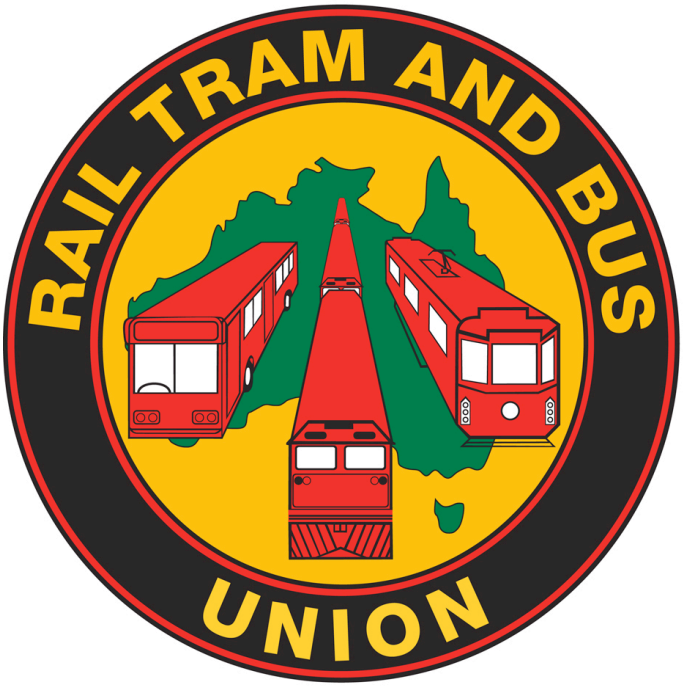

Rail, Tram and Bus Union (NSW Branch)

Submission to:

Independent Pricing and Regulatory Tribunal of NSW (IPART)

REVIEW OF CITYRAIL REGULATORY FRAMEWORK AND FARES

July 2008

Contents

1. Introductory Comments

The RTBU submission is in response to the two discussion papers released by IPART - *Determining Cityrail's Revenue Requirements and How it Should be Funded* – (abbreviated in remainder of submission as IPART Discussion Paper 1) and *Deciding on the Structure and Level of CityRail Fares* (abbreviated in remainder of submission as IPART Discussion Paper 2).

The Discussion Papers, released in June raise some important questions, and provide another opportunity to review the ways in which public transport policy, planning and pricing frameworks are constructed. The RTBU submission addresses some of the key questions posed through these discussion papers, and the underlying assumptions and research upon which they have been formulated. The RTBU submission addresses the discussion papers directly and by proposing issues and options that should be considered in any robust review process.

Many of the general comments and proposals contained in this submission reiterate more detailed collaborative research undertaken for and on behalf of the RTBU. In particular, it draws to IPART's attention, the document titled *"Moving On: The RTBU's Public Transport Blueprint for Sydney'* [1].

While acknowledging the limitations of the IPART review, and as IPART itself acknowledges: '*fare regulation only influences the portion of CityRail's revenue generated by fares, it is not possible for IPART to create effective incentives for efficiency on its own",* [2] the RTBU finds some aspects of the IPART discussion papers disappointing in the questions they fail to ask, and those aspects of the commissioned research reports which have been over- or under-emphasised to support the preliminary views of IPART on the key issues under review. The limitations within the brief identified by IPART imply that IPART should exercise prudence when determining the regulatory framework and fare structures, to ensure that they do in fact take careful and cautious cognisance of the broader policy, social and economic settings in which their conclusions will be located. An effective review of CityRail fare and revenue requirements needs to be explicitly located within the broad social and economic settings required of any government sponsored review of its own obligations.

1.1: IPART Proposed Model

The 'building block' model adopted by IPART to determine revenue requirements is flawed by its preoccupation with an accounting system based on full economic costs rather than focusing on full social costs and benefits. This reflects a lack of vision and imaginative responses to the major issues facing public transport discussion in New South Wales. It raises well worn arguments about whether the appropriate approach is to 'take account of the full economic cost of providing the regulated services' (Discussion Paper 2, p22) when the services are public assets which provide a wide range of 'public goods' beyond the immediate business of CityRail services, which involve profound social and community needs and expectations.

The RTBU has reviewed a number of the major submissions to IPART on the approach taken, and is inclined to endorse the views expressed by WSROC and others, in supporting a model which has as its emphasis the operational costs, rather than full economic costs. The IPART model includes capital expenditure such as the Epping Rail link, and presumably the more recently announced North-West Metro projects as items to be costed and recovered through a combination of government funding and fares. We believe that a model that emphasises the operational and maintenance costs is more appropriate than one that includes capital expenditure and returns on these investments (usually to Government as the sole shareholder). The obvious flaw in such an approach is the potential to account for such investment costs as 'double payments' by taxpayers or the broader community. These costs are more appropriately dealt with as legitimate infrastructure costs that should be borne by government and/or private investors. The risk to commuters and passengers on CityRail services is

[1] Prepared by the Institute for Sustainable Futures, University of Technology, Sydney, December 2006. The full policy document can be downloaded from the RTBU website: www.rtbu-nsw.asn.au
[2] IPART Discussion Paper 2, p.2

being required to 'pay twice' as taxpayers and as passengers. These relationships and responsibilities need to be explored more thoroughly in the review.

