

ROAD ACCESS PRICING

Organisation: Transport Reform Network
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Position: Policy Director
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SUBMISSION TO NSW PARLIAMENTARY INQUIRY ON ROAD ACCESS PRICING

March 2013

About the Transport Reform Network

The Transport Reform Network (TRN) is a partnership of organisations and individuals that first came together in 2011 to discuss the state of transport funding and financing in Australia.

In broad terms, the TRN's mission is to seek a better way of planning, managing, funding and financing land transport in Australia to ensure it delivers optimum and sustainable economic, social and environmental outcomes for all Australians.

The current state of play is characterised by:

- the **inability of government to fund essential new land transport** infrastructure, coupled with the scarcity of private financing options
- the **unfunded backlog of critical maintenance** and renewal work in our existing transport infrastructure networks
- **a lack of long-term planning**, which in turn impacts on funding and delivery of transport infrastructure
- confusing and **inequitable pricing signals** across different networks and modes
- divided and, at times, **illogical levels of responsibility and decision-making** across government
- a continuing **disconnect between land-use planning and transport infrastructure delivery**
- the **growing cost and impact of urban congestion** (in terms of productivity, health, lifestyle)
- **poor environmental outcomes**,
- the impact of under-investment in infrastructure on **transport safety outcomes** and
- an **inability to meet the growing freight task** across Australia.

The TRN believes these problems will not be resolved by fiddling about the edges. Rather, the existing model needs to be dissected, each element examined under the microscope, and from this starting point a new model built that better serves the national interest as we move through the 21st century.

Get onboard.

TRN is an industry policy group managed under the auspices of Roads Australia – ACN 004 302 836 ABN 34 834 376 172

TRN Secretariat: Level 2, 437 St Kilda Road Melbourne VIC 3004

Telephone: (03) 9821 5255 **Fax:** (03) 9866 4577

Web: www.transportreform.org

To that end, the TRN's specific objectives over the short, medium and long term are to:

- seek a total inter-governmental review of transport funding and pricing arrangements in Australia
- provide a framework for governments to engage with key stakeholders in this review, and the development of alternative models
- elevate the public debate about how we fund and pay for transport and the use of transport infrastructure (bring the community with us), and
- work with all stakeholders to achieve the goal of a transparent, fair, efficient, integrated network for all modes: public transport, roads, rail, freight, cycling and pedestrian.

A list of TRN members is attached to this submission and TRN Chairman, Dennis Cliche, would be pleased to appear before the Inquiry to discuss any of the areas raised in this submission.

Contact Details

Donna Findlay, Policy Director, Transport Reform Network

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Introduction

The price we 'pay' to access transport infrastructure and services has evolved haphazardly over a long period of time. The current system is broken.

To a large degree it's a legacy of the complicated layering of government responsibilities. Revenues, expenditures and pricing are the shared responsibility of a variety of agencies at national, state and local government levels.

The end result is that there is little consistency and transparency in transport pricing across Australia today.

This, in turn, has created a competitive tension between different modes – an 'us and them' mentality – about how much each should fairly pay. There is a strong sense among all players that change can only be made at the expense or advantage of one mode over the other.

This works against any change at all, and fails to recognise that we can all be winners from a more holistic approach to transport pricing.

For example, pricing signals that encourage greater use of public transport ultimately benefit all of us because they stimulate the system as a whole to operate more efficiently. Individual motorists benefit from less congested roads and public transport services improve from a flow of people and investment.

In the United States, the National Surface Transportation Infrastructure Financing Commission acknowledged in a 2009 report that the first guiding principle for change to its current funding and finance framework is that changes 'must support the overall goal of enhancing mobility of all users of the transportation system'.

Pricing reform isn't easy and there are many issues and impacts to consider.

But until we can shift the current debate to focus on the system-wide benefits of an integrated, transparent and mutually supportive approach to pricing, we will all continue to pay a high price for congestion.

The role of road pricing – congestion management

The price and method of charging road users can play a key role in influencing how we use roads and address congestion.

Currently the access price is too low and the methodology for collecting the revenue lacks transparency.

Most road users believe they pay sufficient (or too much). They do not appreciate the real cost of maintaining and renewing the asset, and they do not understand where the money collected

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through fuel excise, registration fees and other taxes ultimately goes (including how much goes back in to transport).

The TRN believes our fundamental thinking about roads needs to change. Roads are a utility – not unlike water and electricity – and we should charge accordingly.

A more direct, user-pays approach would ensure that all of us pay a fair price for our use of the system.

