



## Urban Mobility

### 4. ARA Submission to Senate Inquiry

#### 4.4 Funding and Planning

##### Introduction

There is a strong economic case for public transport in highly urbanised societies, like Australia and Canada.

Most individual Australian States lack the capacity to undertake the long term investments required to improve their public transport systems. Changes are needed to existing funding and delivery arrangements and would need to be aligned with Commonwealth policy on public transport systems for major cities and smaller urban settlements.

To improve public transport infrastructure and services, the ARA has come to the view that:

*'Nationally coordinated transport planning for Cities and Regions, complemented by long term funding for infrastructure, is vital to secure the future economic and environmental benefits of passenger transport in Australia.'*

Towards this task of transport planning and service, the rail industry has undertaken to:

*'contribute to the enhancement of rail as a major provider of passenger transport through a rigorous and continuous improvement program informed by best overseas practice.'*

Information in the following sections supports ARA's call for to improve public transport infrastructure and services through nationally coordinated transport planning and long term funding.

##### Commonwealth investment – road and rail

Urban public transport has long been regarded as the responsibility of the States rather than any power having been granted to the Commonwealth under the Australian Constitution.

The Commonwealth's long-held view has been that State governments are best –placed to deal with the metropolitan and local complexities of public transport.

In the previous 30 year period, 1974 to 2004, the Commonwealth government spent \$58 billion nationally on all roads and only \$1.8 billion on urban public transport.

During the same period the only one Commonwealth government program for urban public transport was the *Better Cities Program* (1991-1997) when \$816 million was provided.

In 2004, the Commonwealth government introduced AusLink to improve decision-making and funding for national land transport (road and rail) infrastructure. At that time there were many 'submissions from industry and the public supporting a need for governments to better coordinate and resource their roles in infrastructure while developing national solutions'.

Public transport remains excluded from Commonwealth funding for the 2004-2013 period under AusLink.

## States expenditure and fares

In five major cities, State governments spend an estimated \$4.9 billion per annum on public transport of which fares from passengers contribute around \$1.6 billion per annum. The shortfall \$3.3 billion per annum is made up from State governments' revenue to meet annual operating costs. The cost recovery from passenger revenues for operating costs, (the 'farebox') averages 32%.

This expenditure excludes significant capital works to upgrade and expand transport systems, which can add another \$1-2 billion per year or more over and above operating costs.

The cost recoveries of Australia's major cities range from 20-34%. Some modes, particularly buses serving high density routes, operate at higher cost recoveries and some lower. Historically our cities compare poorly with the cost recovery figures of many other international cities but there is no strong evidence that Australian fares are low by international standards.

Across the world, most public transport systems require significant government subsidies. The level of subsidy is a social policy and depends upon a wide range of factors such as:

- fare levels and concession policies;
- city characteristics (population density, topography);
- cost elements (labour, fuel); and
- the degree of modal competition.

Concession fares are a matter of policy for Governments and they do substantially impact cost recovery. In 2005, approximately \$100 and \$200 million of 'farebox' revenue was foregone in Melbourne and Sydney respectively due to concession discounts.

Around 18% of Australia's population is 60 years or older. By 2021, this is expected to increase to around 25%. If current concession policies remain, public transport systems are likely to have even lower levels of cost recovery

## Urban growth without public investment in rail

The Sustainable Cities 2005 report quotes the Planning Institute of Australia (PIA) as highlighting the lack of funding for rail infrastructure, pointing out that there is no designated Commonwealth funding program for urban railway infrastructure similar to those for freeway construction:

*'The PIA also highlighted the lack of funding for rail infrastructure, pointing out that there is no designated Commonwealth funding programme for urban railway infrastructure similar to those for freeway construction. This is 'severely out of tune with urban transport funding regimes in practically every other OECD country' and explains why 'Australian urban rail systems have been struggling to keep up with the pace of metropolitan growth'. This means outer suburbs are highly car-dependant. The Institute recommends a 'significantly boosted federal commitment to upgrading and expanding fixed public transport systems'.*

For many decades, Australian cities been developed in 'green fields' in new outer suburbs, at low densities and without mixed-use centres, insufficient to support rail systems. In regional plans, only roads were provided for use by private vehicles (and cheap fuel) for people who could afford and were able to drive.

New housing estates were developed without public transport so residents had no choice other than to own a car. The level of car ownership is highly variable across households even across local government areas in outer rings of large cities.

The growth in the number and use of private vehicles, and distances travelled by car aided deterioration of urban environmental quality. This has become a chronic health burden particularly for people living in disadvantaged polluted areas.

A car-dependent urban form has a dynamic to continue to enlarge space and services for cars and car users, forgoing other options for the use of urban public space or other benefits.

For example, the allocation of road space for car parking rather than for safe cycling or widening footways for walking, for landscaping, or for cafes.

Ironically, income from on-street parking to local government further entrenches the preference given to cars, above more efficient use of the road space such as the conversion of lanes to bus lanes or safe cycleways.

Car dependency also results in cars being used for very short trips – trips that are walkable or cyclable, many of which would be within the catchment of a suburban railway station.

The state of investment in rail passenger transport is reflected in the average age of Australian passenger rolling stock. Over the five years to 2005, both Melbourne and Perth introduced new rolling stock. [Click here to view illustration of average age of rolling stock.](#)

Poor services and presentation of public transport are a deterrent to people who do have the option of car travel.

