



Submission

To

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

Prepared By:

The Royal Automobile Club of Queensland Limited
Po Box 4
Springwood Qld 4127

Date:

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Authorised:

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RACQ submission to the Senate Committee Inquiry into the Investment of Commonwealth and State Funds in Public Passenger Transport Infrastructure and Services

1. Introduction

The RACQ is pleased to provide a submission to the Senate Committee Inquiry into the investment of Commonwealth and State funds in public passenger transport infrastructure and services.

This submission addresses the role of the Federal Government in urban transport and identifies opportunities for improved outcomes. It considers the total urban transport network and is not limited to public passenger transport infrastructure and services. The RACQ believes there is a need to move beyond the current debate between roads and public transport, toward a long term vision of a sustainable, integrated and resilient transport system that meets all future needs.

The RACQ represents 1.2 million motoring members and seeks to maintain the viability of motor vehicle transport on their behalf. While much of the RACQ's focus is on roads, our policy recognises that growing congestion requires the operation of safe, convenient and reliable walking, cycling and public transport facilities and services. These need to be accessible and attractive to potential users in order to compete effectively with private motor vehicles. This is especially the case for travel along congested corridors and to major Activity Centres, where public transport nodes can offer a reasonable level of service when bus or train frequencies are sufficient.

The economic, social and environmental costs of congestion are well documented and recent assessments expect congestion to increase. To meet this challenge, governments must:

- fund greater investment in the road and rail network;
- integrate land use and transport planning;
- improve traffic management systems;
- implement behaviour change and education programs; and
- change flawed policies such as the motor vehicle fringe benefits tax, which encourages additional travel, and toll roads, which prevent the network from operating efficiently.

Our research shows that private motor vehicles will remain the preferred mode of travel for most trips. This context highlights the need to consider all modes of travel, as well as all costs and benefits when making funding decisions for urban transport infrastructure.

The Federal Government is well placed to improve urban transport outcomes by increasing funding for the best projects and by changing the mix of motoring costs to influence travel choices.

2. Objectives of Urban Transport

Urban areas in Australia and across the world have grown rapidly as cities foster the social and economic exchanges valued by people. Innovation and increasing wealth have remedied the limiting factors such as sanitation and transport infrastructure, allowing ever more people to live healthy and productive lives focussed around a Central Business District (CBD) of increasing regional influence.

Australian cities have evolved around a CBD that includes the central hub of a rail network and arterial road network. The extent of forward planning and investment in both the rail and road networks has been a key component of the growth and amenity of Australian cities. The future capacity and resilience of these networks will likewise determine much of the future of Australian cities and urban settlement patterns.

The role of public passenger services and private motor vehicles has changed considerably over the past 50 years, with a substantial increase in the mode share for private vehicles at the expense of public transport, walking and cycling. Although this has facilitated the large suburban population growth upon which the CBD is dependent, it has also created a range of new challenges.

Further growth of Australian cities will require transport infrastructure upgrades and urban planning policy changes to extend access to the CBD from a broader population base and improve the efficiency of the social and economic exchanges upon which our lifestyles are based.

The urban planning policy changes relate primarily to how best we can provide higher density and quality living and working environments that concentrate people and functions around nodes that can be efficiently linked with the CBD and other nodes.

Transport infrastructure upgrades will need to provide greater capacity linkages between the higher density nodes to allow for increased movement volumes by the most efficient and sustainable mode for each trip.

The objectives for urban transport are to provide the required transport capacity as cost-effectively as possible while minimising associated negative economic, social and environmental impacts.

3. Evaluation of Transport Projects

Transport infrastructure and service projects are generally advanced as a solution to identified problems within a local catchment area or corridor, or as strategic long range investments to serve designated population growth nodes.

Each project option will have a range of construction and maintenance costs and anticipated benefits and negative impacts associated with it.

The negative impacts of transport infrastructure and services include:

- crashes;
- community severance;
- travel time delays;
- increased operating costs;
- reduced amenity of local areas;
- air, noise and water pollution;
- habitat destruction; and
- greenhouse emissions.