"*The discussion in the Issues Paper of the economic costs of the Government's subsidy to CityRail is also noted, but this does not examine the potentially huge social, environmental and economic consequences of withdrawing or substantially reducing the subsidy. The discussion of social costs of both road and rail networks also needs to be expanded. The social costs of roads for example do not fully describe the impacts on the city's overall economic performance caused by traffic congestion, especially the impacts on commercial and freight transport*"

For example, a health impact assessment of urban development which WSROC has coordinated in conjunction with Area Health Services illustrates the health costs of heavy car dependence in terms of obesity and other health problems. It also appears that the expanse of paved surfaces associated with roads may contribute to the "heat island effect" where urban areas can generate significantly higher localised temperatures. Consideration of these costs should be incorporated in the regulatory framework review. [3]

"*There are also no criteria proposed relating to the equitable provision of CityRail services in terms of geographic distribution, physical access for the disabled or in terms of addressing other forms of transport disadvantage. At the very least, given the significant taxpayer subsidy to CityRail, the ability of the rail system to maximise service coverage to as many taxpayers as possible across the metropolitan area should form a criterion. The criteria should also address broader issues relating to the important contribution rail services make to improving the overall economic efficiency of Sydney, for example in terms of reducing congestion*." [4]

The Ministry of Transport states in their submission that:

"The long run marginal cost approach promotes economic efficiency because, theoretically, customers compare the benefit they receive from consumption of an additional unit of a good and service with a price that reflects the cost of producing it; although similar incentives could be provided to consumers under both other options, for instance through differential pricing to reflect capacity." And "Building blocks may be less amenable to utilities with overriding equity objectives and social benefits. Railway passenger services have a range of social benefits attached to them, which accrue to both passengers and to the broader community."

"*Under the operating and maintenance approach, regulated revenues would be directly targeted as costs over which CityRail has day to day control, and for which its responsibility is clear. This approach is not as complex as the alternatives, and would be relatively easy for stakeholders to understand and comply with. While the exclusion of capital costs from this approach means it excludes a significant component of the cost of providing railway passenger services, the less "lumpy" profile of operating and maintenance costs would produce a consistent growth in required revenue and CityRail's cost recovery levels."* [5]

The RTBU would also like to frame its submission within the general sentiments detailed in a range of individual and consumer group submissions, highlighting the social disadvantage and equity considerations that need to be more prominent in this regulatory review. Many of these are captured in summary through the introductory remarks in the NCOSS submission:

"*Further, the need to adequately assess the issues that will be raised in the 2007/08 regulatory framework review, suggests that it would be premature for the regulator to support a significant*

[3] WSROC IPART Submission, March 2008, p9

[4] WSROC IPART Submission, p.2

[5] NSW Ministry of Transport Submission to IPART, May 2008, pp10-11

adjustment in fares. NCOSS recommends that there be no real increase for any CityRail ticket type in the 2007 determination." [6]

1.2: Reviewing full range of considerations that should influence any consideration of CityRail revenue needs and cost recovery options.

This IPART review, presents another ideal opportunity to rigorously review public transport and to propose innovative reforms for improved planning, management and investment in a range of passenger transport services. In addition to the commissioned research of IPART, the opportunity exists to closely scrutinise the data and evidence relating to concerns about public passenger transport, and examine some of the systemic failings of successive governments, and the limitations of current transport services and strategies.

IPART has asked and begun to answer a number of important questions, but has left a number of important questions unasked. Similarly, many of the assumptions of the model used in the preliminary considerations continue to repeat the historical mistake of attempting to quantify and determine the regulatory and pricing framework for passenger rail services as a commodity in the commercial marketplace, rather than as first and foremost a social service and community benefit. If the review proceeds on this basis, IPART may ultimately provide comprehensive answers to the wrong questions, and to this extent would be seriously flawed and extremely limited in its perspectives. This will inevitably mean that recommendations do not 'reform' so much as reconfirm past errors.

Much of the preliminary discussion and views proposed by IPART certainly fail on any test of objectivity. They often lapse into an apologetic defence of some of the major weaknesses in the Government's policy and funding of public transport, and more particularly, some of the major failings of RailCorp in managing and operating CityRail services more efficiently within a coherent and strategic framework. The discussion papers speak the language of the 1980s enthusiastic free enterprise approach to a competitive 'business' model for public services. This enthusiasm remains silent on the costs relating to corruption, poor management and related system inefficiencies that have been the topic of ICAC and media reporting for much of this year.

It seems to have largely escaped the Inquiry that there are issues of public services and community needs that must be addressed in any future outlook and planning of public transport services. Some of the proposed reforms in the guise of 'cost savings' identified in the L.E.K Report, such as removing guards or other station staff on some low patronage CityRail stations just misses the point of the role of these services in their local communities and the economic and social flow-ons of this sort of proposal, and repeats the same historical approach to managing the costs of rail services through nominal budget adjustments around wage control and staffing levels that has been in vogue since the railways commenced. The same enthusiasm does not extend to cost savings through cutting the heavy and overly high management levels, removing a culture of systemic corruption and poor management practices and accountability, and identifying incentives to streamline the management of CityRail as an efficiency measure and significant cost saving. The impact of these savings would have significantly less impact on overall service levels and quality than the removal of more frontline staff and services.

The preliminary review and its underpinning research, also seems to have failed to understand the particular requirements for transport infrastructure services in new estates to overcome isolation and dependence on private car use in may areas. There is no adequate assessment of extending a range of services, based on supply of such services creating its own demand. There is little attention paid to genuine or substantial ongoing incentives to passengers and the community to increase public transport use. The assumption contained in the preliminary views of IPART appears to be silent on the possibilities and benefits of reducing or in some instances removing fares as an appropriate inducement, and as an appropriate means of supplying this type of public service.

[6] NCOSS Submission to IPART, August 2007, p.4

The emphasis and focus of the report seems preoccupied with transport as a government budget item, rather than as a means to identify current failings and address future investment in viable and appropriate public transport services. The budget items are still selective and static, and while there is a desire, for example, to include capital investments costs and returns as legitimate considerations in fare determination, other revenue sources of CityRail or RailCorp derived from advertising, leasing , air space and related items, remain outside the accounting considerations as possible and real off-sets of overall operating costs. There is little consideration of how these revenue sources may be expanded to take on a more prominent internal 'subsidy' to operational and other costs. There is little incentive for CityRail to maximise these revenue opportunities And explore innovative initiatives, when the simple formula of government subsidy topped up by passenger fares encourages a high level of complacency and certainty.

