The accrued funds can only be expended with the approval of the responsible Minister within the Perth Parking Management Area (PPMA) on
 - a) matters that either give effect to the Perth Parking Policy (eg. CAT & Free Transit Zone) or
 - b) for administrative purposes associated with the Act (e.g. DPI administration costs).
- The payments are essentially to the PTA to cover the full cost of delivery of the CAT and FTZ plus DPI's cost of running the licensing system and related Perth Parking Policy

Examples what this money has been put to are:

- CAT operational costs
 - recoup to the PTA a sum to cover the revenue forgone from the provision of free public transport services within the PPMA
 - Meet unexpected cost impacting CAT operations
 - Fund the acquisition of extra CAT buses to meet increased demand on existing routes
 - Fund totally new services (the Yellow CAT), service level improvements such as increased frequency on all three routes or route extensions (Yellow CAT to Princess Margaret Hospital)
- Section 23 is sufficiently flexible to allow, if the responsible Minister was inclined, the Fund to be draw upon to support other initiatives that the Minister considers gives effect to the Perth Parking Policy e.g. a light rail system for central Perth.

- The Fund cannot operate with a deficit. If there were a cash flow issue the City would have to negotiate revised payments schedule to the PTA.
- For several years the revenue stream from parking licences has been at a level that has exceeded the annual cost of the CAT, and FTZ recoup transfer and DPI's administration costs.
- By early 2006 a substantial amount accrued in the Fund. In early 2006 the Expenditure Review Committee allowed DPI and PTA to undertake a CAT renewal project – 23 new buses, a city depot and new bus stops around Central Perth.

4.2.3 Case Study - City of Subiaco

The 97 Bus route is jointly funded by the Public Transport Authority, University of Western Australia, the Queen Elizabeth II Medial Centre and the City of Subiaco. This route is designed to integrate with train timetables and provide easy public transport access to the shopping and entertainment areas of Subiaco and Nedlands, the medical centre and the university.

4.3 Creation of Resilient Cities through Integrated land use and Public Transport Planning

Professor Peter Newman, Timothy Beatley, Heather Boyer in their recent book *Reliant Cities, Responding to Peak Oil and Climate Change* (Island Press 2009) highlighted the critical importance of creating resilient cities that provide greater overall physical and emotional health through the ease of movement from high density, mixed use communities that are walkable and have accessible transit options. The authors articulate how this will allow cities to respond to the global issues of peak oil and climate change. The authors cite the development of Transport Orientated Development (TOD), Pedestrian Orientated Development (POD) and Green Orientated Development (GOD) as critical, along with the development of associated electric transit systems. This type of transformative change is critical to shift from car dependency to public passenger transport.

Integration of land use and transport planning is critical to deliver viable public passenger transport solutions. Local and State Government in Western Australia both have roles in the land use planning and approval system. Also both spheres of government are road network managers. To ensure efficiencies of transport mode it is critical that public passenger transport is integrated as part of a holistic, integrated land use and transport system.

State Government funding, co-ordination and support for Local Government to develop integrated transport strategies has fallen in recent years. A number of Local Governments are taking the initiative and leading discussion within their municipality on integrated transport strategies. However there is a need for overarching dialogue with the State and a State plan into which Local Government initiatives sit. It takes collaboration between Local Government and State Government bodies to provide for a better transport system, for the community to respond favorably to sustainable transport modes and to develop a fully integrated approach to transport planning. Recent advice

from State Government is that may develop a metropolitan public transport strategy – which is critical as a blueprint to guide infrastructure investment by Government across all transport modes and to ensure connectivity with pedestrian and cycle way infrastructure.

4.3.1 Case Study - City of Stirling Integrated Transport Strategy

- The Strategy completed in February 2009 develops the long-term vision that *'it is intended by 2025, the City of Stirling will form part of an integrated transport network that provides all community members with a choice of accessible, resource efficient methods to connect their home, work and leisure activities'*.
- The Strategy investigates the introduction of a number of Light-Rail Transit (LRT) routes; the introduction of a new Heavy Rail Circle Route; the introduction of high frequency and direct bus services to connect existing centres.
- Key issues to be addressed include high levels of car dependence; local and global environmental, economic and social costs including climate change and peak oil and lacking/ inconsistent State and Federal Government support for the City's transport initiatives.

