

Follow-up to question taken on notice:

ORIGINAL QUESTION FROM INQUIRY:

Dr MEHREEN FARUQI: *In the submission of No Westconnex Public Transport Inc. you state that at present, however, for each dollar spent by a user on driving an effective subsidy of \$9 is provided. By contrast when a user spends a dollar on public transport they are only subsidised by \$1.50. Could you expand on that a little bit more or you can take the question on notice?*

ANSWER: In relation to Dr Faruqi's question taken on notice by Mr English and Mr Lozano, the source for this part of the No WestConnex: Public Transport submission comes from research done in Vancouver, Canada by Discourse Media.

In personal decision making, people naturally weigh up the costs and benefits of courses of action to themselves privately. But in the realm of public policy, the onus on decision makers is to craft policy that is to the overall benefit of society. Thus it is so in the area of transport policy.

To accurately measure these costs and benefits, externalities that affect us all must be taken into account. Fares, tolls, petrol, vehicle repair and waiting times are individual costs, but air pollution, road building and upkeep are socialised costs. The health benefits of active transport must also be considered. This full-cost accounting was attempted in the study referenced in our submission here: <http://movingforward.discoursemedia.org/costofcommute/>.

In this study it was determined that for each dollar spent by a user on driving an effective subsidy of \$9.20 is provided. By contrast when a user spends a dollar on a bus fare they are only subsidised by \$1.50. Although this study was done in Vancouver, the figures for Sydney would be comparable.

European transportation planners have long used full-cost accounting to help them set levies and taxes that reflect both direct and indirect societal impacts of different forms of transportation. This is known as “internalizing” externalities; the idea is that if individuals directly pay an amount that accounts for the hidden costs to society of their transportation choice, they'll consider them when choosing how to travel.

Arguably the greatest global problem of our time, climate change, is a result of neglecting an externality, namely that of emitting carbon dioxide. It is free to emit, but costs us all dearly. This cost must be factored into transport planning. As a first step, the NSW government should do a full-cost accounting study of transport modes in Sydney, like the one in Vancouver. Only then can we start to set road tolls, public transport fares and fund transport infrastructure projects at appropriate levels.