IPART's enthusiasm for a user pays, cost-saving approach to transport services largely ignores the full social, economic and environmental value of an effective and efficient integrated public transport system. It is not apparent from the preliminary documents, how the proposed approach would in fact lead to greater efficiency, accountability and investment decisions by CityRail. The reverse could be argued using the same approach; that is, that as long as Cityrail is ensured a revenue source from government subsidy, and fare pricing tied to the same, and if capital investment is linked directly to these proportionate allocations, there may be little incentive for CityRail to do anything differently. The need for incentives and strict obligations to develop and maintain a world-class transport system with socially targeted and efficient, safe and reliable services should be paramount in any such review. The RTBU is hopeful that these and other major issues ignored or glossed over in the Interim Report will be re-visited and addressed in the final report of the IPART review.

The opportunity exists for the IPART review to facilitate a vision for public transport services that can inform a strategic response by the State Government, to urgent and pressing social, economic and environmental needs. The review, however, is being conducted in the absence of long-term strategic planning on public transport. Such a review should be informed by developments in other States that have developed 20 and 30 year strategic plans for public transport. A proper review should be first asking what role we want for public transport, what services are required or desirable, why do we want such services, who wants them and where, and who should pay for them? Once some of these key issues are addressed then the question of funding and maintaining the public transport system that we want or can imagine can be genuinely considered in the context of the overall projection. Instead, the review has started at the budget bottom-line and risks working backwards to fit services, fares and regulatory framework around budget items.

The RTBU has produced its own major research, and presents this submission to highlight some of the main failings of previous Inquiries, Reports and Reviews, in an attempt to promote a more serious dialogue to be facilitated on these major issues confronting the future of public transport in NSW. Through this submission and related activity, we will attempt to draw political, community and public attention and activity towards influencing the review in ways that turns its thinking and recommendations to a genuine strategy for sustainable public transport services that are equitable and meet the needs of a range of communities within the CityRail 'footprint' in NSW.

The focus of this submission is on those areas that the RTBU believes have not received adequate attention in the discussions around the IPART review to date, and on matters that need additional emphasis. Similarly, this submission proposes a number of options for addressing some of the key questions posed through the discussion papers. The discussion papers ask a series of specific questions going to the suitability of approaches or preliminary views expressed by IPART. This submission identifies broad support for submissions that have already addressed many of these questions directly, while focusing on the assumptions, factors and considerations that we believe need to inform any regulatory framework coming out of this review.

2. Transport Policy for Sydney

Until now, transport policies for cities such as Sydney have been dominated by a number of assumptions, all of which have now been brought into question. These assumptions include the idea that we can continue to rely on an unending stream of cheap and easily accessed oil to fuel our transport needs, that our quality of life can be measured by a simple reading of raw Gross Domestic Product numbers and that the consequences for both the natural and human environment of public and private consumption choices may be safely ignored. The recent release and debate around the draft Garnaut Report[7] on potential carbon emission trading schemes calls each of these assumptions into question. The UK Government's Stern Review on the Economics of Climate Change has enabled broad public debate on carbon emissions to occur, where before, the matters dealt with in the Report were easily sidelined by conventional thinking and assumptions.

The recent spike in oil prices has reminded everybody that it would be foolish to take the past abundance and relatively low price of oil as a 'given' for the future. People are increasingly calling into question the notion that increased consumption is an adequate proxy for the measurement of overall social health and well being. All of these things should be understood as a 'reality check' on the underlying assumptions and priorities of transport planners to date.

Since the County of Cumberland Plan, many plans and inquiries have grappled with Sydney's transport challenges but none has achieved the sweeping changes and injection of investment required to put the transport system on the path to sustainability. In 1995, the Department of Transport released an Integrated Transport Strategy for the Greater Metropolitan Region that sought to integrate transport and land use planning. The strategy defined multiple transport corridors where strategic transport opportunities existed and proposed initiatives for each. While some of these initiatives, such as the Airport Rail Link, have been realised, many failed to make it off the drawing board.[8]

In 1998, the NSW Government released Action for Transport 2010 [9], which proposed various actions to achieve VKT (Vehicle Kilometres Travelled) stabilisation. It sought a NSW-wide increase in public transport journeys to work from 20% to 30% and proposed numerous specific initiatives, from the provision of real time information at bus stops to an extension of the heavy rail line to Bondi Beach. A 2005 audit of progress by the Audit Office of NSW found that the NSW Government: " *is not succeeding in encouraging people to reduce their reliance on cars and promoting greater use of public transport. Private car use in NSW is now growing faster than population. We are...building more roads but many of the major rail projects in Action for Transport have not proceeded".* [10].

In 2003, a Ministerial Inquiry into Sustainable Transport in NSW (the Parry Inquiry) examined the funding and cost effectiveness of public transport in NSW. One of the conclusions was that: "*current arrangements are not delivering the most appropriate transport solutions to best meet the needs of the broad community. Taxpayers are not getting the best possible value from the large amounts of money being spent each year on public transport. This has been a problem for many years, facing governments from all sides of politics".* [11] The Inquiry recommended overhauling the management and workplace practices of public transport operators, asking passengers to pay a greater share of the costs of the system and examining the role of road use pricing in encouraging more people to use public transport.

