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Public Submission to IPART on its Methodology paper for its review of train, bus and ferry fares for Sydney and surrounds

If IPART is maximising only the Welfare of NSW or Sydney residents, is there a risk of Commonwealth intervention?

IPART has a difficult task to set maximum PT fares according to the instructions and constraints given by the NSW Government.

The implication is that IPART is maximising the Welfare of the people of NSW.

If maximisation is required of the Welfare of all Australians, are different decisions needed which could risk intervention by the Commonwealth?

I invite IPART or the NSW Government to comment publicly about any limitations or risks for NSW of these narrow terms of reference.

Table 1 shows that the 25 per cent contribution of commuter fares to Sydney transport expenses is low compared to fellow cities.

The large public subsidy of \$3.75 billion per annum is going to existing commuters, who are already well off by Australian standards by living within ready access to our largest city.

The source of these public funds – from the NSW and / or Commonwealth Budgets – has many other competing demands.

The final (unintended) beneficiaries of this \$3.75 billion per annum could well be Sydney property prices, as workers pass on their gains to landlords and landowners.

The Commonwealth may see missed revenue opportunities and move to grab them. It may also wish to take the pressure off the Sydney property market for reasons of macro-economic policy.

Revenue from Commonwealth petrol and diesel excise can no longer be relied upon to grow strongly, even with the recent resumption of indexation.

- petrol and diesel vehicles will become more fuel efficient;
- electric vehicles (currently untaxed per se) will increase market share
- improved telecommunications may reduce the need for physical travel
- work and home and school may improve their co-locations
- walking and cycling will gain market share
- Public Transport will also gain market share

The Commonwealth may explore a tax base for vehicles of vehicle km travelled (vkt).

- Table 2 indicates about three (3) cents per person km travelled is being charged today, on the heroic assumption that passenger vehicles only use petrol. Further research would be needed to firm up this estimate.
- There are sound grounds on competition policy to tax all land personal travel in Australia on the same basis.

Sydney commuters travelling 15 km each way would pay about \$0.90 extra each working day.

IPART may consider leaving sufficient head-room in its maximum fares determination to enable the NSW to cream off such revenue before the Commonwealth thinks too hard.

The NSW government may welcome Commonwealth intervention in both the taxing and funding of Sydney commuter transport – especially funding infrastructure investment.

ACKNOWLEDGEMENTS

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Philip Norman

| Table 1. Commuter Fares contribution towards Public Transport Expenses | | |
|---|---------------------|--|
| | Percentage | Sources |
| Hong Kong | 186 | Annual Report MTR Corporation 2012 |
| London Underground | 90 | Transport for London Annual Report and Statement of Accounts 2013-14 |
| Berlin | 66 | Prof Phil Charles, University of Queensland |
| Zurich | 66 | Prof Phil Charles, University of Queensland |
| San Francisco | 60 | Prof Phil Charles, University of Queensland |
| Washington DC | 60 | Prof Phil Charles, University of Queensland |
| Australia | "less than a third" | Prof Phil Charles, University of Queensland |
| Sydney and surrounds | 25 | IPART for Sydney and surrounds |

Prof Phil Charles, University of
Queensland

What are Fair Public Transport Fares?"

<https://www.linkedin.com/pulse/what-fair-public-transport-fares-prof-phil-charles>

Table 2. Illustrative Estimate of Petrol Excise per person km travelled 2009- 2010, AUSTRALIA

Assuming that only passenger vehicles pay the petrol excise. I.e. all other vehicles pay the diesel excise.

| | | | SOURCE |
|---|----------------|---|--|
| Excise duty received - petrol | \$6,390 | \$m Year ended 30 June 2010 | Commonwealth Budget - Budget Strategy and Outlook - Budget Paper No.1 2010-11 Table 9: Excise and customs duty revenue |
| Vehicle km travelled in passenger vehicles in Australia | 163360 | million km Year ending 31 October 2010 | ABS Survey of Motor Vehicle usage: Data Cubes cat. 921055001 released 31 August 2011 |
| Vehicle occupancy rate | 1.2 | | Industry benchmark |
| Person km travelled in passenger vehicles in Australia | 196032 | million km | Vehicle km travelled * Vehicle occupancy rate |
| Excise paid per vehicle km | \$ 0.04 | in 2009-10 prices | |
| Excise paid per person km | \$ 0.03 | in 2009-10 prices | |