

GOVERNMENT RESPONSE

TO

**INVESTMENT OF COMMONWEALTH AND STATE FUNDS IN
PUBLIC PASSENGER TRANSPORT INFRASTRUCTURE AND
SERVICES**

BY

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE**

**Senate Rural and Regional Affairs and Transport References Committee report on
*Investment of Commonwealth and State funds in public passenger transport infrastructure
and services***

Government Response

On 4 December 2008 the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee for inquiry and report by 18 June 2009:

The investment of Commonwealth and state funds in public passenger transport infrastructure and services, with reference to the August 2005 report of the House of Representatives Standing Committee on Environment and Heritage, *Sustainable Cities*, and the February 2007 report of the Senate Standing Committee on Rural and Regional Affairs and Transport Committee, *Australia's future oil supply and alternative transport fuels*, including:

- a. an audit of the state of public passenger transport in Australia;
- b. current and historical levels of public investment in private vehicle and public passenger transport services and infrastructure;
- c. an assessment of the benefits of public passenger transport, including integration with bicycle and pedestrian initiatives;
- d. measures by which the Commonwealth Government could facilitate improvement in public passenger transport services and infrastructure;
- e. the role of Commonwealth Government legislation, taxation, subsidies, policies and other mechanisms that either discourage or encourage public passenger transport; and
- f. best practice international examples of public passenger transport services and infrastructure.

The Committee's report was tabled on 20 August 2009 and made nine recommendations. The Government response is set out below.

Recommendation 1

That the Commonwealth recognise the cost-effectiveness of the 'TravelSmart' behaviour change program and consider reinstating funding for it from an appropriate department.

Response

Noted.

TravelSmart was delivered in conjunction with local governments under the Greenhouse Gas Abatement Program (GGAP). The Wilkins Review, *Strategic Review of Australian Government Climate Change Programs* of 31 July 2008, recommended that the GGAP terminate in 2008-09. The GGAP subsequently ended.

The Commonwealth Government's view is that travel behaviour change measures, such as the TravelSmart projects, are most effectively developed and applied at a local/regional level by State, Territory and Local governments.

The Commonwealth Government recognises there may be benefit in sharing information on travel projects at a national level and will continue to explore opportunities with State and Territory governments.

Recommendation 2

The Commonwealth in future negotiation of HACC agreements should be mindful of –

- the effectiveness of present community transport services;
- future transport needs of groups targeted by community transport;
- appropriate balance between community transport, regular public transport and taxis to meet those needs; and
- appropriate division of responsibilities, actions and funding to meet those needs.

Response

Noted.

Transport services are available to frail older people and younger people with disabilities, and their carers, through the current Home and Community Care (HACC) program. Assistance is provided with transportation either directly (for example, in a vehicle provided or driven by an agency worker or volunteer) or indirectly (taxi vouchers).

On 2 August 2011, the Commonwealth Government, in partnership with states and territories, signed the National Health Reform Agreement (NHRA). The NHRA cements the commitments made by all governments at the 13 February Council of Commonwealth Governments' meeting, to work together to reform the health system to ensure its future sustainability.

Under the NHRA the Commonwealth assumed full funding and policy responsibility for basic community care maintenance and support services for older people from 1 July 2011 and will assume operational responsibility from 1 July 2012 in all states and territories except Victoria and Western Australia.

States and territories will be responsible for funding care services for younger people (non-Indigenous people under 65 years and Aboriginal and Torres Strait Islander people under 50 years) – such as younger people with disabilities – wherever they are receiving care.

These changes are part of broader aged care reforms which will include consideration of future arrangements for community transport under HACC to ensure the creation of a nationally consistent, integrated and coordinated aged care system. Proposals in the Productivity Commission's report, *Caring for Older Australians*, which was released on 8 August 2011, may also inform future reforms to HACC services.