In response to the Interim Report of the Parry Inquiry, the Institute for Sustainable Futures prepared *Our Public Transport: A Community View* [12] for the Labor Council of NSW, the RTBU, the Australian Services Union and the NSW Transport Unions. *Our Public Transport* established that far from being

[7] Garnaut Review Draft Report on Emissions Trading
[8] NSW Department of Transport, 1995
[9] NSW Department of Transport, 1998
[10] Auditor general's Report, 2006b
[11] NSW Government, 2003
[12] Campbell and White, Institute for Sustainable Futures, 2003

inefficient and too expensive, NSW's public transport is essential but has had short-sighted planning and long been under-funded. The report called for the continued development of a vision for our transport future in NSW, by and for its citizens; a vision that satisfies the needs of the community and can *"meet the challenges ahead and grasp the opportunities*" as promised in Action for Transport 2010. The report presented the views of community stakeholders and provided recommendations on how to move towards a sustainable transport future.

Many of the recommendations in *Our Public Transport* remain relevant and form the foundation for the RTBU Blueprint Policy Paper. Despite the Parry Inquiry findings pointing out many of the challenges facing people wanting to use the system, the Inquiry failed to comprehensively set out a funded overhaul. Government interpretation of the Inquiry included axing services (both at night and in regional areas) or replacing rail services with cheaper, lower capacity services. In summary, rather than improving the service, they reduced it, often in areas where equitable access was long forgotten. In 2004, the NSW Government released the Final Report of the Review of Bus Services in NSW (the Unsworth Inquiry). The report recommended consolidation of the many private bus services in Sydney into ten competitive franchise regions linked to a network of strategic bus corridors: These corridors reflect actual travel patterns, are anchored at regional centres and serve patronage generators such as district centres, campuses and hospitals. They will provide frequent, fast, convenient and direct services, integrate with local services, connect with other modes and provide a blueprint for improving bus priority measures. [13]

The NSW Government released the Sydney Metropolitan Strategy in 2005. Its vision is for a "City of Cities" – a 'metropolis made up of five regional cities (the CBD, North Sydney, Parramatta, Liverpool and Penrith) and 22 other strategic centres' [14]. The vision for transport is a positive one, focusing on improved local transport, better links between major centres within Sydney, improved access to economic activities and better investment decisions. The key access undertaking in the Strategy is to increase the percentage of the population living within 30 minutes by public transport of a major city centre, with the benchmark that in 2005, 80% of Sydney residents can access a major centre, regional city or global Sydney within 30 minutes by public transport. Two major growth centres are identified, in the north-west and south-west, with plans for extensions of the existing heavy rail lines to service each.

However, the transport strategy falls short of what is needed to achieve a sustainable transport system, worthy of a "world city". The proposed heavy rail links to the south-west and north-west will not be complete until 2012 and 2014-15 respectively, by which time a generation of residents will have lived in the north-west without access to public transport and established strong habits of car use.[15] The Strategy ignores light rail (which has significant potential to complement heavy rail in many urban centres within Sydney), does not plan sufficient public transport capacity to support growth and lacks a target for public transport patronage. The most recent development in transport planning in Sydney is the NSW State Plan, "A New Direction for NSW". Although it includes some welcome commitments for the bus network, such as implementing bus priority measures on 43 strategic bus corridors across Sydney, the plan is light on new rail initiatives. The plan is also weak on public transport patronage targets. It includes, for example, a target to increase the share of total journeys to work by public transport by only 3–5 % over the next 10 years.[16] Current growth in patronage, coupled with projections of protracted steady oil price increases suggest that these assumptions may already be redundant.

[13] NSW Government, 2004

[14] NSW Department of Planning, 2005

[15] Searle, 2006

[16] NSW Government, 2006 b

2.1: The state of Sydney's public transport

To date, there have been failings across many levels. The trend for reduced levels of Government debt has made it difficult to secure sufficient investment in public transport infrastructure. By 2002–2003, borrowings for the various states had reached very low, even negligible levels. The transport system in NSW has remained Sydney CBD focused, despite significant changes in retail and employment trends, with jobs and shopping moving elsewhere. In the face of this, the system has been inflexible and slow to respond. This has been exacerbated by massive land releases happening without simultaneous expansion of heavy rail or mass transit buses.

Meanwhile, many of the transport experts who were consulted during preparation of the RTBU Blueprint felt that the Commonwealth Government was denying its responsibility to contribute funding for major transport infrastructure projects in Sydney. The Commonwealth Government collects fuel excise from motorists but this money goes into general revenue and there is no clear mechanism for returning it to the transport system. In 2005, the House of Representatives Standing Committee on Environment and Heritage reported on its Inquiry into Sustainable Cities. [17]It recommended that the Commonwealth Government significantly boost its funding commitment for public transport systems, particularly light and heavy rail, in the major cities, with a particular focus on infrastructure for suburbs and developments on the outer fringes. This funding has not been forthcoming.

The Public Transport system in Sydney is at last undergoing a major upgrade. In the 2006–2007 Budget speech, the NSW Government announced $3.4 billion funding for railways and public transport, (an increase in funding for rail of over 18% on the 05-06 budget). These allocations were increased again in the 2007-2008 budget, and in March 2008, the NSW Government announced its plans for the North-West Metro system, to cost an estimated $12billion of a projected $50 billion investment program (the capital to be primarily funded from the private sector). While these announcements are welcomed, there is much more still to be done and there remains an emphasis on building new roads. At $3.3 billion, 2006–2007 marks the biggest ever roads program for NSW, with a total of $1.59 billion allocated towards road construction. [18]

As Sydney residents are all too aware, budget announcements and commitments are one thing, but on-the-ground implementation is what really matters and there have been many broken promises thus far. Continued neglect of Sydney's public transport system by all levels of government will threaten our economic prosperity, environmental sustainability and social equity. If we are to rehabilitate the transport system, we need to move forward with confidence that our actions will improve sustainability. Therefore, the next section defines the principles of a sustainable transport system as a starting point for identifying ways to improve Sydney's transport system. The evidence is clear. Study after inquiry after report has found that Sydney's transport system is unsustainable. But this is not about making the system financially profitable. The real costs of inaction will be felt in the short-term as the divide between Sydney's transport haves and have-nots is reinforced. In the longer-term, current trends indicate the economic prosperity of the city will stagnate as the city chokes on its own congestion. Constructing roads with private finance will no longer suffice. A shift in principles is required to begin radically reshaping transport in Sydney.