4.3.2 Case Study - Eastern Metropolitan Regional Council (EMRC) Integrated Transport Strategy for Perth's Eastern Region

- The six Local Governments in the Eastern region of the Perth Metropolitan area have developed an integrated transport strategy that provides a coherent framework for the development and management of the regions' transport system
- The Strategy considered the regions' land transport systems in terms of existing and future trends and developments in its own right and in the context of the Perth metropolitan region with respect to safety, social equity, economic efficiency, environmental responsibility, effectiveness in meeting community aspirations and needs and flexibility to address changing needs and circumstances
- Five broad areas have been identified: Land use and activity planning; transport infrastructure; transport services; travel demand management; and integration
- Travel demand management initiatives were identified as being just as critical to the delivery of the strategy
- Transport of national significance, such as the Perth Airport and surrounding road links, need be undertaken in a National and State context.

4.4. Funding of Rural and Regional Airport Services and Infrastructure

Given the geographic size of Western Australia and the lack of a public transport service between the communities, apart from vehicles and private buses, air travel for many communities is the only other form of intra State public transport. A number of features of the structure of air services in WA provide a substantial challenge for the provision of efficient and profitable airline services. These include:

1. The long average route lengths;
2. The decline in routes served exclusively by domestic airlines over the past decade (i.e. the transfer of routes from domestic carriers to regional airlines); and
3. The large number of routes with limited passenger numbers.¹

In particular, the dispersed nature of demand for aviation services in regional WA, and the nature of the communities underlying them, and their variable economic progress provides a challenge to deliver services to regional WA.

Aviation has to meet quite different needs and provide significantly different services to communities and community related business and government activities, to the mining sector, and to tourism. An ongoing challenge to the development of a policy framework is the support of a system, and services, that can accommodate these needs and build on separate sources of demand to achieve economically sustainable services.

Local Governments in Western Australia are a significant partner in the provision of regional air services. Local Government airports that receive Regular Public Transport (RPT) Services are:

Carnarvon	Derby	Esperance	Albany
Fitzroy Crossing	Geraldton	Halls Creek	Kalbarri
Kalgoorlie	Karratha	Kununurra	Laverton
Leonora	Meekatharra	Mount Magnet	Newman
Port Hedland	Ravensthorpe	Wiluna	

The Australian Government has a suite of specific schemes accessed by Local Governments for airport infrastructure including:

- Remote Air Services Subsidy Scheme (RASS);
- Remote Aerodrome Inspection Service (RAIS);
- Remote Aerodrome Safety Programme;
- Enroute Charges Rebate Scheme: and
- Enhancing Aviation Security Package: a raft of grants including the Regional Airports Funding Programme

These schemes are welcome and need to continue. However the Commonwealth does not have a direct role in funding airport infrastructure or ongoing maintenance and capital upgrades at regional airports.

The WA State Government since 1994 has contributed to the development of regional airports through the Regional Airports Development Scheme (RADS). A 2005 audit of the State Government Regional Airports Development Scheme (RADS) funding requests outstrip supply. It revealed that the total airport infrastructure demand for three years commencing 2005/06 inclusive totalled \$20M. In addition, a Department of Planning and Infrastructure Study undertaken in 2006 into the cost of airside maintenance over a 10

¹ http://www.dpi.wa.gov.au/mediaFiles/aviation_intraservrevtechrpt200211.pdf.

year period to 2016 was estimated at 8M. This survey did not include all airports in WA, which suggest the figure would be higher.²

5. Assessment of the benefits of public passenger transport, including integration with bicycle and pedestrian initiatives

5.1 Road Safety Benefits

Towards Zero the WA State Road Safety Strategy 2008-2020 (August 2008) is based on the Safe System approach; the 4 cornerstones of safe road use, safe roads and roadsides, safe speeds and safe vehicles. Creating a safe system is based on understanding and implement five guiding principles. The fifth Safe System Guiding Principle is; *Increased use of public transport: Buses and trains are safer modes of travel than cars and motorcycles. The fewer people driving cars and riding motorbikes and scooters on the roads, the fewer death and serious injury crashes will occur.*

5.2 Environment and climate change

Transport is estimated to produce about 14% of total green house gas emission in Australia. About two thirds of those emissions come from passenger vehicles. A shift of passengers to public transport, which is less energy intensive, has the potential to reduce greenhouse gas emissions and reduce congestion of the road system. Care must be taken in assessing the Green House Gas reductions as the electric power for public transport in Australia is largely sourced from coal and oil fired power stations.