A number of different models exist. These include network-based time-of-day and/or distance-based charging, cordon charges, and privately-operated toll roads. The technology also exists to support each of these models.

The advantage of all these approaches is that they create an opportunity to influence how we use the network, including the time of day we travel and our choice of mode (private vehicle or public transport).

The TRN does not favour any model over another. We believe all options should be on the table for discussion.

The role of road pricing – funding an integrated transport system

A new approach to road access pricing also creates the opportunity to establish a sustainable revenue source for the funding of transport infrastructure and services.

Currently our road and rail infrastructure is underfunded. We are not spending enough on maintenance and renewal of existing infrastructure, nor are we investing adequately in new infrastructure to fill the missing links.

The TRN believes we need to adopt a more holistic attitude to transport pricing. For example, if paying a slightly higher access charge to use the road network meant increased funding for public transport and new infrastructure, hence less congestion on the network – wouldn't all transport users be better off?

Heavy vehicle pricing as a first step

The TRN supports the current COAG-driven heavy vehicle road charging reform process.

Like everyone across the industry, the TRN looks forward to the outcomes from the current investigation into charging options, led by the Heavy Vehicle Charging and Investment (HVCI) Group.

These outcomes will have an impact on the thinking around long-term pricing reform for other road users. The process may also provide a template for a national approach to transport pricing and funding reform beyond the freight industry.

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Rather than pre-empt the findings and recommendations of the HVCI, the TRN hopes that the NSW Parliamentary Inquiry will, through the State Government, provide further input into the current national process.

The challenge of road pricing reform

Instituting fundamental reform to road access pricing poses a number of difficult questions.

Can states reform road access pricing in their jurisdictions in the context of the current federal taxation and funding regime? Will motorists accept a 'new' charge while they are still paying Commonwealth fuel excise? What about state registration charges?

How do we address issues of equity and fairness? How do we compensate those disadvantaged by distance, low income and/or lack of alternatives?

How is revenue spent? Roads? Public transport? Both? If so, in what proportions?

How do we convince the community of the need for change?

A way forward

The TRN believes the problem is too big for one jurisdiction to tackle in isolation. Certainly, we would applaud a jurisdiction that introduced some type of pilot scheme or pilot project(s), but ultimately to effect real, long-term change the issues need to be addressed nationally – more so because of the current complicated funding and revenue raising inter-relationships that exist across the three tiers of government.

Ideally, we need a nationally consistent approach that ensures fairness for all Australians.

The TRN would like to see NSW take a lead role in bringing the Commonwealth, local government and other state governments to the table to discuss a way forward.

It would require enormous political courage for any one jurisdiction to tread the reform path alone. That is why we need a bipartisan, national approach. We will not all agree on the solution or solutions, at least not initially – but we must agree to consider all the options.

Governments must also lead the community in a mature, sensible debate. The TRN was established for exactly that reason – to provide information and a platform for public discourse.

I attach a copy of the TRN policy paper: *Running on Empty – a case for reform*.

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A positive outcome from this Inquiry

The TRN congratulates the NSW Parliament on establishing this Inquiry into road access pricing.

It provides an opportunity to better understand the issues, challenges, options and outcomes surrounding road pricing.

We hope the information and understanding garnered at this Inquiry will be applied to a national solution; that this Committee will recommend to the Parliament that NSW commences discussions with all tiers of government on a review and reform process for the way we plan, finance, fund and manage our land transport across Australia.

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Australasian Railway Association
Australian Constructors Association
Bicycle Network Victoria
BMD Group
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BrisConnections
Bus Industry Confederation
Cement Concrete & Aggregates Australia
The Civic Group
Clayton Utz
ConnectEast
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IQ Concrete Solutions
ITS Australia
Leighton Contractors
Local Government Association of Queensland
National Road Freighters Association
pitt&sherry
Property Council of Australia
RACQ
RACV
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SMEC Australia
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Victorian Transport Association
Wyndham City Council

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Running on empty

The case for transport reform



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LAND TRANSPORT IN AUSTRALIA IS IN A MESS

Our roads are clogged, our trains overloaded, our transport infrastructure tired and needing significant investment.

Our current solutions - in terms of how we pay for our transport networks and services - simply aren't delivering.

The time has come to start again. We need to dismantle the house and carefully rebuild it, brick by brick, on new foundations.

We're all part of this problem and we're all paying the price, so let's all be part of the solution.

Get informed, ask questions, and demand action.

Let's have a mature debate leading to a reform process that delivers a new and better transport outcome for all Australians.





