



australian network of environmental defender's offices

Submission on the investment of Commonwealth and State funds in public passenger transport infrastructure and services

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The Australian Network of Environmental Defender's Offices (ANEDO) consists of nine independently constituted and managed community environmental law centres located in each State and Territory of Australia.

Each EDO is dedicated to protecting the environment in the public interest. EDOs provide legal representation and advice, take an active role in environmental law reform and policy formulation, and offer a significant education program designed to facilitate public participation in environmental decision making.

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Introduction

The Australian Network of Environmental Defender's Offices (ANEDO) is a network of 9 community legal centres in each state and territory, specialising in public interest environmental law and policy. ANEDO welcomes the opportunity to provide comment to the Senate Rural and Regional Affairs and Transport Committee Inquiry into the investment of Commonwealth and State funds in public transport infrastructure and services.

We have reviewed the August 2005 report of the House of Representatives Standing Committee on Environment and Heritage, Sustainable Cities (Sustainable Cities Report), and the February 2007 report of the Senate Standing Committee on Rural and Regional Affairs and Transport, Australia's future oil supply and alternative transport fuels (Oil Report), and comment on the transport-related recommendations below.

As the Sustainable Cities report observed Australian cities have largely been constructed around the car, creating a culture heavily reliant on private car use. The report identifies some of the negative impacts of car dependence:

- Environmental – such as loss of public space (natural areas and open space) and agricultural land, smog, and air pollution;
- Economic – from providing urban infrastructure across a more dispersed geographical area; and
- Social – including isolation, economic stratification of areas and reduced access to public services.¹
- Health – including reduced daily physical activity contributing to many chronic diseases such as obesity, heart disease and stress.

Integrating sustainability into Australia's transport systems is especially important in the face of climate change and a low-carbon future. The transport sector is a significant contributor to Australia's greenhouse gas emissions.² Road transport³ is by far the largest contributor to transport emissions, accounting for 88 per cent of total emissions in 2005. Of this, passenger car emissions are the largest source of road vehicle emissions, making up 62 per cent of road emissions in 2005 and are projected to grow to 40 per cent of 1990 levels by 2020, unless trends are reversed.⁴ While the Carbon Pollution Reduction Scheme is proposed to come into effect from 2010 and will cover emissions from the transport sector, ANEDO supports a range of other complementary measures to support emissions reduction and address the other adverse environmental (social and economic) impacts of car dependency.

Accordingly, ANEDO strongly supports Commonwealth and State investment in public passenger transport infrastructure and services that address all the negative impacts of car dependence by promoting sustainable modes of transport such as walking, cycling and public transport.

¹ House of Representatives Standing Committee on Environment and Heritage, Sustainable Cities, August 2005, p.59.

² Transport is Australia's third largest source of emissions (14 per cent of total emissions). See Department of Climate Change, Transport Sector Greenhouse Gas Emissions Projections 2007, February 2008, p1. Available at: www.greenhouse.gov.au/projections/pubs/transport2007.pdf

³ Road transport includes emission from passenger cars, light commercial vehicles, rigid trucks, articulated trucks, buses and motorcycles.

⁴ Department of Climate Change, Transport Sector Greenhouse Gas Emissions Projections 2007, February 2008, p17. Available at: www.greenhouse.gov.au/projections/pubs/transport2007.pdf

This submission will address two of the terms of reference:

- d) the measures by which the Commonwealth Government could facilitate improvement in public passenger transport services and infrastructure; and
- e) the role of Commonwealth Government legislation, taxation, subsidies, policies and other mechanisms that either discourage or encourage public passenger transport.

Executive Summary

In summary, ANEDO recommends that:

- transport infrastructure planning and funding policy decisions, plans and programs be strategically assessed against a sustainability criteria, and ensure that the communities affected by Commonwealth funding are adequately consulted in the process;
- the Commonwealth Government review and amend both the *Auslink (National Land Transport) Act 2005* and *Infrastructure Australia Act 2008* to ensure that investment in road infrastructure is not prioritised over investment in public and active transport infrastructure;
- the Commonwealth Government provide funding as a priority to assist State Governments to improve and extend sustainable urban passenger transport systems, including walking and cycling facilities and support other complementary measures;
- Commonwealth funds include funding specifically for sustainable transport infrastructure and complementary measures (e.g. centres around train stations) that improve the accessibility of suburbs and developments on the outer fringes of cities;
- the Commonwealth Government investigate and support the development of alternatives to air travel where possible.
- the Commonwealth Government adopt a whole-of-government sustainability agenda or charter;
- the Commonwealth Government remove the current FBT concessions for car use;
- the Commonwealth Government review the tariff policy on four wheel drives;
- the Commonwealth Government develop tax incentives for active and public transport;
- the Commonwealth Government replace voluntary fuel efficiency standards with mandatory standards for all new cars;
- the Commonwealth Government support innovation and efficiency in public transport technology;
- the Commonwealth Government provide adequate funding to develop new programmes that go beyond TravelSmart and the National Cycling Strategy, that promote and facilitate public and active transport options;
- the Government commit to a long term national transport plan linked to joint funding by the Commonwealth and States/Territories to increase public and active transport;