Most of the benefits and impacts can be quantified into reasonable estimates for different infrastructure options. They can thus be incorporated with the construction and maintenance costs of specific project options to calculate long range Net Present Values or Benefit Cost Ratios.

The RACQ believes that utilising these techniques would result in project selection that optimises overall social welfare within the limited budgets available. Where specific modal solutions (e.g., busways) are progressed without due consideration of alternative projects, sub-optimal outcomes can be expected.

4. Exploration of Congestion Costs

Traffic congestion and public transport capacity constraints constitute a major portion of the negative transport impacts of a system that either has not kept up with population and economic growth, or has misjudged the travel preferences of the community. As the desire for travel increases with wealth, this is the case in most large cities in developed countries and many growing cities in developing countries.

The avoidable national costs of traffic congestion in Australian capital cities are expected to double by 2020. In Brisbane, where growth will be faster than any other capital city, costs are expected to increase from \$1.2 billion to \$3 billion.¹

Increasing congestion means higher social costs of pollution, delays, trip-time variability, and fuel costs. Increased fuel consumption and air pollution costs represent about 17% of the total external cost of congestion². On-road tests carried out by RACQ show that driving in stop-start congested traffic increases fuel consumption and greenhouse gas emissions by around 30%.³ This confirms BITRE estimates that nearly 40% of the fuel used by road vehicles in Australian cities is the result of interruptions to the traffic flow.⁴

¹ Council of Australian Governments, *Review of Urban Congestion Trends, Impacts and Solutions*, 2006 p5.

² Victoria Transport Policy Institute, *Transportation Cost and Benefit Analysis – Congestion Costs* p5.5-12.

³ RACQ, *The Effects of Traffic Congestion on Fuel Consumption and Vehicle Emissions*, 2008, http://www.racq.com.au/__data/assets/pdf_file/0006/9663/Traffic_Congestion_Fuel_and_Emissions_Test_Fact_Sheet.pdf.

⁴ Bureau of Infrastructure, Transport and Regional Economics, *Urban Congestion – The Implications for Greenhouse Gas Emissions, Information Sheet 16*, <http://www.bitre.gov.au/publications/98/Files/is16.pdf>

It is unlikely that urban transport projects and policies with a focus on specific outcomes, such as climate change, can be successful unless they pay close attention to congestion impacts. For example, initiatives that increase public transport mode share may slightly decrease the amount of motor vehicle travel. If this results in increased congestion compared with alternative proposals, then greenhouse emissions are likely to rise as the increases from congestion will swamp any decreases from mode change.

5. Transport Mode Share

Australia is a car dependant nation and will remain so into the foreseeable future. Car trips make up over 75% of all passenger travel and trends suggest that this will continue.⁵

In the past four years there has been strong patronage growth on public transport in south east Queensland, with bus and rail usage increasing by 41% and 28% respectively due to improved services, higher fuel prices and investment in the network. However, the mode share of public transport remains relatively low. The public transport share of all trips in Brisbane is about 8%, and even under an optimistic growth scenario, this share will only reach 13% by 2026⁶. These numbers support the Council of Australian Governments (COAG) *Review of Urban Congestion* findings that, while public transport enhancements can increase public transport patronage and partially combat worsening congestion, the effects of public transport initiatives alone are generally small. Their impact is greatest when part of an integrated package of pricing and land use policies⁷.

In south-east Queensland, the Brisbane City Council has recognised that traffic will continue to grow, and has responded with major new road projects and strategic intersection and rail level crossing upgrades. Conversely, the Queensland Government has concentrated much of its efforts in the Brisbane region on facilitating bus and toll road infrastructure.

While public transport use in Australian cities is low relative to car use, for particular purposes such as journeying to work in CBD locations, it often provides a viable alternative to the car and can partially alleviate congestion⁸. This warrants continued investment in public transport systems when they have the potential to deliver social and economic benefits.

⁵ Brisbane residents will have 200,000 extra cars by 2026. The number of vehicle trips in Brisbane are expected to increase by 31% with total vehicle travel (vehicle kilometres) also increasing by 31% by 2026. *Brisbane City Council Transport Plan for Brisbane 2008 – 2026*, 2008 p7.

⁶ *Brisbane City Council Transport Plan for Brisbane 2008 – 2026*, 2008 p5 & 10.

