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

Dear Sir/Madam

INQUIRY INTO AUSTRALIA'S FUTURE OIL SUPPLY AND ALTERNATIVE TRANSPORT FUELS

Newcastle City Council welcomes the opportunity to provide input to the *Inquiry into Australia's future oil supply and alternative transport fuels*. Council's main points relate to the fourth Term of Reference for the Inquiry, that of "options for reducing Australia's transport fuel demands".

The Newcastle Local Government Area is part of the Lower Hunter Region, which also includes the local government areas of Cessnock, Maitland, Lake Macquarie and Port Stephens. The overwhelming majority of trips in the Region are by the private car and public transport usage is very low, at approximately 4% of all trips. Current trends in car ownership and use cannot continue without exacerbating adverse social, economic and environmental consequences. Quite simply, more people need to use more sustainable transport modes for more of their trips.

Federal Involvement in Public Transport Planning

Public transport planning and funding is currently largely the responsibility of State Governments. Why? Why has the Federal Government not taken a leadership role in the integration of land use and transport in our cities? The management of urban public transport affects a range of issues extending beyond transport – it is critical to the environmental, social and economic future of our cities and nation. Newcastle City Council supports greater involvement of the Federal Government in public transport planning and funding and the coordination of policy to support greater use of public transport.

Policy Reform

There has been a long-standing Commonwealth planning and funding bias towards roads at the expense of other modes. As noted in "The slow road from rhetoric to reform: an analysis of road pricing in Australia" (Lewis, 2004), the

structure of the tax system can play an important role in either promoting or discouraging sustainable transport use. The article concludes:

The financial subsidy to road transport is estimated to be up to \$20 billion per annum, excluding the cost of greenhouse gas emissions. The current system of vehicle and travel charges is inefficient and leaves the major externalities unpriced, leading to a general overconsumption of travel. Further, alternate transport modes do not receive equal treatment, with rail-based transport covering a larger proportion of its total costs, compared to road-based transport. Consequently, all evidence suggests that there is overconsumption of road transport.

Recent changes to the tax system in Australia have exacerbated inequities in transport pricing, while existing tax regimes, such as that for fringe benefits, include direct incentives for additional car travel.

In the last twenty years there has been much discussion of the need to use economic policy instruments to improve the sustainability of the transport system. Over the same period, policies which represent a significant step backwards, such as the abolition of fuel excise indexation, the imposition of a 10 per cent tax on public transport and lowering the cost of fuel for business users have been implemented. The question for policy makers is not "what should be done" but "why hasn't it been done?"

Newcastle City Council supports review of Commonwealth taxation policies to enhance achievement of public transport objectives, particularly of those which provide incentives for car use over public transport use.

Public Transport Funding and Fare Systems

For public transport to be attractive it has to be competitive with car travel, particularly in the time spent travelling. The process of collecting individual fares is detrimental to public transport becoming more attractive and acceptable, for several reasons. On buses, fare collection adds to the trip time; on trains, fare collection involves significant expense and infrastructure; and lack of knowledge about fares can be a major deterrent to people making the change to public transport.

Council supports investigation of alternative methods of public transport funding, to individual fare collection, and a thorough evaluation of the provision of free public transport¹. The benefits of increased modal share to public transport at the expense of single occupant car trips are enjoyed by the whole community, not only the direct users of the public transport system. New funding systems could be devised that share the costs of provision of public transport across the whole community, through a price mechanism that encourages people to think about the amount (and potentially timing) of their car use. For example, a charge for vehicle kilometres travelled (vkt) could, depending on the amount, provide significant incentive to drive less. Charges could be collected at registration, based on odometer readings. Different levels may apply depending on the emission profile of the vehicle, and potentially, on the availability of alternatives (e.g. metropolitan versus country rates).

¹ Professor Ed Blakely, Chair of Urban and Regional Planning, School of Architecture, University of Sydney and Chair of the Reference Panel overseeing development of the Metropolitan Strategy, "favours a proper study into the cost-benefit of delivering free public transport" (<http://www.smh.com.au/news/National/Urban-legend/2005/04/29/1114635748192.html>).

Research indicates that there is a substantial gap between the perceived costs of car use (cost of petrol, perhaps maintenance and parking costs) and what the actual costs are (when infrastructure, environmental and social costs are taken into account). Charging for vkt may assist to make some of these costs more transparent, and encourage shifts to walking, cycling and public transport. Public transport could be part-funded through the vkt charges.

In summary, Council considers that the Federal Government should assume a more prominent role in the public transport policy, planning and provision; and that current policies which distort the market in favour of private car use should be reviewed.

Please contact me on 4974 2872, or Natalie McCabe on 4974 2885 (Tuesday to Friday) or email nmccabe@ncc.nsw.gov.au if have any queries regarding this matter.

Yours faithfully

Wonona Christian
ACTING GROUP MANAGER

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REFERENCES

Denniss, Richard and Lewis, C.S. (2004), "The slow road from rhetoric to reform: an analysis of road pricing policy in Australia", Economic Papers – Economic Society of Australia, March 2004 v23 p88 (12)