About the Transport Reform Network (TRN)

The Transport Reform Network (TRN) is a partnership of organisations and individuals that first came together in 2011 to discuss the state of transport funding and financing in Australia.

TRN members share a common belief that the way we fund and finance our transport systems and networks is no longer sustainable. It isn't delivering the new transport infrastructure we so desperately need, it isn't providing the money to maintain our existing networks, and it isn't providing answers to problems like congestion.

The TRN wants to see a more vigorous debate in the community about how we pay for our transport infrastructure and services – and most importantly, what we get in return.

This debate needs to be the spark that ignites a reform process that delivers more efficient, integrated transport systems and solutions - and a better, fairer deal for all transport users.

Why the need for transport reform?

Imagine how much better your life would be if you could rely on getting to and from work at the same time every day.

If you had more choice about how you got there, including train, bus, tram and/or light rail services that were more accessible and frequent.

If the journey, whether by private vehicle or public transport, took less time, was safer, had less impact on the environment, and was less stressful.

If transport connections and services to outer suburbs were better planned and more reliable.

If there was a greater range of safe, reliable and sustainable transport options in our inner suburbs and CBDs – including cycling and walking.

Getting from point A to B in our biggest cities and towns, especially in peak times, can be a nightmare.

Despite the best intentions and actions of governments and bureaucracies, the problems many of us experience on a daily basis seem to be getting worse.

An inefficiently functioning land transport system is not just a drag on the economy, it has a profound impact on the way we live and work.

It affects our productivity and earning capacity, our health and well-being, how much we pay for goods and services, even where we live, work, learn and socialise.

Getting from point A to B in our biggest cities and towns, especially in peak times, can be a nightmare.



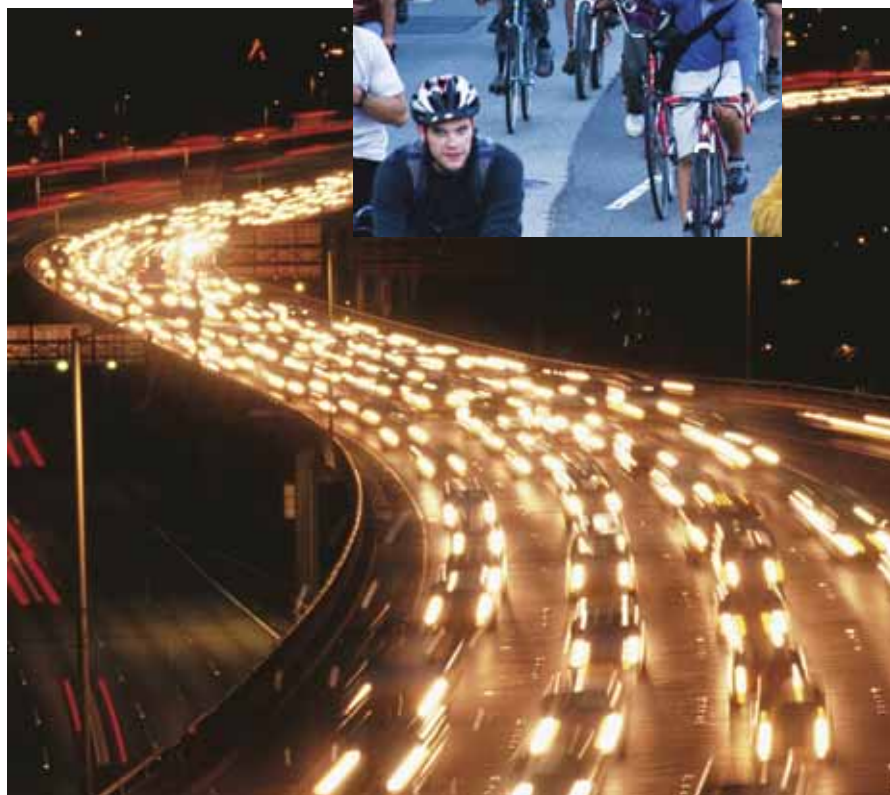
Where have we gone wrong?

The planning, funding and management of transport in Australia today is largely an accident of history.

It's essentially a product of competing tensions between (and often within) the three tiers of government. The end result is that there is little fairness or transparency in the way different transport users are charged and funding is allocated.

Along the way, we've also run up a huge backlog of transport infrastructure projects - way beyond the capacity of governments to fund.

The bottom line is this: the way we currently finance and pay for our infrastructure solutions clearly isn't providing the transport outcomes we want or expect.



Fuel tax: show me the money....