3. Sustainable transport principles

Transport at the turn of the century displays several unsustainable trends. Continued growth in the number of motorised vehicles and their use places major burdens on the availability of natural resources, notably oil. Emissions from the burning of motor vehicle fuel contribute to global and local damage to ecosystems and human health. Other concerns related to the use of motorised transport include traffic accidents, high noise levels that harm human health, and land use patterns that interfere with habitat, migration patterns, and ecosystem integrity. ~ OECD, 2002

[17] The Parliament of the Commonwealth of Australia, 2005

[18] NSW Treasury, 2006

In the *RTBU's Blueprint for Public Transport in Sydney*, a set of ten guiding principles are outlined as essential to underpinning any approach to sustainable transport policy and initiatives. The RTBU believes that these principles should be incorporated into and / or inform any comprehensive regulatory framework for determining appropriate pricing mixes, and finding appropriate economic, cost, and social benefit balances. In the opening comments to this submission, it was argued that the limitations of the IPART review and the role and impact if fare setting, must be considered within a broader policy framework that comprehensively addresses the full range of key issues affecting passenger and other transport in Sydney. Until such a framework is formulated, we believe it is premature for IPART to establish and implement a regulatory framework for CityRail in isolation of a more far reaching and inclusive policy framework.

The RTBU recommends:

- **That IPART refrains from proposing CityRail fare increases at least until its own regulatory framework component of the review has been comprehensively developed;**

- **That any regulatory framework developed by IPART for CityRail form part of a more comprehensive policy framework for sustainable public transport in Sydney;**

- **That commitment is sought for a long-term legislated plan for the development of a world-class public transport system for Sydney incorporating clear and enshrined targets to reduce private vehicle kilometres travelled (VKT) and increase public transport usage;**

- **That such a legislated plan set firm targets for increased public transport accessibility, frequency and quality, and these targets form an essential component of any incentives for RailCorp and CityRail to improve the efficiency of their services.**

- **The establishment of an independent NSW Transport Co-ordination Authority (a statutory body, reporting to parliament, with responsibility for transport planning and allocation of funds across all modes of transport) to oversee the development and implementation a plan for a sustainable, world class transport system for Sydney**

The RailCorp estimates, commissioned research by CRAI, and IPART discussion papers treat 'external benefits' of CityRail services in a limited manner, restricting much of the focus to road and road traffic congestion. While the reduction in private car use and vehicle kilometres travelled is a major external benefit of public transport, the flow-ons from this and other major benefits have not been adequately addressed. The following section of this submission highlights a number of these principles and their applications to particular areas affected by the IPART Review. A summary brochure containing the ten principles for sustainable transport is attached to this submission.

While we agree with a number of submissions that it is difficult to precisely quantify in dollar values, the major external benefits, or to agree on an acceptable cut-off point for external benefits, to attempt to do so beyond broad estimates may be a futile exercise. This exercise only becomes important as a guide to community costs and benefits, it can never be an adequate or objective costing forming the basis of revenue and fare pricing calculations or projections. At best it provides indicative values of the external benefits, the real value of which is not as a commodity, but as a quality of life value determined by the community. These value determinations may shift substantially depending on a range of other external factors and priorities, such as the importance placed on fuel price increase, or environmental impact of transport developments, global warming and concerns relating to carbon emissions. They will also be influenced by the standard and quality of public transport services.

3.1: Access and quality

3.1.1: Access Principle 1:

People have a right to access other people, places, goods, services and opportunities.

Transport is not something that people demand in its own right. Rather, people demand the access to other people, places, goods, services and opportunities that a transport system provides. In other words, a transport system enables the exchanges that are the basis of an economy and a community. Sydney's transport system is currently failing to enable such exchanges to the extent that its citizens deserve and that is expected of a world city. Accessibility requirements vary with the type of trip. For local trips, pedestrian and cycling facilities to encourage walking and cycling should be prioritised. For intra-city trips, the priority is to provide reliable, frequent public transport services. For inter-city trips, fast public transport services are a priority..[19] The transport system needs to respond to this hierarchy of different access requirements. Access can be constrained in several ways. First, where public transport options are available, they may be priced in such a way as to be unaffordable to some people. Sydney's Airport rail link, for example, is unattractively expensive - a one-way adult ticket from the Airport to Central or vice-versa currently costs more than $12, about four times the cost of an equivalent journey on the publicly owned rail network User charges have been increasing in real terms. IPART data shows that since 1992/93 rail fares have increased in real terms by 24% and bus and ferry fares by 15% [20] This is also an equity issue as many people in Western and South Western Sydney are denied access to integrated ticketing products that generally provide substantial discounts

Second, an area may be poorly served by public transport. Either the public transport network does not reach the area or services are infrequent or unreliable. The residents of Sydney's outer western suburbs, for example, have never had a decent rail system. Commuters from the Central Coast, Blue Mountains and Campbelltown endure slow, unreliable trips. Third, the time taken to reach particular destinations may make particular trips unattractive, essentially making them inaccessible. Sydney's rail system has no separated inter-city express rail lines, despite promises such as a designated Sydney to Newcastle line by 2010. This means that the system has little capacity to offer express services to long-distance commuters and is not competitive with car travel for inter-city business trips. Finally, some people may be physically unable to access the public transport system due to inadequate provision for people with disability. In Action for Transport 2010, the NSW Government promised to implement an Easy Access program on CityRail, where by 2010, 100 stations will have been re-designed to include lifts, ramps, wheelchair access toilet and tactile tiling. [21] However, many stations in the CityRail network remain inaccessible for people with disabilities. For example, North Wollongong station, the second most used station on the South Coast Line, has no wheelchair access. [22] The NSW Ministry of Transport's assessment in June 2006 states that: "*only 28% of stations in the Sydney CityRail network have disabled access, meaning that rail travel is simply not an option for many disabled people*". [23]

Although access to public transport in Sydney is constrained in different ways in different locations, solutions are available:

• Accessibility can be improved by extending the reach of the transport system so that access points are in close and convenient locations, at both ends of the trip.