⁷ Council of Australian Governments, *Review of Urban Congestion Trends, Impacts and Solutions*, 2006 p10-11.

⁸ Council of Australian Governments, *Review of Urban Congestion Trends, Impacts and Solutions*, 2006 p10.

6. Federal Government Role in Urban Transport Infrastructure

The impacts of congestion and the urbanisation, economic and population growth that fuel it⁹ are not limited to particular levels of government. This means a national response to urban transport is required to support state and local efforts.

The Commonwealth Government does not have constitutional responsibility for roads and has limited liability for urban transport matters. While the Commonwealth Government provides some road revenue to state and local governments under its *AusLink* land transport policy (recently re-badged as the *Building Australia Program*), the cost of managing traffic congestion is largely left to the states and councils. This could be rectified if more of the \$14 billion raised in federal fuel excise each year was returned to fund transport infrastructure.¹⁰

There is a strong case for greater Federal investment in urban transport networks. Besides the obvious argument that the largest single source of transport revenue (fuel excise) goes to the Commonwealth, Australia is a highly urbanised society and around 86 per cent of the population lives in cities or urban centres. One in every eight Australians lives in south-east Queensland.

Recently the Commonwealth has signaled a renewed commitment to helping tackle the growing traffic problems of major cities such as Brisbane. Both the *Major Cities Unit* and the *Building Australia Fund* are welcome Australian Government initiatives to enable delivery of a range of infrastructure projects that have not been supported through other constrained funding mechanisms such as *AusLink*.

COAG has also recognised traffic congestion as an important national economic policy issue to be addressed. In 2006 COAG members committed to reducing congestion, and to a joint review of the main causes, trends, impacts, and options for managing the impact of the problem in major cities.

This submission argues that the Commonwealth Government should provide more funding for urban transport projects and this funding should be allocated to projects that optimise outcomes. A focus on specific modes or issues would result in sub-optimal outcomes for urban areas.

⁹ Council of Australian Governments, *Review of Urban Congestion Trends, Impacts and Solutions*, 2006 p30.

¹⁰ The Australian Automobile Association estimates that only 10 cents of the existing federal fuel excise of 38.143 cents a litre is returned to roads through Federal Government allocation. The remainder goes to consolidated revenue.

Australian Automobile Association *Reform of Fuel Tax and other Motoring Taxes and Charges: Submission to Henry Review of Taxation*, October 2008 p8.

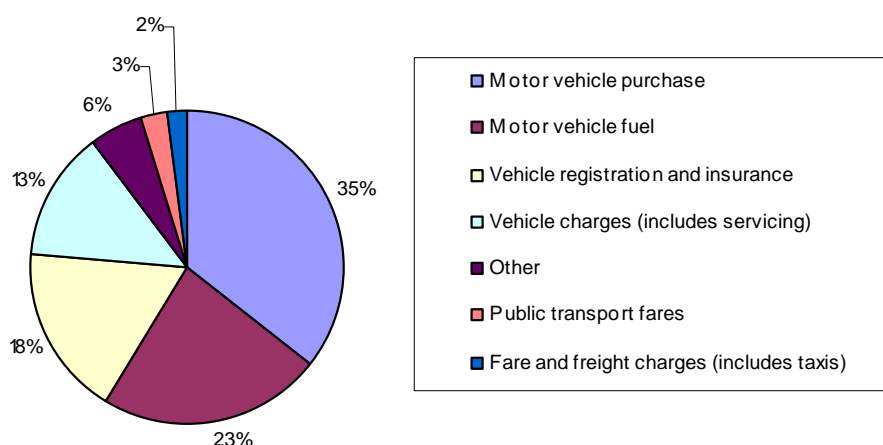
7. Transport Costs

Reform of motoring taxation can have a significant economic impact. After ‘food and non-alcoholic beverage’ and ‘housing’ costs, transport is the third largest expenditure item for households, representing 16 percent of household costs.¹¹ This provides significant impetus for government reform of taxation in the transport sector and conversion of inefficient taxes into schemes that support congestion reduction and improve efficiency and equity.