5.3 Oil vulnerability

The world is peaking in oil production. There is a need to support the creation of alternate, clean energy sources to reduce Australia's vulnerability to oil scarcity,

5.4 Equity and access

Public transport provides physical accessibility for those who do not have private motor vehicles or those who cannot drive, such as children and youth, the elderly and people with a disability. Highly car dependent areas most vulnerable to increases in oil prices, disadvantaging those who do not have the access to of choice of using public passenger transport.

5.5 Economic efficiency

In 2007 the Bureau of Transport and Regional Economics (BTRE, now BITRE) estimated the social costs of congestion in 2005 for Australia were approximately \$9.4

² *Regional Aviation Issues*, Paper for Consideration by the Standing Committee of Transport and the Australian Transport Council, 2006, p 15

billion. The congestion costs calculated by BTRE referred to above will only get worse with the expected more than doubling of the freight task by 2020.

Traffic congestion severely restricts traffic flow and adds to the overall transport costs. The transfer of goods from source to destination involves a complex chain of physical movements and any unforeseen delays in this carefully timed process, such as a build up of road traffic or reduced rail/road travelling speeds due to failing infrastructure, can add significant costs to the entire supply chain.

Increasing the use of public transport will free up space on the existing road system and balance the demand for increasing investment in road infrastructure, required to meet an increasing freight task and to renew pavements which may be consumed at a greater rate.

5.6 Integration with cycling and pedestrian initiatives

Active transport modes, such as cycling and walking, are the most environmentally sustainable forms of transport as well as providing significant health benefits. For people with full mobility that have a short to medium travel distance, cycling and walking are also the most cost-effective transport options.

An estimated one third of day to day car trips are three kilometers or less in length. This suggests that there is considerable scope for a greater reliance on cycling and walking for local trips to meet local needs. The gains, in terms of reduced emissions would be significant, given that cold engine starts account for a large proportion of noxious emissions.

The health cost of air quality is estimated at between \$3 -5.3 billion every year. With rising levels of obesity among all age groups, the promotion of active transport has important health benefits.

6. Measures by which the Commonwealth Government could facilitate improvement in public passenger transport services and infrastructure

The following point are put forward as matters for Commonwealth consideration:

- Recognition that transport planning and infrastructure provision across all public transport modes is a shared responsibility between the three spheres of Government
- Increased levels of direct Commonwealth investment for public passenger transport infrastructure
- Increased levels of direct Commonwealth funding for regional airport infrastructure
- The integration of public passenger transport with bicycle and pedestrian initiatives as a critical part of delivering a public passenger transport system
- Ensure that public passenger transport is considered as part of an integrated transport system which addressed all elements of the transport task including travel demand, land use planning and road use.

- Greater engagement in urban policy settings that deliver affordable housing and urban renewal and less reliance of private car travel
- Development of an integrated transport policy response based on greenhouse gas emission reduction, response to peak oil a reduction in urban congestion.
- Ensure a shift to renewable energy sources for public passenger transport
- Removal of tax incentives that provide perverse incentives for private vehicle car use
- Road pricing reform
- investment allowance or favourable depreciation regimes to encourage upgrading of the public transport fleet

The above recommendations are in line with the Australia's Transport Ministers transport policy objectives:

- Economic - To promote the efficient movement of people and goods in order to support sustainable economic development and prosperity.
- Safety - To provide a safe transport system that meets Australia's mobility, social and economic objectives with maximum safety for its user.
- Social - To promote social inclusion by connecting remote and disadvantaged communities and increasing accessibility to the transport network for all Australians.
- Environmental - Protect our environment and improve health by building and investing transport systems that minimize emissions and consumption of resources and energy.
- Integration - Promote effective and efficient integration and linkage of Australia's transport system with urban and regional planning at every level of government and with international transport systems.
- Transparency - Transparency in funding and charging to provide equitable access to the transport system, through clearly identified means where full cost recovery is not applied.³