**Link**

[National Passenger Transport Agenda \(2006\)](#)

### **State funded major rail projects**

There have been several large passenger rail projects over the last few years, funded mostly by the States, few of which have provided any material capacity expansions; an exception is the Perth-Mandurah rail line.

Most of the major projects that have occurred, or are expected to start, achieve only modest gains to their respective networks' capacity. In fact, most projects have added less than 2% of additional track to their respective systems.

By contrast, when Perth began electrification of its small urban rail passenger in network in 1988 it also planned the construction of a new line to the northern suburbs, its first new line in a century. More recently, the 72 km Perth-Mandurah new line opened in December 2007.

Both involve the concept of Transit Oriented Development ('TOD') at selected major railway stations with bus connections. The Northern line was extended to meet demand for transport from urban development.

The Perth-Mandurah rail line features railway stations as part of an inter-modal interchange (typically bus/rail connections with cycling facilities) supporting/being supported by mixed use development in the geographic walking catchment ('TOD').

Perth was able to build these new rail projects without the constraints imposed on Sydney and Melbourne.

The NSW government is proceeding with plans for a CBD Metro, costing of \$4.8 billion (excluding funds for infrastructure and services for walking and cycling in railway station catchments). As a different technology to heavy rail, the NSW government is currently conducting a feasibility study, funded by the Commonwealth, for a West Metro – for which Commonwealth funding would be essential.

### **Costs to Commonwealth of neglecting investment**

The Commonwealth government does not yet have any significant role in public transport, with regard to funding, policy or planning. This vacuum is despite Commonwealth and State policies urging the greater use of public transport over cars.

Metropolitan transport and land planning is conducted both at State and local government level, and strategies are undermined by vested development-short term political interests. Metropolitan public transport infrastructure (track and rolling stock) are funded and managed solely by State governments subject to State-based political/electoral priorities.

Commonwealth policies, outside transport, that have urged greater use of public transport, walking and cycling, in place of reliance on car travel, include:

- a national strategy to reduce greenhouse gas emissions;
- integration between land-use and planning, leading to a national charter;

- environmental health policies to reduce exposure to air pollution from motor vehicles; and
- overweight and chronic disease policies to encourage 'active travel' for health rather than sedentary driving that contributes to body weight gain.

All these policies are seeking to deal with the adverse effects of de facto transport policy.

Access by public transport is relevant to household expenditures and housing affordability, as well as social housing.

Transport policy failings cause harms, and costs that are borne privately or through the public purse, affecting other sectors such as health, police, and environment and locally liveability of our urban neighbourhood.

### **International comparisons**

This snapshot of comparative funding practices shows that national governments fund public transport (often termed 'transit') infrastructure and recurrent costs for operations.

In comparison, the Australian Commonwealth government has had an insignificant role in passenger transport. The ARA believes that needs to change.

#### **Europe**

The following observations were made by Australian Professor Currie in 2006 in a presentation '*Three 'Tear' Government Involvement in Australian Public Transport – Failures and Opportunities*':

- the principal funding source in Europe is 'farebox' revenue due to high patronage levels associated with the dense nature of European cities;
- European countries show a distinct bias for Federal sourcing of funding for capital investment in urban transit;
- Europe also has substantial funding for urban mass transit system development from trans-national agencies such as the EU;
- Federal Governments are also involved in funding recurrent expenditure in urban transit although this is at a far lower share of total funding compared to capital; and
- Federal funding of major transit development projects is the norm in Europe  
[http://www.ara.net.au/site/urban\\_mobility.php](http://www.ara.net.au/site/urban_mobility.php)

#### **North America**

The policies of the USA and Canadian governments provide a strong contrast to the Australian Commonwealth government's 'hands-off' approach to passenger transport.

These two countries, like Australia, also have three layers of government (Federal, State and Local) and have some similarities in terms of cities of large geographic extent, variable urban density (high, medium and low), characterised by car dependence with high geographic variability.

#### **USA**

In the USA, the Federal government has a direct role in urban transport. It provides 25% of funding for passenger transport, the other 75% coming from State and Local Government.

Federal funding is directed to:

- modernisations of rail;
- new starts of heavy and light rail systems in cities; and
- financial assistance particularly to bus operators for cleaner vehicles.

#### **Canada**

The Canadian Government has established two funds:

- the **Canada Strategic Infrastructure Fund** - seeks to establish partnerships between all levels of

government and the private sector to invest in large scale projects of national and regional importance. Maximum Federal contribution is 50% of eligible costs. Investment categories include local transport infrastructure, as well as other infrastructure categories (telecommunications, water etc); and

- the **Green Municipal Fund** - for loans and grants, and a CDN\$50 million **Enabling Fund** for sustainable community developments for transport and other projects.

In addition to funding, Transport Canada's policy group provide advice on how transportation policy issues fit within the broader government agenda. In particular the role of the policy group is to develop, recommend and coordinate modal and multi-modal policies.

These two North American examples describe quite different levels of Federal involvement in passenger transport. In the case of the US, there is direct funding and assistance, and planning support and, via the Transportation Research Board, research and knowledge transfer. The Canadian government provides some targeted support for infrastructure more broadly, as well as tax breaks for public transport use and some limited overall policy and coordination.