Figure 1 below shows that the dominant transport cost for households is the vehicle purchase cost at 35 percent, followed by fuel at 23 percent and registration and insurance costs at 18 percent. Public Transport fares account for 3% of weekly household expenditure on transport costs. This small percentage is a function of relatively low public transport usage and partially subsidised fares.

Figure 1

Average Weekly Household Expenditure on Transport Costs 2003-04



Source: ABS 4102.0 – Australian Social Trends, 2006.

Public transport operating subsidies in south east Queensland are estimated at \$700 million each year, which equates to financial assistance of 31 cents per passenger kilometre for urban passenger trains and 12 cents per passenger kilometre for metropolitan buses.¹² These public transport subsidies are costly and, as the COAG

¹¹ Average weekly expenditure in excess of \$140: ABS, 2006, Cat. No. 6530.0 *Household Expenditure Survey*, Summary of Results; ABS, 2006, 4102.0 – Australian Social Trends.
[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/1A28BB4F3EB7A839CA257115007701F8/\\$File/65300_australia_data_2003-04rev.xls](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/1A28BB4F3EB7A839CA257115007701F8/$File/65300_australia_data_2003-04rev.xls)

¹² Queensland, *Ministerial Portfolio Statement: Department of Transport*, 2007-08 Queensland State Budget, May 2006, p 1-36;
 Queensland, *Service Delivery Statements: Department of Transport*, 2008-09 Queensland State Budget, May 2006, p 3-205.

Review of Urban Congestion noted, not necessarily effective at combating congestion.¹³ The level of operating subsidies are dependent on the detailed design of the public transport services and land use decisions and, therefore, should remain the responsibility of state and local government.

Public transport subsidies are in stark contrast to the costs imposed on motorists. Motorists incur a number of taxes and charges that raise more than \$21 billion each year,¹⁴ including:

- fuel excise;
- import tariffs;
- GST;
- vehicle stamp duty;
- registration;
- licence fees
- tolls; and
- parking charges.

At present we have a system where the 38 cents a litre fuel excise raises around \$14 billion from motorists each year and less than a third of this is returned to fund road infrastructure.¹⁵ The Federal Government should utilise more of this revenue to fund urban transport infrastructure and to replace less efficient State Government charges.

Transport taxation reform should also be seen as an opportunity to address Fringe Benefits Tax (FBT) on motor vehicles and convert some fixed motoring taxes to variable, distance-based charges. This would promote more efficient use of the road network and reduce the vehicle kilometres driven.

The statutory formula used to levy FBT on vehicles is on a sliding scale, which decreases as the distances travelled increase, as shown below:

Total annual kilometres	Statutory percentage
Less than 15,000	26%
15,000 to 24,999	20%
25,000 to 40,000	11%
More than 40,000	7%

¹³ Council of Australian Governments, *Review of Urban Congestion Trends, Impacts and Solutions*, 2006 p10.

¹⁴ Australian Treasury, *Architecture of Australia's tax and transfer system*, 2008 p12 & 287; www.taxreview.treasury.gov.au/content/downloads/report/Architecture_of_Australias_Tax_and_Transfer_System_Revised.pdf.

ABS, 2006, Cat. No. 6530.0 *Household Expenditure Survey, Summary of Results*; ABS, 2006, 4102.0 – Australian Social Trends.

¹⁵ In 2007-08, revenue collected by the Federal Government from fuel excise is estimated to be \$14.42 billion – yet expenditure on roads is estimated to be \$3.41 billion. This expenditure is equivalent to revenue from only 9.02 cents per litre (cpl) of the 38.143cpl petroleum products excise (Australian Automobile Association, *On the Road to Greener Motoring – Fuel Tax Reform*), 2008.

This tax formula provides a direct incentive for additional travel that costs the Federal Government \$1.5 billion annually in tax concessions.¹⁶ The RACQ supports a single fixed statutory percentage to replace the existing arrangements and improve congestion outcomes.

State Government stamp duty and registration charges are fixed costs of automobile ownership that are not dependent on how much the vehicle is used. The RACQ supports the reduction of these fixed costs and believes the Federal Government could facilitate this by returning more fuel excise revenue to the states.