Commonwealth Investment in Transport Infrastructure

(i) Strategic Environmental Assessment

ANEDO submits that the current Commonwealth framework for funding transport infrastructure under the *Auslink (National Land Transport) Act 2005* systematically discourages the use of public transport, because it does not transparently evaluate Commonwealth transport investment policy decisions, plans and programs against sustainability criteria.⁵ This leads to a failure to:

- a. Take account of the environmental impacts of these funding actions; and
- b. Test the implicit assumptions underlying the current funding framework, that increased investment in car-orientated infrastructure creates economic and social benefits (e.g. that increased road-capacity leads to long-term lower congestion⁶).

In addition, there is no requirement under the *Infrastructure Australia Act 2008* for Infrastructure Australia, the primary advisory body on transport infrastructure, to take into account environmental and sustainability considerations when advising on transport issues.

ANEDO submits that Commonwealth (and State) Government transport planning and infrastructure investment decisions, plans and programs should be determined by evaluation against sustainability criteria based on triple bottom line assessment.

For example, as adopted in s3A (a) of the *Environment Protection and Biodiversity Conservation Act 1999*, ANEDO submits that decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations. This approach would ensure that future funding will result in sustainable transport outcomes. It is not intended that the sustainability assessment necessarily impede new car-orientated proposals. It is proposed that the requirement for sustainability assessment ensure that, wherever appropriate, sustainable options are encouraged.

ANEDO therefore submits that the *Auslink (National Land Transport) Act 2005* be amended to require evaluation of all transport project approvals⁷ against sustainability criteria.

In addition, section 5 of the *Infrastructure Australia Act 2008* should be amended to require Infrastructure Australia to consider sustainability criteria when performing any of its functions under the Act.⁸

The lack of environmental assessment process at the Commonwealth investment level has also meant that communities affected by the use of public Commonwealth funds to

⁵ For example, the Act does not contain any environmental objectives. Its objectives only relate to “national and regional economic and social development”.

⁶ For example the “Black Hole” theory of highway investment.

⁷ with the exception of Auslink blackspot projects

⁸ Although beyond the scope of this review, an amendment that requires Infrastructure Australia to consider sustainability criteria when performing any infrastructure function under the Act, not just transport infrastructure, is appropriate.

drive transport projects have not been adequately consulted by the Commonwealth with regard to the effects on their community and environment.

Consultation under existing State development legislation is often tokenistic and too late, as major Commonwealth funding has already been secured for the project leading to a real sense of inevitability. The Acts should therefore provide for formal public consultation as part of the consideration of sustainability criteria.

(ii) Public Passenger Transport

The current Commonwealth funding framework is not specifically designed to promote public transport use, as it contains no programs to specifically fund:

- a. Public transport infrastructure (i.e. railways, bus-lanes, pedestrian and cycle paths) and services (multi-modal ticketing); and
- b. Demand-side planning initiatives (such as public transport-orientated development)

Australia is the only OECD country in which the Federal Government is not involved in funding urban public transport. ANEDO notes that Commonwealth investment in roads has taken precedence over urban public transport.

Whilst the Commonwealth Government's investment in land transport infrastructure under Auslink has been important in the upgrade of Australia's road and rail networks, ANEDO submits that the Commonwealth funding for public and active transport needs to be put on an equal footing with road infrastructure. As noted above, decision-making about Commonwealth infrastructure investments should seek to promote economic, environmental and social sustainability objectives, and as such should consider all alternatives against the same criteria. The *AusLink (National Land Transport) Act 2005*, the *Infrastructure Australia Act 2008* and other relevant legislation should be reviewed and amended to ensure that road infrastructure is not prioritised over public and active transport infrastructure. ANEDO also notes that investment in public transport systems may not by itself be effective to increase public-passenger usage unless Commonwealth investment or support is also delivered to urban planning initiatives which drive demand for public transport (such as public transit orientated development).