• Accessibility can also be improved through diversification of transport options, providing people with choices that meet their particular access needs. Diversity is important not only to provide people with choices but also to ensure that the transport system has the resilience to keep functioning if a particular mode becomes temporarily unavailable. Of course, the benefits of diversity need to be

[19] Wachs, 2002a

[20] IPART Annual Report 2004-05 p.49, cited in pers. comm. W. Gardiner, NCOSS, 27 September 2006

[21] NSW Department of Transport, 1998

[22] Physical Disability Council, 2006

[23] NSW Government, 2006b

balanced against the inefficiency of having taxpayer-funded public transport modes competing with each other.

• Physical accessibility can be improved through appropriate design of stations and vehicles. Accessibility improvements have already been made to Sydney's bus fleet, all new buses purchased since 1996 are wheelchair accessible (NSW Government, 2006b). More improvements, particularly on the rail network and initiatives such as wheelchair accessible taxis, are encouraged. All new transport projects should include consideration of physical access needs in the planning stage.

• Economic accessibility can be improved through initiatives such as the NCOSS proposal for an affordable Day Fare ticket for public transport users across the Greater Sydney Metropolitan Region (2006). NCOSS has proposed an all day ticket to enable Sydneysiders to travel on all bus, rail and ferry services for $10 adult, $5 concession, with an $8 integrated ticket for the Blue Mountains, Illawarra, Lower Hunter and Central Coast [24] Community transport provision also plays a vital role in both economic and physical accessibility (see section 3.5). Initiatives such as Manly Council's Hop, Skip and Jump mini "freebie" community bus service promote economic access for a range of user groups.

• Sound urban planning is also important to concentrate trip generators in areas that have good access to multiple modes of transport .The City of Cities concept adopted in the Metropolitan Strategy pursues this kind of planning approach.

3.2 People and communities

3.2.1 Equity Principle 3: *Governments and transport planners and developers should be bound by a framework that ensures the equitable distribution of basic transportation resources to meet the needs of all people including men and women, young and old, the poor, the disabled and those living in outer suburban or rural areas*.

Access to quality transport options is not evenly distributed across Sydney. Transport systems rarely provide equal access for everybody. Inevitably, certain areas are better served by the transport system than others. This raises issues of equity and social justice – is it fair that some people should be denied reasonable access to economic and social opportunities because they are unable to afford a car, or live in an area that is poorly served by public transport? Principle 3 identifies three aspects of equity that require attention in a sustainable transport system: social, spatial and inter-generational equity.

Social equity requires that all members of the community have fair access to transport and the opportunities that it brings. In other words, no particular social group in our society should be denied access to transport. Transport systems that fail to provide adequate services for elderly people, people with mobility impairment, those on lower incomes or those that do not have access to a car, reduce social equity. A sustainable transport system needs to be physically and economically accessible to all people. There have been significant improvements in physical access to public transport in Sydney through the introduction of wheelchair accessible buses and programs to upgrade rail infrastructure. However, more could be done to improve equity of access. Sydney remains a city where the poor have poorer public transport options and are more exposed to increases in fuel prices.

Spatial equity requires that people across Sydney have access to a reasonably equal standard of transport services, regardless of their geographic location. [25] While there will always be appropriate geographical variations in the availability of transport services, Sydney is characterised by some glaring spatial inequalities. In particular, parts of outer western Sydney are very poorly served by public transport. In these areas, not having access to a car constitutes a significant disadvantage. Car dependency also contributes to social inequity. The combination of low average incomes and high car dependency means suburbs like Camden and Wollondilly, the Blue Mountains and Penrith, are particularly at risk as oil and petrol prices fluctuate. People living in these areas that do own a car have few alternative transport options, so they are exposed to rising petrol prices and congestion.

[24] NCOSS, 2006a
[25] Stone, 2000

In contrast, people in eastern Sydney often have a choice of transport modes and there are parts of Sydney in which not having access to a car is no great disadvantage. Opportunistic private sector financing and the varied application of ad hoc refund systems means even access to the road network is inequitable across Sydney – for example, motorists on the M5 and M4 can claim a taxpayer-funded refund (albeit limited to certain vehicles and trip types) and those on the M2 cannot. [26] Sydney residents commuting similar distances to the same workplace from areas served by toll roads often have much higher weekly transport costs than others served by public roads. The current system is characterised by transport haves and have-nots. The Sustainable Cities report noted that a lack of public transport often increases social division within Australia: "Higher income groups tend to be located in well-serviced, inner urban areas where they are mobility-rich; while lower-income groups tend to be located in poorly-serviced areas, often at the fringe of cities where they are mobility-poor" [27] The report recommends specific funding for sustainable infrastructure for suburbs and developments on the outer fringes of cities.