On 18 March 2011, the Commonwealth Government launched the National Disability Strategy which outlines a 10-year national policy framework to improve the lives of people with disability, promote participation, and create a more inclusive society. The Strategy will guide public policy across governments and aims to bring about change in all mainstream services and programs as well as community infrastructure. A key policy direction under the Strategy involves the creation of 'a public, private and community transport system that is accessible for the whole community'.

Recommendation 3

The Commonwealth Government in consultation with the states/territories and other stakeholders should establish a national transport research body suitable to be a national centre for detailed research into world's best practice public transport and active transport.

Response

Noted.

The present arrangements provide for national transport research through various means.

As a national transport research body, the Bureau of Infrastructure, Transport and Regional Economics (BITRE) is conducting research on public transport issues as part of its research program. Two recent BITRE publications are *Urban Passenger Transport: How people move about in Australian cities*, and *Urban Public Transport: recent bus transport statistics*.

The Commonwealth Government is collaborating with the states and territories, which have primary responsibility for public transport delivery and management.

In late 2009, the Australian Transport Council (ATC) endorsed the *Australian Strategic Transportation Agenda for Research and Technology*. In addition, the Council Chair will write to the Chair of the Australian Research Council (ARC) annually seeking ARC's consideration of ATC's strategic transportation research themes when determining ARC funded research.

Recommendation 4

Commonwealth funding for public transport should only occur in the context of overall funding for infrastructure projects that meet a strict merit-based criteria. These include an objective assessment of the broader community and economic benefits and the degree to which the sponsoring state government has adopted an integrated, inter-modal, best-practice approach to transport planning and management. The Commonwealth can only make such decisions in the context of broader judgments regarding all competing infrastructure projects that have national significance.

Response

Noted.

The Commonwealth Government has made infrastructure investment a key national priority, and has initiated and implemented a strategic approach to national infrastructure development.

Integral to this national strategic approach is Infrastructure Australia's work in identifying both infrastructure gaps that hinder economic growth, and investment priorities for the coordinated delivery of national infrastructure investment.

Acknowledging the vital function of Infrastructure Australia, the Government provided an additional \$36 million in the 2011-12 Budget to enhance its role in planning and advising governments and the community on infrastructure investment opportunities.

Infrastructure Australia's mandate has also been expanded to include the production of an enhanced priority list to identify projects through top-down analysis of nationally significant infrastructure needs, only considering projects that exceed \$100 million, are flagship, or

demonstrate unique national interest characteristics.

Part of Infrastructure Australia's development of a long term integrated approach to infrastructure investment will be to develop a national public transport strategy. This proposed strategy will be aimed at improving service standards through better use of existing infrastructure and investment in new infrastructure.

Recommendation 5

The Government should investigate options for tax incentives for public transport including estimating their likely effects on people's travel behaviour.

Response

Noted.

The report of the Australia's Future Tax System review (the Tax Review) made no specific recommendations in relation to tax concessions for public transport, although it did report on the taxation of transport more generally.

On 4 and 5 October 2011, the Government held a Tax Forum to continue the tax reform debate and discuss ways to build on the Government's substantial tax reform agenda. The forum focussed on the broad sweep of topics in the Tax Review, with sessions discussing personal tax, transfer payments, business tax, state taxes, environmental and social taxes, and tax system governance.

Issues regarding transport taxes, including congestion charging, road pricing, and fuel excise were debated. Issues relating to road pricing and user charging are largely a matter for state and territory governments.

Recommendation 6

Government support for behavioural change programs ('TravelSmart') should include measures to encourage 'buy-in' by employers in promoting sustainable transport in their workforces.

Response

Noted.

Please refer to response to Recommendation 1.

Recommendation 7

The Government should amend the car fringe benefits tax (FBT) statutory formula to remove the incentive to drive excessively to reach the next FBT threshold.

Response to Recommendations 7, 8 and 9

Agree.