6.1 Commonwealth Transport Nation Building Programme (Auslink 2)

Commonwealth has a strong interest in transport planning and investment through Auslink 2. The Department of Infrastructure, Transport, Regional Development and Local Government is delivering this investment through a range of road and rail programs and projects across the National Land Transport Network. The network is based on national and inter-regional land transport corridors that are of critical importance to national and regional growth.

The Commonwealth could consider the extension of Federal investment into public passenger infrastructure beyond the Auslink network. The majority of Australian Government investment in rail is via the Australian Rail Track Corporation Ltd on rail infrastructure improvements on the National Land Transport Network and the interstate rail network.

Local government has consistently argued for the need for direct Federal funding of public transport infrastructure on the basis that the Commonwealth collects more than

³ <http://www.ntc.gov.au/viewpage.aspx?AreaId=34&DocumentId=1750>.

80% of all taxes in Australia and the efficient operation of our cities impacts directly on the national economy.

New federal funding could be directed towards capital upgrading and extension into the poorly served areas of the major cities as part of a national approach. This is consistent with the Infrastructure Australia preliminary report on infrastructure needs. This would address Commonwealth priorities such as reducing urban congestion to lead to greater transport efficiencies and reduction in greenhouse gas emissions.

Roads to Recovery

The Federal Government's Roads to Recovery Program provides funding direct to Councils for the construction and maintenance of roads. Funding is tightly controlled and restricted to roads and road-related infrastructure. Roads to Recovery funding is critical to Local Government. In the last Budget the Government announced that the program would be extended for five years to 2014 at an increased rate of \$350 million per annum

While local government is pleased with the increased funding and the extension of the Program it has been advocating an easing in the rigorous requirements of the Roads to Recovery Program. Local government has been seeking the option to use Roads to Recovery funding for transport infrastructure more generally including the provision of facilities to support major public transport infrastructure.

There is the option in the next Roads to Recovery Program to give consideration to relaxing the definitions to give councils the option of funding "other transport infrastructure" besides roads. This would give councils the freedom to fund such things as interchanges and parking facilities at rail stations and bike racks at interchanges or shopping centres.

WALGA would like to point out that there is a critical need to maintain and increase Commonwealth funding for local roads. There are significant financial pressures on Local Government, in particular rural and regional Councils in maintaining and renewing the local road network. Local Government responsible for 125,605km of local roads in WA: 28% of these roads are sealed. The estimated cost of maintaining WA's road network at its current condition in 2006/07 was \$426 million, however Local Governments were able to spend only \$313.4M for maintenance and capital renewal (excluding flood damage) – a shortfall of \$112.6M in 2006/07. A contributing factor is that road funding has not kept pace with inflation – total road funding increased by 17.3% between 2002/03 and 2006/07 while the cost of maintain and constructing roads in WA increased by 22.6%. State-wide Local Government provided 50% of its total road expenditure from its own source resources – equivalent to 21% of its revenue capacity.

6.2 Commonwealth Funding of Cycling and Walking Infrastructure

The provision of walking and cycling infrastructure is generally the responsibility of local government. Local governments especially in outer metropolitan areas and regional locations experiencing rapid population growth, face a difficult task in providing the facilities expected and required by local communities.

Local government welcomed the Government's decision to include \$40 million for bicycle paths in the Fiscal Stimulus Package. Local Government would welcome an ongoing program specifically focused at the provision of walking and cycling facilities which support critical linkages to public passenger transport.

6.3 Commonwealth Funding of Regional Airport Infrastructure

Air services to many communities provide a vital public transport link. The Commonwealth could establish a new Airport Infrastructure Fund to assist rural, regional and remote communities to establish, upgrade and maintain their airport infrastructure to support and enable Regular Passenger Transport services.