A review of the provision of public and community based transport services is clearly needed. Improved integration of services to the transport disadvantaged will make a major contribution to providing more equitable access in Sydney. Specifically focus is required on people with disabilities and people with mobility issues as a result of ageing. This group is increasing as a proportion of the population and meeting their access needs will accordingly become increasingly important. Intergenerational equity requires the transport needs of the current generation to be met without compromising the ability of future generations to meet their own needs.[28]

Major concerns here relate to the environmental impact of the transport system (discussed previously) and the depletion of scarce resources such as oil. Therefore, for many low-income households, transport costs are significant and consume a comparatively large proportion of household expenditure. Within Sydney, outer suburban areas with low socio-economic status populations and suburbs that have high levels of car dependence, will be the most affected by increases in fuel costs. [29] Currently, Sydney's transport system meets the needs of the present generation unequally, at the expense of future generations. Much more must be done, and done quickly, to address the social, spatial and inter-generational inequities inherent in Sydney's transport system. Far from optional or guiding, the responsibility for equity needs to be binding on professionals and governments providing transport because it is inherently an essential service.

The RTBU recommends:

- **That high priority must be given to initiatives that will improve transport equity in Sydney**
- **The extension of public transport options, particularly to western and south western Sydney;**
- **Improved planning for the provision of public bus and light rail services as 'feeds' to the heavy rail network;**
- **A review of the provision of public and community-based transport services with a view to improved integration of services to the transport disadvantaged with a specific focus on people with disabilities and people with mobility issues as a result of ageing;**
- **Acceleration of the Metropolitan Rail Extension Project;**
- **More equitable distribution of road tolls accompanied by incentives for public transport usage, especially targeted at areas where road tolls dominate transport options.**

[26] Baker and Norrie, 2006
[27] The Parliament of the Commonwealth of Australia, 2005
[28] Stone, 2000
[29] Dodson and Snipe, 2005; NCOSS, 2006b)

- **The Transport Co-ordination Authority establish authentic, participatory processes to guide transport planning at the metropolitan, regional and local levels.**

- **Better public transport information services, for example the integration of public and private timetabling into the 131 500 service.**

3.3: Economic viability

3.3.1 Efficient asset and resource use Principle 9: *Transportation systems must maximise the use of, and return on, transport assets and resources through better planning and accountability measures, while maintaining their long-term sustainability.*

The large government capital expenditure in transport systems necessitates an efficient use of transport assets. A number of operational issues compromise maximum efficiency. Firstly, the capacity of the transport system is only required about 15-20% of the time, specifically in the AM peak two-hours and in the PM peak. The rest of the time the road network operates well under capacity, often mostly empty. Transport networks therefore need to have capacity to cope with a peak load much higher than their average operations require. Economically, this low usage rate is inefficient but, because most road system costs are not paid directly, motorists are not influenced to change their travel patterns. This means that for many hours of the day expensive assets are either empty (roads) or idle (vehicles).

Supportive strategies to change the times of day some people travel (to flatten out peak loads) could be implemented to reduce this inefficiency. Many government resources also exist at the local scale but better use could be made of these. Resources sitting idle, such as community transport vehicles used for only a few services each week, could be shared or used for other kinds of service. Effective services, meeting the needs of target communities, are very important in terms of a return on the capital resources outlaid. Local government is an active provider of local transport for some special needs groups. These transport assets may be able to be managed more collaboratively to provide additional transport options for local areas. Fleet management and planning experience may be a necessary supporting measure government could provide. Space efficiency is not clearly addressed in transport planning. The transport network requires a significant proportion of land in Sydney. Up to 40% of Australian urban areas is occupied by infrastructure for cars, including roads, car parking, service stations and manufacturing facilities. [30] Much of this is parking space, which is frequently empty. Transport modes with high capacity, such as heavy rail, make more efficient use of space. A given area of land dedicated to a heavy rail network can transport many more passengers than the same area of land dedicated to a road network. This reduces overall land use impacts. The use of land for both roads and parking spaces, to provide services for multiple vehicles with very low occupancy, is economically inefficient. The failed management of the transport system therefore contributes to the expense of land in Sydney and hence record housing prices. Sydney has traditionally been a low-density city with a high degree of centralisation, in that the transport network is focused on the CBD. [31] However, major centres are emerging outside the CBD and the current planning approach supports this development. As noted in earlier discussion in this submission, integrated planning is needed to increase urban density around high-capacity transit nodes in major centres and reduce the tendency for urban sprawl.

3.3.2 Economic efficiency Principle 10: *Transportation systems should be cost effective, now and in future, and transportation decision makers must move as expeditiously as possible towards fuller cost accounting, reflecting the true social, economic and environmental costs, in order to ensure that users pay an equitable share of costs.*

Economic efficiency, defined as "*maximising the benefits which users can gain from the transport system, after taking account of the resources costs of provision and operation of the transport system*"

[30] Campbell and White, 2003

[31] Troy and Smith, 2002

[32] should be a core objective of transport policy. Economic efficiency involves reducing key costs such as travel time, whether caused by congestion, inadequate service provision or unreliability, and reducing and accounting for environmental and social externalities. Externalities, and mechanisms for accounting for them (including congestion charging and environmental taxes based on the 'polluter pays' principle), are discussed further in below. In a speech to the 1996 Sydney Transport Summit, Malcolm Turnbull stated that: "*Sydney faces road congestion of around 33 seconds per kilometre. This may sound insignificant, but if a person were to travel 10,000 km in a year throughout Sydney, this would be equivalent of losing almost four days each year*". The roads in Australian cities are becoming increasingly congested. Approximately half of total urban VKT is currently performed under congested traffic conditions. [33] That is, the travel is typically done on roads with either heavy congestion (involving average traffic speeds of less than a third of that possible on those roads under free-flow traffic conditions) or interrupted flow (where traffic is moving at around half that of free-flow or unimpeded speeds). [34] Congestion is the result of demand exceeding supply. A road user joining a congested traffic stream is contributing to the marginal social costs of other road users in the congested traffic stream by further slowing the flow of traffic. As the road user does not pay for this cost, the result is excess consumption and inefficiency. Due to this inherent economic inefficiency, road building as a mechanism for reducing congestion does not work. More roads simply result in more traffic, due to the effects of induced traffic growth.