8. The Impact of Toll Roads on Congestion

A major impact of the lack of Federal funding for urban transport infrastructure has been the gradual introduction of toll roads into the faster growing capital cities. The RACQ believes that tolling new roads is not the most effective way to deliver optimal transport outcomes for the community.

The RACQ has strong concerns over the inefficiency of placing tolls on our newest and best urban roads and thereby diverting potential users back onto the surrounding road network. By discouraging the use of new, high quality infrastructure, tolls act to increase congestion on alternative routes. This increases fuel consumption and greenhouse emissions as price-sensitive drivers detour on to less suitable roads in the network. In Melbourne, traffic on the Eastlink Motorway fell by 50 percent when tolls were imposed after the first month of free travel.¹⁷ Similar dramatic reductions in traffic occurred on the Sydney toll roads when tolls were imposed or increased.¹⁸ This is clear evidence that many urban toll roads are not effective in reducing congestion compared with the provision of free roads supported through other revenue streams.

The objective of tolls is to provide a financial return to an infrastructure owner. The extent of financial return is dependent on how many drivers utilise the asset, and this is based largely on the level of service of alternative routes. The asset owner therefore has a strong incentive to ensure other routes remain congested. Because toll roads prioritise financial returns over economic performance, they reduce overall benefits to society.

Toll roads are a major and long-term barrier to reducing congestion as the operating contracts often lock in policy positions. These prevent future governments from implementing road upgrades or public transport improvements on alternative corridors, as this may reduce traffic levels on the tolled facility. Regrettably, toll roads are the primary method the Queensland Government has chosen to finance large urban road projects in south-east Queensland in recent years due to the lack of Federal Government funding.

¹⁶ Sydney Morning Herald; 30 January 2008, <http://www.smh.com.au/news/environment/abolish-company-car-subsidy-say-greens/2008/01/29/1201369135260.html>.

¹⁷ The Australian Financial Review, *Toll roads pay the way*, 11 August 2008, p7.

¹⁸ Phillips, G., *Analysis of Sydney Public-Private Partnership Road Tunnels*, Paper for ASOR National conference 3-5 December 2007.

9. Congestion Pricing to Support Public Transport and Reduce Urban Congestion

Unlike toll roads, congestion or cordon charging has been shown to effectively reduce congestion in inner city areas. This pricing system can focus variable charges where congestion is worst and encourage the efficient use of existing road capacity. The RACQ supports the consideration of inner city congestion charging as a more equitable alternative to toll roads. Such a scheme should include bypass opportunities and public transport improvements to ensure that consumers have reasonable alternatives to paying the charge.

The COAG *Review of Urban Congestion* observed that direct pricing measures focused primarily on congestion reduction “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).”¹⁹ The *Review* explained that such pricing would reduce congestion by redistributing demand between travel times, routes, and modes.

Congestion pricing and the provision of road and public transport infrastructure are effective complementary measures to reduce congestion. Congestion charges trigger a cycle of higher public transport use and demand for better services, greater coverage and improved economic performance of public transport. The revenue from congestion pricing can in turn be used to meet this demand and fund more transport infrastructure.

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.

The appointment of Sir Rod Eddington as chairman of the recently formed Infrastructure Australia is a positive sign. His recent report to the Victorian Government on Melbourne transport found that congestion charging could deliver significant benefits when combined with other measures, including sufficient public transport alternatives.²⁰ According to Sir Rod, the issue for Melbourne was “not if, but when, congestion charging should be introduced.”²¹

Inner city congestion or cordon charging could provide the revenue stream needed to avoid the imposition of tolls on future infrastructure projects.

10. Best Practice Queensland Example

The Queensland Government initiated the Western Brisbane Transport Network Investigation (WBTNI) to explore the need and opportunities for a western road bypass and respond to on-going transport problems in the western section of Brisbane.

¹⁹ Council of Australian Governments, *Review of Urban Congestion Trends, Impacts and Solutions*, 2006 p12.

²⁰ Sir Rod Eddington (2008) *East West Link Needs Assessment, Victoria – A Study by Sir Rod Eddington*, p104.

²¹ Australian (3 April 2008) p5.

