



Council of Social Service of New South Wales

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The Secretary
Senate Rural and Regional Affairs and Transport
Parliament House
Canberra ACT 2600

NCOSS Submission to the inquiry into Australia's future oil supply and alternative transport fuels

The Council of Social Service of NSW (NCOSS) is the peak body for the social and community services sector in New South Wales. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving social justice in NSW.

NCOSS provides an independent voice on welfare policy issues and social and economic reforms and is the major coordinator for non-government social and community services in NSW.

NCOSS welcomes this opportunity to comment in relation to rising fuel costs and future directions for government policy in this area. Although this submission will touch on other aspects of the Senate review, the key issues addressed in this submission are:

- a) social impacts of rising fuel costs
- b) options for reducing reliance on fuel in order to mitigate current and future social impacts

Current Environment

Significant geographic distance between housing, services, employment and education is a defining characteristic for many regions in Australia. Many members of rural and regional communities frequently travel long distances to access basic services or participate in employment, while in outer metropolitan and suburban areas frequent trips using private motor vehicles to access jobs and services is the norm. Poor urban and service planning tied to significant under investment in public transport has led to an over reliance on private motor vehicles in order to 'bridge the geographic' divide between people and jobs and services. This means for many Australians – particularly low income households – poor levels of social and economic participation may often be traced back to barriers experienced in relation to mobility and transport.

For many low income households transport costs are significant, and consume a comparatively large proportion of household expenditure. Car related expenses in particular can be high, consuming a greater proportion of weekly expenditure for low income households: "car ownership costs consume 13 per cent of average incomes, but 28 per cent of the incomes of low-income earners."¹

Australia has experienced dramatic price change in the cost of oil based fuel over the last two years, with periodic spikes pushing prices over \$1.30 per litre in metropolitan areas, higher still in regional areas. The fuel price increases have increased car related expenses for households that use private motor vehicles. The National Roads and Motorists Association (NRMA) released data in 2005 indicating that the weekly cost of running a family sedan was approximately \$200 per week, or one quarter of the average weekly wage. On the basis of these figures, it can be anticipated that some low income households who rely on private motor vehicles will be devoting an even larger proportion of household expenditure to car related costs, and forsaking other essential purchases in order to maintain access to jobs or services.

Future Trends

There is some evidence that petrol prices will rise significantly above CPI over the next ten years as a consequence of a deterioration in world oil supply levels. Of particular concern are predictions that fuel costs could rise to \$3 per litre within the next three to four years, particularly if there are no new significant oil discoveries, or there is no 'technological fix.'²

This will undoubtedly impact on the face of transportation over the next twenty years, and will challenge the significant role currently played by private motor vehicles in Australia's transport task. In particular, if fuel costs rise significantly, private motor vehicle transport will prove increasingly non-viable for many low income households. Rising fuel costs have and will continue to impact upon household costs other than transport, for example in rising food prices as a result of increased freight costs.

Recent research from Griffith University's Urban Policy Program indicates that Australian cities will face significant social impacts as a result of rising fuel costs.³ The researchers observe that within cities, it is outer suburban areas that will face the most significant impacts: "Clearly outer-suburban areas, locations that contain low socio-economic status populations, and suburbs which have high levels of car dependence will be the most affected by such increases."⁴

¹ Victorian Coalition for People's Transport, *The Place to be on PT: A Vision for Greater Melbourne's Transport*, 2004, p5.

² See discussion of implications of world oil peak in A.M.S., Bakhtiari, "Global Crude Oil Production and the Role of the Middle East," paper presented to the "International Perspectives on Oil Vulnerability Seminar," Canberra, 2004. Bakhtiari claims that the 'post-oil peak' period is bound to bring momentous changes in its wake affecting all aspects of human life (from average child birth to transport habits) across all five continents,"p4. See also *New Scientist*, vol. 179, issue 2406, 2003.

³ Jago Dodson and Neil Snipe, "Oil Vulnerability in the Australian City," Research Paper 6, Urban Research Program, Griffith University, December 2005.

⁴ *Ibid.*, p24.

NCOSS is unaware of any recent research on the potential impacts of rising fuel costs on rural and regional communities and services, but investigation in this area must be a priority for government and researchers.