Most of us think we 'pay' for our roads out of the fuel tax collected by the Federal Government, together with the vehicle registration fees and charges levied by state and territory governments.

The reality is that much of the tax collected at the bowser goes into consolidated revenue rather than roads.*

All the while we have an enormous transport infrastructure backlog - not just roads, but also rail - that continues to grow through lack of funding.

* According to the NRMA, only half the money raised by fuel excise since 2008-09 has been spent on national road projects, leaving \$27 billion that has been redistributed through general revenue.





THE CASE FOR GENUINE TRANSPORT REFORM

We don't have the money to build and maintain our transport infrastructure.

Every state and territory, ever major city, has a long list of essential transport infrastructure projects waiting to be built.

The June 2012 Infrastructure Australia report to COAG listed some \$75 billion of road, rail, freight and port projects waiting to be built.

That's just the tip of the iceberg. We also have a growing and increasingly urgent need to reinvest in our existing transport infrastructure.

The fact is, in the current fiscal climate governments aren't prepared to go into debt to build and renew infrastructure.

The development of new financing models to attract private investors will no doubt help get some projects off the ground; but the fundamental questions remain – who pays and how?

There is little consistency or rationality in how we, as users, pay for our transport choices.

Whether we walk, cycle, drive, catch a train or ride a bus, we are generally using some form of transport infrastructure – be it the footpath or road under our feet, or the tracks on which our trains and trams run.


As users, we pay to access transport infrastructure and services – either directly through tolls and charges or indirectly via taxes (or both).

Yet often as not, what we 'pay' has little correlation to the true cost of providing and maintaining the infrastructure and/or transport services we use.

Most of us have no idea what that true cost is. If we did, how would it inform our choices about what mode of transport we used, and when we used it?

At current levels of investment, rail's capacity to move people and freight will be severely compromised. Already, many lines in Sydney's passenger network are at 130% of capacity.





... there is no easy
one-stop solution to
congestion.

Transport pricing should encourage efficiency, sustainability and socially responsible choices.

It should be equitable and transparent for all users. We should be able to make choices about our modes of transport - and the real costs associated with those choices.

Congestion is choking our cities and degrading our quality of life.

It's been estimated that the avoidable social cost of congestion will rise to over \$20 billion in Australia by 2020.

Urban congestion is already having a hugely detrimental impact on our daily lives. It affects our health and general well-being, it eats into the time we spend

with family and friends, and it forces us to make hard decisions about where we live and work.

Our governments and transport agencies are focussing on ways of improving the efficient utilisation of our current transport infrastructure and systems - 'sweating the asset' - and planning for appropriate new infrastructure.

But the fact remains that there is no easy, one-stop solution to congestion.

New infrastructure is needed and will help, but it's only part of the answer. We also have to look at ways of better managing demand, encouraging users to make smarter choices about how and when they travel.

One of the demand management mechanisms we need to consider is pricing - how much we charge individuals to use the asset or service.

Government responsibilities are divided and illogical.

We have three tiers of government involved in land transport. Our states and local governments do most of the planning and delivery, but the Commonwealth largely controls the purse strings.

It's a complicated mix of responsibilities and inter-relationships that hasn't always delivered outcomes in the national interest, let alone those of individual transport users.





We're long on vision, short on delivery.

Long-term transport planning should be a bi-partisan process that transcends party politics and election cycles. It should provide the community and industry with a reliable, realistic and clear blueprint around which transport infrastructure is delivered, operated and maintained.

In short, let's debate the plan, agree on it and then stick to it.

There is a disconnect between land use planning and infrastructure delivery.

In recent times, we've seen our urban areas expand beyond our capacity to provide essential and timely transport infrastructure and services.

Not only has this created social problems, but it's impeded productivity and increased the cost of living and doing business.

Decisions about land use and transport must go hand-in-hand. We are getting better at this, but much still needs to be done to improve the integration of land use and infrastructure planning and delivery.

Under-spending on infrastructure is compromising safety.

In 2011 the number of deaths on our nation's roads fell 4.4 per cent to just under 1,300.

By any account, 1,300 fatalities a year is still unacceptably high.

The National Road Safety Strategy 2011-2020 clearly states that road and roadside condition has a 'major influence' in preventing crashes or minimising the consequences of a crash.



Likewise, Australia's motoring clubs - under the banner of the Australian Automobile Association - have led a sustained campaign that links better roads to improved safety outcomes.

The simple fact is that we need to spend more on our roads to further minimise the risk to road users.



Image Transurban



We're failing the environment.