This three-year investigation is broad ranging, multi-modal and involves several community consultation stages to identify potential short, medium and long term options. A report was released in mid-2008 to facilitate public consideration of numerous transport solutions. The quality and broad scope of information presented to the community allowed for informed discussion and understanding of both short and long-term implications and how this would impact different stakeholder groups.

The RACQ made a submission to the WBTNI and is keenly anticipating the next stage of the process, when the Queensland Government releases its response to initial findings. This process has shown how long-range planning can effectively engage the community and develop greater understanding and support for outcomes.

Unfortunately, given the absence of Federal Government involvement in the process, the Queensland Government may shy away from delivering. A more engaged Federal Government would address this by providing reassurance and confidence that broad-ranging solutions with regional implications could be considered for future implementation.

The RACQ submission to Infrastructure Australia is attached. This includes a brief description of the North West Motorway and Brisbane Rail Upgrade, both projects identified through the WBTNI process. The RACQ believes these major road and rail links are ideal for Federal Government involvement as they join the existing national networks and provide a long term transport solution for the broad region.

11. Best Practice International Examples

In recent years a number of cities have implemented various forms of congestion pricing, including London, Singapore and Stockholm. Traffic volumes, travel times and carbon emissions have been reduced and replaced by increased walking, cycling and public transport usage within the charging zones.

The London congestion charging scheme has shown that when congestion charges are introduced the benefits are widespread and significant for the entire transport network. The outcomes from congestion pricing in London include:²²

- 12% reduction in total vehicle kilometres
- 21% reduction in traffic entering the congestion zone
- 26% average reduction in congestion levels
- 28% reduction in crashes
- 16% reduction in vehicle CO₂ emissions
- 43% increase in the number of cyclists within the charging zone
- 45% increase in bus usage
- 10-15% increase in moped and motorcycle travel.

²² *Transport for London* <http://www.tfl.gov.uk>;

Reuters, *London, Paris Edge Out Guatemala City, Guatemala; Eugene, Oregon; and Pereira, Colombia...*
<http://www.reuters.com/article/pressRelease/idUS150873+14-Jan-2008+PRN20080114>

The London congestion charge is considered part of a wider, comprehensive transport strategy and all monies raised from the charge are spent on improving public transport and walking and cycling facilities. In the 2006/2007 financial year this provided additional transport funding of £123 million.²³

Similar outcomes have been documented for Singapore and Stockholm, where congestion charging has seen better use of the road system and triggered a cycle of greater demand for better public transport, cycling and pedestrian services, which are then largely funded by the congestion charging revenue.

Inner city congestion or cordon charges demonstrate potential best practice initiatives that provide a revenue stream for further transport improvements while enhancing public transport and reducing congestion.

12. Conclusion

The future of the major urban centres of Australia will, to a large extent, determine the future prosperity of our nation. The Federal Government can do more to improve urban outcomes by funding significant transport capacity enhancements that maximise economic, social and environmental benefits.

The RACQ welcomes Federal Government consideration of meaningful initiatives to improve urban transport outcomes. These should be supported by Federal policy and taxation reform in the transport sector to revitalise Australian cities.

The RACQ believes there is a need to move beyond the current debate between roads and public transport, toward a long-term vision of a sustainable, integrated and resilient transport system that meets all future needs. While a sustainable system will include encouragement of public transport, walking and cycling, private motor vehicles will remain the dominant mode for many years to come. Within this context, the Federal Government should maintain a focus on maximising social welfare by ensuring that project selection criteria incorporates congestion and other costs and benefits.

The RACQ supports more Federal Government involvement in long range urban transport planning. The North West Motorway and Brisbane Rail Upgrade, as outlined in the attached Infrastructure Australia submission, would be ideal projects for Federal Government funding.

The RACQ supports the consideration of inner city congestion charging as a more equitable alternative to toll roads and believes it could provide an effective revenue stream for improved public transport and non-tolled bypass roads.

²³ *Transport for London* <http://www.tfl.gov.uk>;
Reuters, London, Paris Edge Out Guatemala City, Guatemala; Eugene, Oregon; and Pereira, Colombia...
<http://www.reuters.com/article/pressRelease/idUS150873+14-Jan-2008+PRN20080114>