Fuel costs increases can also be anticipated to impact upon the financial sustainability of some human service providers. In particular, dramatic above CPI fuel cost increases will impact upon the operating costs of non government human service providers, particularly those that rely heavily on vehicles to deliver services, such as meals on wheels, community health, community transport and neighbour aid.

Options for the Future

NCOSS urges the Australian Government to work with State and Territory jurisdictions to develop a fuel strategy in order to reduce the national reliance on oil based fuel. Key components of this strategy would include:

1) Expansion of public and community transport services through AusLink

Although NCOSS accepts that funding for public transport services will largely remain the responsibility of States and Territories, there is an opportunity for the Federal Government to invest strategically in public and community transport services, particularly where they meet the stated objectives of AusLink. The Australian government currently provides a significant contribution to community transport services through other portfolio areas, such as the Home and Community Care program. NCOSS believes that AusLink creates opportunities for better planning and increased resources in this area. NCOSS believes that public and community transport services are particularly important for people who do not have access to private motor vehicle transport.

Opportunities presented by AusLink for investment in this area include funding for feeder services that link local communities to national transport corridors, and seed and recurrent funding for public and community transport services that link isolated communities to services and employment. NCOSS also believes that funding to support infrastructure and maintenance costs for regional passenger rail services would also fall within the objectives of the AusLink program.

NCOSS believes that funding for public and community transport projects could help to resolve some of the tensions that currently exist between AusLink and other Australian Government programs (such as TravelSmart), by tying investments in road to expenditure to expansion of other passenger transport modes. Where appropriate, the Australian Government should look at long term strategies to encourage alternative modes of transport, such as walking or cycling.

2) Ensuring Fuel Efficient Fleet Acquisition and Utilisation By Government Agencies

The Australian Government is in an excellent position to play a leadership role in promoting fuel efficient fleet acquisition by Australian and State / Territory government agencies. Reducing future costs in the area may also create additional revenue for expenditure on services and infrastructure.

Where governments have an ownership or regulatory role in relation to fleet acquisition for public transport services, there may also be an opportunity to reduce oil based fuel reliance through encouraging alternative fuels, such as natural gas powered bus fleets. Apart from the immediate reduction in operating costs through lower fuel bills, there are strong social and environmental benefits in reducing the utilisation of diesel engined vehicles. Reducing fuel costs in this area can also have the benefit of reducing price pressure on public transport fares.

3) Removing tax incentives for non-sustainable fuel use.

Current fringe benefits tax arrangements create a 'perverse incentive' for the increased use of private motor vehicle transport and fuel. On the other hand there are a few incentives available for promoting public transport use. NCOSS is concerned that the current Australian Government tax incentives promote increased car usage, and work at cross purposes to government and community efforts to encourage more environmentally and socially sustainable forms of transport. The current tax incentives also come at a significant cost to the Australian Government in the form of tax revenue foregone. NCOSS urges the Australian Government to review current tax incentives for private vehicle use.

4) Specific initiatives to reduce the impact of fuel costs for low income households

There is scope for investment by the Australian Government in strategies that will reduce the impact of rising fuel costs on low income households. This may include the expansion of No Interest Loans Schemes (NILS) to enable car dependent households to purchase fuel efficient vehicles; local demand management / development projects to work with low income households to promote sustainable fuel use; and better targeting of existing Australian Government programs such as TravelSmart and Car Sharing to more effectively address the needs of low income households.

5) Specific initiatives to reduce the impact of fuel costs for non government human services

NCOSS urges the Australian Government to assess the long term impact of rising fuel costs for non government human service providers, and ensure that funding for programs is adjusted accordingly to maintain existing service levels. NCOSS also supports initiatives to reduce reliance on oil based fuels by non government human service providers, such as, where appropriate, fuel efficient fleet acquisition and travel demand management programs.

Conclusion

Rising petrol prices will have a significant impact on low income households across Australia, particularly those located in outer suburban, outer metropolitan and rural and regional locations. Fuel costs can also be anticipated to have a continuing effect on the operating costs for some human services and for prices of some goods and services, including fresh food.

A strong response from government to reduce community and government reliance on oil based fuels will reduce the long term severity of rising fuel costs for low income households and head off any adverse impacts in relation to human service delivery, prices of some goods and services, and access to jobs, services and education.

Yours sincerely

A handwritten signature in cursive script that reads "Gary Moore". The signature is fluid and stylized, with the first letters of the first and last names being prominent.

Gary Moore
Director.