As noted in the Sustainable Cities report suburbs and developments on the fringes of cities particularly lack public transport infrastructure and are often designed in a way that makes provision of effective public transport services difficult. This means that there is currently no option but car use. It is therefore important that these areas be targeted.

Accordingly, ANEDO supports greater Commonwealth Government responsibility and funding to assist State Governments to improve and extend sustainable urban passenger transport infrastructure and services and to ensure that future planning and development is designed to facilitate public and active transport, including in the suburbs and outer city fringes.

(iii) Inter-City Transport

While in many cases distances make air travel the only feasible option, this is not always the case. Given the high impacts of air travel, Commonwealth and State investment should promote other options where possible. ANEDO advocates Commonwealth support to develop rail and other feasible alternatives to reduce the reliance on air travel where possible, such as a high speed rail link between Sydney and Canberra. Taxes on air tickets could be used to fund this and encourage its use. .

Whole of Government Sustainability Agenda

Even with the reforms discussed above, there is a real risk that sustainable urban transport will be elusive until a whole of government approach is adopted by the Commonwealth to achieve sustainable cities. With regard to transport investment, a whole of government approach would help to:

- Develop targets and objectives with regard to public passenger transport; and
- Prevent other government policy decisions from counter-acting sustainable transport initiatives (such as tax and housing policies);
- Reward other government agencies for actions with positive sustainability outcomes that do not contribute to that agency's core role (e.g. planning policies that have public health benefits, housing policies that have transport benefits) to ensure that other government sustainability initiatives are taken which are complementary to the promotion of public passenger transport (and vice-versa).

Tax Policy

ANEDO shares the Standing Committee's concern in the Sustainable Cities report that some Commonwealth Government policies may be unintentionally encouraging car usage (through salary packaging of cars and Fringe Benefit Tax concessions) and the purchase of less fuel efficient vehicles (through four wheel drive import concessions).

ANEDO submits that the Fringe Benefits Tax (FBT) concession poses a barrier to reducing car dependency. Under the FBT regime cars provided by an employer through salary sacrificing arrangements are not taxed at their full value, unlike other benefits. Rather, the FBT payable is calculated by reference to the extent to which the car is used for private use, with two methods available for ascertaining private use. Under the most commonly used method, the statutory formula method, the FBT payable decreases with the number of kilometres travelled, the assumption being, the greater the distance travelled, the greater the proportion of business travel and the lower the private use percentage.⁹ Therefore, for an employee provided with a car, there is an incentive to drive more to lower the FBT liability.¹⁰ Given that no similar concession is available in

⁹ Approximately 90% of car fringe benefits tax is calculated by the statutory method, which was developed to minimise compliance costs (and as a way of assisting the car industry). This is in comparison to the operating cost method ("log book method"), under which, the FBT payable varies with the extent of *actual* private use. The lower the incidence of actual private use, the lower the taxable value. See ATO website: <http://www.ato.gov.au/businesses/content.asp?doc=/content/52015.htm&page=2&H2>

¹⁰ Even though FBT is a tax on the employer, under salary packaging arrangements, employers usually pass on all costs associated with the car, including FBT, to the employee.

respect of public transport a bias exists in the tax system which favours private car use over public transport.

ANEDO contends that there are a number of options to address this: the FBT concession on cars be abolished; the statutory formula approach for calculating FBT liability be removed; the statutory formula method be retained (for the sake of easy compliance) but the statutory percentages be revised from the current reducing scale to remove the perverse incentive for more car use; or alternatively, the concession be extended to other modes of transport such as public transport (although this is not a preferred option.)

Another potentially distorting Commonwealth Government policy is the favourable import duty treatment of four wheel drives. The import tariff rate on four wheel drives is currently 5 per cent lower than for all other imported cars. Although initially designed to benefit rural users (mainly farmers), the lower tariff rate arguably provides an incentive for urban use of one of the least fuel efficient forms of passenger transport.

While ANEDO notes that import tariff parity for four wheel drives and passenger motor vehicles will be achieved in 2010,¹¹ it is unlikely that import duty parity will have a significant impact on purchase decisions. We submit that one option is to re-design the tariff system so that import tariffs are set with reference to the fuel efficiency of vehicles, reducing the tariff for more efficient vehicles and increasing it for less efficient vehicles such as four wheel drives.

ANEDO therefore supports the recommendations of the Standing Committee in the Sustainable Cities report that:

- the Commonwealth Government remove FBT incentives for greater car use and extend incentives to other modes of transport;
- the Commonwealth Government review the tariff policy on four wheel drives with a view to increasing the tariff rate on four wheel drive vehicles, except for primary producers and others who have a legitimate need for four wheel drive capability.