Our current approach to transport planning, funding and delivery does not encourage improved environmental performance across the different modes, nor does it encourage individuals to make more informed and responsible choices about transport.

This goes against the grain of community expectation about how we impact on our environment.

Increasingly, consideration of environmental impacts will be an important driver in the planning and delivery of integrated transport solutions, including cycling and pedestrian facilities.

We're not meeting the growing freight task.

The freight sector is the engine room of our economy and requires an over-arching national vision that embraces not just regulatory reform, but funding for dedicated infrastructure solutions.

According to Infrastructure Australia, between 2010 and 2030 truck traffic will increase by 50 per cent and rail freight by 90 per cent, with a 150 per cent increase in container traffic on our wharves.

Our current road and rail infrastructure is already buckling under this increasing



Image QR National

freight task. The Impact of congestion on freight movements risks driving up business costs and lowering

standards of service.

We have to find ways of accommodating this enormous growth in freight activity so the community as a whole can continue to enjoy the benefits provided by an efficient, safe and reliable freight industry.





WHAT THE TRN WANTS

To help raise the level of the debate.

Transport reform won't come about unless the community demands it.

The TRN wants to provide a platform for the community to better understand the issues and debate the possible solutions.

We will do this by impartially providing information (via our website and social media), by hosting events with expert speakers, and by promoting innovative ideas and opinions.

Government buy-in.

Governments need to sit down with industry and the community to review funding and financing arrangements in the context of our current and future transport challenges.

This is the first step in a reform process – to look at what we have in place now, what works and what doesn't, and to consider all the alternatives.

Again, the TRN provides a framework for governments to engage with key stakeholders in this review and the development of alternative models.



The TRN wants to see transport reform become a live issue on the national agenda, actively considered by all levels of government, by the middle of this decade.

Image Stu Morley



A truly integrated, efficient land transport system that delivers for all Australians.

The end goal is a new approach to the way we plan, fund, finance and manage land transport in Australia, one that is better geared to dealing with the challenges we face and will:

- provide sustainable funding solutions to build and maintain our essential transport infrastructure
- reduce the impact of urban congestion
- improve the accessibility, safety and efficiency of public transport and freight services
- provide greater transparency so we can make more informed choices about our transport modes

The TRN wants to provide a platform for the community to better understand the issues and debate the possible solutions.





Join the conversation on transport reform

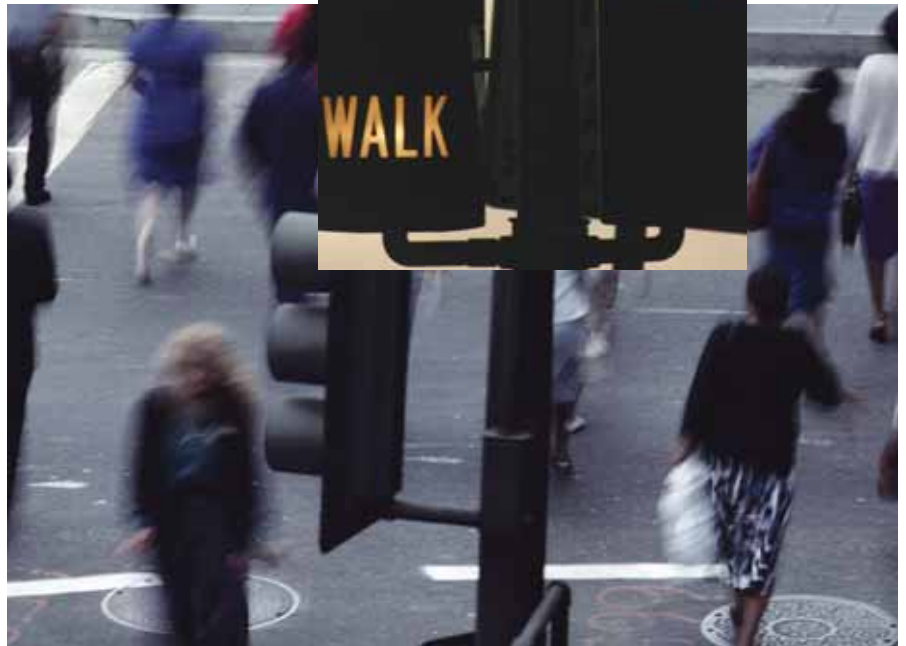
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August 2012.

Disclaimer: Running on empty: the case for transport reform, is a public issues paper that represents collective viewpoints for consideration by governments, community and industry stakeholders. The information contained herein does not necessarily represent the views of individual participants of the Transport Reform Network.