6.4 Fringe Benefits Tax on motor vehicles

The Fringe Benefits Tax provides significant incentives for people on higher income to use cars instead of public transport. It also encourages unnecessary vehicle usage to meet the distance requirements of the tax provisions.

Local government recognizes that there are good reasons for the Fringe Benefits Tax especially for people in rural and regional areas. However in urban areas the tax can lead to perverse outcomes for the economy and the environment. Local government would see benefit in a greater targeting of these tax provisions to minimize the incentive for car use in urban areas.

Due to the public good element of public transport, consideration given to investment allowance or favourable depreciation regimes to encourage upgrading of the public transport fleet

6.5 Travel demand management programmes.

The Commonwealth has supported Travelsmart Projects through the Greenhouse Gas Abatement programme. Travelsmart aims to reduce car use by direct approach to targeted households, such as providing information about public transport services. Ongoing Commonwealth support for travel demand programmes would be welcome.

6.6 Research into Transport Pricing

Research could be commissioned by the National Transport Commission (NTC) or other appropriate body into the pricing and pricing signals of transport use and how pricing signals encourage modal consumption choice. This research could include investigation of:

- Transparency in transport subsidies, funding and charging and identification of full costs and current cost recovery

- Infrastructure Pricing: Development of appropriate signals to influence supply and demand for infrastructure provision
- The opportunity costs of investment in Government investment in different transport modes
- Charging of externalities
- Mechanisms which will provide the ability for Local Governments to charge for road use, reflecting road use costs
- Investigate the advantages and disadvantages of congestion charges and how revenue could be hypothecated to public transport improvements similar to London
- Investigation into public car parking policies such as the City of Perth and how charges can be utilised for public transport provision
- Public transport development and extension has clear economic benefits for users, land developers, retailers, freight operators, employers as well as the general public. For this reason it is generally accepted that user pay less than 100% of the cost of public transport. Where those other than users are able to internalise the benefits for the provision of public transport, such as developers, consideration should be given to doing so.

6.6.1 Case Study: Impact of the Carbon Pollution Reduction Scheme on road construction and maintenance activities

The Carbon Pollution Reduction Scheme will impact on the cost of road construction and maintenance. Will this increase in cost send appropriate price signals that will impact on transport modal choice? Road construction is carbon intensive, requiring:

- Materials with substantial energy in their manufacture such as cement & steel
- Materials with high levels of intrinsic energy e.g. bitumen
- Energy consuming processes including excavation, road works and materials transport.

About 33% of road expenditure was used to reconstruct an estimated 600 km of roads. Road construction in Australia generates an estimated 750 tonnes CO₂e per kilometre of road (Vic Roads 2007). (US estimates are nearly double this – possibly due to the more extensive use of concrete).

In WA, road reconstruction alone would generate around 590,000 tonnes of CO₂e. If the costs of this are passed through the supply chain at \$20 per tonne CO₂e, this adds \$10 - \$12m to the cost of road reconstruction in WA. Maintenance, upgrade and network expansion activities would add to the total CO₂e generated from the management of road transport infrastructure.

Other indirect impacts include the fact that higher prices for higher grade fuel products encourage oil refineries to increase efficiency, reducing the production of by-products such as asphalt leading to increases in asphalt cost to the road construction industry.

A very rough estimate would suggest that Roads Funding will need to increase 4 – 5% to offset the direct costs of CO₂e at \$20 per tonne while maintaining the purchasing power of government funding to achieve the desired outcomes.

Much of this investment in roads is in rural and remote regions where alternatives such as public transport are unlikely to have a major impact on demand for roads in the medium term. There is an obvious impact of the CPRS on regional equity and encouraging the development of rural and regional communities – in particular where communities are reliant on freight and have no public transport choices – the paper intimates compensation for households – is there specific compensation for the regions?

An additional concern is raised that infrastructure development (i.e. road construction), as a public good (as opposed to a service) cannot have a direct fee or charge levied and therefore has limited means of recouping costs through 'fee for service' mechanisms. As these developments are property based, the only cost recovery mechanism that Local Government is likely to have in this instance is via a property based tax (rates). With these costs added to the rate increases that Local Government is already likely to pass on there is little opportunity to link to the price signals that assumedly underpin these Scheme.