In the 2011-2012 Budget the Government announced a measure to remove the unintended tax incentive for people to drive more than they need to in order to obtain a larger tax concession, by reforming the statutory formula method for valuing car fringe benefits (implements Recommendation 9(b) of the Review of Australia's Future Tax System).

When an employer makes a car available to an employee for private use, a car fringe benefit will generally arise and be subject to FBT. Car fringe benefits are currently valued under either the operating cost method or the statutory formula method.

Under the operating cost method, the taxable value of the benefit is based on the cost of owning and operating the car, reduced by the portion which relates to the business use of the vehicle. Employers are required to substantiate the business use of the vehicle by maintaining a log book for a specified period.

The statutory formula method is designed to provide employers with a low compliance cost alternative to the operating cost method, eliminating the need to maintain a vehicle log book. It removes the need to explicitly distinguish between the business and private use of a vehicle.

Recommendation 8

In relation to FBT of cars by the statutory formula method – the Government should state the purpose of making the tax concessionary (noting that whether the tax should be concessionary, and whether there should be a statutory formula for the sake of easy compliance, are different questions); the Government should investigate and report on what the likely effects on consumer behaviour would be if the concessionary aspect of car FBT was reduced or removed.

Response

Please refer to response to Recommendation 7.

Recommendation 9

The Government should change FBT rules so that the scope of exemptions is consistent between car transport and public transport.

Response

Please refer to response to Recommendation 7.

Additional Comments – Australian Greens – Dissenting Recommendations

Senator Ludlam of the Australian Greens provided additional comments to the Senate Inquiry and proposed replacing Recommendation 4 in the committee report with three recommendations of his own.

‘Recommendation 4’ already incorporates the views expressed in these recommendations while allowing for a more complete consideration of potential infrastructure projects within a broader transport planning and infrastructure framework. It is noted that the Australian Greens’ recommendation to reinstate the funding for the ‘Travelsmart’ behaviour change program has been responded to in the government response to Recommendation 1.

Australian Greens Recommendation 1

The Commonwealth make infrastructure funding available for public transport, subject to strict merit-based criteria.

Response

Noted.

As discussed in the current Recommendation 4, the Commonwealth Government has made a significant funding commitment towards the development of priority national infrastructure projects through the Nation Building Program and through the advice provided by Infrastructure Australia. The Commonwealth Government has invested unprecedented amounts into public transport projects through the Building Australia Fund and Nation Building Program. This includes more than \$7 billion investment in new funding for the planning, development and construction of nine rail projects in Sydney, Melbourne, Adelaide, Brisbane, Perth and the Gold Coast.

Public transport funding will continue to be a consideration of the Commonwealth Government through the next phase of the Nation Building Program from 2014-15 to 2018-19, contingent on meeting strict merit based criteria, such as the principles in the National Urban Policy (NUP). Nationally significant infrastructure needs will continue to be identified by Infrastructure Australia in the future.

Australian Greens Recommendation 2

Proposed Commonwealth funding for public transport be subject to an objective assessment of the broad community and economic benefits and the degree to which the sponsoring state or territory government has adopted an integrated, inter-modal, best-practice approach to transport planning and management.

Response

Noted.

As discussed in the current response to Recommendation 4, the Commonwealth Government takes a strategic approach to infrastructure development and investment, with Infrastructure Australia being integral to this process. Infrastructure Australia’s recently expanded role includes the development of a national public transport strategy, which will build on the NUP and the COAG Reform Council’s review of capital cities strategic planning systems. Decisions

on investment of future public transport projects will consider the extent to which the proposals meet these nationally agreed principles.

Australian Greens Recommendation 3

The Commonwealth recognise the cost-effectiveness of the 'Travelsmart' behaviour change program and reinstate it's funding, building on the valuable work undertaken in this programme to date.

Response

Noted.

Please refer to the Government response to Recommendation 1 in the committee's report.

“The Commonwealth Government's view is that travel behaviour change measures, such as the TravelSmart projects, are most effectively developed and applied at a local/regional level by State, Territory and local Governments”.