The FBT funds should then be redirected to support active and public transport.

ANEDO also notes that rural Australians currently have limited alternatives to private car use to meet many of their transport needs. It is therefore important that they be targeted with incentives to take up more fuel efficient and non-petrol fuelled cars. Such measures could include reducing the excise on LPG and diesel for rural consumers, or instituting a rebate on the most fuel-efficient new LPG and diesel cars for people in rural areas.

ANEDO therefore recommends that the Commonwealth Government consider mechanisms to increase uptake of more fuel efficient cars.

¹¹ Until 2005, imported four-wheel-drive vehicles attracted a tariff of 5 per cent as compared to 15 per cent tariff on imported passenger motor vehicles. In 2006, the passenger vehicle import tariff was reduced to 10%, and in 2010 it will be reduced to 5% to be in line with the treatment of four wheel drives.

As well as removing incentives for car use, tax policies that actively support sustainable modes of transport should be developed. For example, salary packaging or rebates for bicycles, car share schemes and public transport tickets should be developed.

Housing Policy

ANEDO also notes that Commonwealth Government housing policy has the potential to significantly impact public passenger transport initiatives, as it has a direct impact on planning and settlement patterns which drive demand for public transport.

Investment in public housing stock, rent assistance and home purchase assistance schemes should be reviewed to encourage development in accessible locations and to ensure that recipients can access public transport. Studies have shown that this would enhance welfare benefits (such as access to jobs, training and other services) as well as transport objectives. Green loan and other grant schemes should be extended to consider accessibility to public transport as well as building form. As noted above, housing and other government departments should be rewarded where their actions further transport objectives, and vice versa.

Policies and measures that could work against sustainable transport should be identified and revised. For example, various commentators have observed that programs like the First-Homebuyers Grant have driven car-dependent housing options (low-density detached housing in outer suburbs rather than consolidated living options such as inner city apartments). Other policy positions of Commonwealth Government have had similar effect, such as the Commonwealth's policy support for releasing more land for residential development on the urban fringe as an apparent solution to the "housing crisis" (again promoting car-dependent housing options).

Increasing efficiency of transport modes

Regulating the fuel efficiency and emissions standards of new motor vehicles can be a successful way to reduce greenhouse gas emissions in the transport sector. However we note that it does not adequately address any of the other environmental (economic or social) concerns of car dependency.

ANEDO notes that the Commonwealth Government has signed a voluntary agreement with the automobile industry, committing to reach an overall fleet average fuel consumption of 6.8 litres per 100km by 2010. However almost no progress has been made towards that target, with only one Australian manufactured car model having an efficiency of less than 10L/100km in 2006. The automotive industry failed to meet non-binding efficiency targets under similar agreements in 1983, 1987 and 2000.

ANEDO therefore contends replacing voluntary fuel efficiency standards for new motor vehicles with mandatory standards. Several countries, including Japan, China, the European Union, and the USA already have mandatory fuel efficiency standards in place.

Beyond mandatory standards, Federal Government procurement should be used to stimulate innovation in transport technology. For example, hybrid vehicles should be purchased for Commonwealth fleet cars.

Whilst we believe that a mandated fuel efficiency standard is appropriate for all new vehicles, ANEDO strongly advocates investment in public and active transport modes as the most effective means of reducing car emissions in the long term, and addressing all the environmental (social and economic) impacts in a holistic manner.

There is a need also to promote efficiency and innovation in public transport technology. ANEDO advocates increased investment in research and development of sustainable technology, and applauds the Commonwealth Department of Environment and Water Resources' support for WA's participation in a Clean Urban Transport Europe fuel cell bus trial. Inefficiencies should also be identified and support provided to address these, for example assisting States to move to a common rail gauge to enable future savings on rolling stock.

Promoting and increasing the use of active transport and living

ANEDO supports the provision of Commonwealth funding for the development and maintenance of programmes to encourage the shift from road travel to active and public transport.

The Commonwealth Government should provide adequate funding to develop new programmes that go beyond TravelSmart and the National Cycling Strategy, to promote and facilitate public and active transport options.

Such programmes are particularly relevant given that many vehicle journeys are less than 5km and so are likely to be a trip to the shops or the local school. As a result, ANEDO strongly supports a federally funded campaign through, for example, local councils supporting the used of alternative transport for journeys less than 5km.

In addition to demand-management programs, ANEDO supports the development of a long-term national transport plan to increase public and active transport. As part of this, funding and other support should be provided to States and Territories to develop Integrated Transport Plans for local areas to ensure that infrastructure provision contributes to social, economic and environmental sustainability.