The NSW Government's favoured policy, as evidenced by actual, on-the-ground initiatives, is therefore inherently flawed from the perspective of economic efficiency. Congestion, as an economic externality, imposes significant costs on society. The BTE estimates a total cost of approximately $12.8 billion per year due to traffic congestion in major Australian cities (with Sydney currently experiencing costs of around $6 billion per annum, significantly higher than any of the other major cities). If nothing is done, the total cost of Australian urban congestion could rise to about $29.7 billion per year by 2015 (Bureau of Transport and Regional Economics, 2000). Transport policy should support the economic growth and vitality of a city or region, not impair it. Transport can improve access thereby increasing opportunities for economic exchanges. High levels of congestion, however, undermine economic growth and can lead to economic decline. This is because businesses' operating costs increase and customers go elsewhere. Interactions between the economy and transport issues are complex and not well understood, but there is evidence that transport problems can cripple economic regeneration. Congestion trends, if not addressed, could begin to undermine Sydney's economic strength and its position as a 'City of Cities'. Sydney's transport system should sustain rather than corrode its economic vitality.

The absence of a well-planned sustainable transport policy, with service-focused objectives, can result in inefficient expenditure on transit. For example, expenditure to increase the size of the bus fleet may be ineffective if at the same time, measures are not taken to provide priority bus routes or otherwise ease traffic congestion. Increasing congestion in Sydney may mean that additional expenditure is required to maintain current levels of service, rather than providing improvements in service. Improvements to the transport system should be addressed holistically to optimise economic efficiency.

World Bank-funded research, found that cities (such as Zurich, Copenhagen and Stockholm) that emphasise walking, cycling and public transport are: "healthier financially and spend less of their wealth on transport costs". The report compares these cities, which spend only four to five per cent of their wealth on transport, to cities, including cities in Australia and the US, that are predominantly investing in roads and are using up to 17% of their wealth on transport [35]. ABS 2003–2004 figures show that the average Australian household spends as much on transport annually as they spend on housing. North American, Australian and New Zealand cities also have the highest levels of car ownership in the world with over 500 cars per 1,000 people. Evidence from the Millennium Cities

[32] May, 2004

[33] BTCE Report 94, p. 312, cited in Bureau of Transport and Regional Economics, 2000

[34] Bureau of Transport and Regional Economics, 2000

[35] cited in Kenworthy et al, 2005

Database, (a database providing data from 100 cities from all continents for the year 1995) challenges the view that building roads is good for the economy while public transport is a financial drain. Database results suggest that the wealth of a city does not consistently explain patterns of increased energy use and motorisation.

Overall, those cities with higher public transport use spend a lower proportion of their wealth on passenger transportation and are therefore more economically efficient. Cities based around high use of private vehicles are less economical partly because of the higher passenger transport energy requirements to generate an equal quantity of wealth in such cities. "*In the US cities in the [Millennium Cities] database, 2.4 MJ of passenger transport fuel are used for each dollar of gross regional product generated. In the less car-oriented European and wealthy Asian cities, the figure is 0.8-0.9 MJ per dollar*". [36] Data for Australia for 1990 show that cars in Sydney are the most energy intensive form of transit; buses are roughly three times more efficient and trains are even more efficient [37]

The energy intensiveness of Sydney's rail system was at this time one of the lowest for all cities, reflecting high patronage and electrification. Public transport is therefore significantly less energy intensive than cars. Glazebrook believes the same is likely to be true for infrastructure, particularly rail-based infrastructure that has a much longer life than roads. Collectively, this evidence suggests that continued investment in roads at the expense of public transport is misguided and potentially economically destructive. The NSW Government should take immediate steps to enhance the economic efficiency of Sydney's transport system by investing in high-priority public transport initiatives that would both ease congestion and reduce energy use.

3.3.3 Peak oil The energy intensiveness of Sydney's transport system will become increasingly important as cheap, easily accessible oil supplies diminish. UITPANZ states "*it's now clear that the age of low-cost energy is coming to an end and that, over the next 10 to 20 years, many of us will not be able to afford to drive the distances that we presently cover*". Indeed, as oil supplies and carbon emissions constraints increase, investment in fossil-fuel based transport systems is likely to become increasingly uneconomical (UITP, n.d). Presently the full costs of fossil fuel use are masked because externalities are not fully accounted for, and the fossil fuel industry benefits from a variety of subsidies. Recent estimates put total direct financial road transport subsidies in Australia at more than $6.2 billion annually [38].

Oil is a finite resource, therefore no one can contest that supplies will eventually run out. What is currently debated is the point at which we will hit peak oil, that is, the point at which production rates start to decline. Some peak oil advocates believe this will happen within the next 5-10 years, although the data on global oil resources are very unclear. Not all analysts agree that peak oil will be reached so soon, but even so, there is acceptance that permanently higher fuel prices are an inevitable reality.

In 1998, the Chartered Institute of Transport in Australia (CITIA) released a statement addressing this issue: We have reached a crucial stage in the development of our local, national and international transport services. Our present path is leading us into potentially serious economic, social and environmental problems. New directions are needed for our future transport fuels and vehicles. 'More of the same' in our current transport plans and ways of thinking is no longer tenable... The unlimited use of cheap oil that has characterised this century will end and we will be faced with one of the greatest transformations of human affairs. The statement also calls for:

"development of greater understanding and awareness of these crucial issues and for their consideration in all policy formulation and decision making relative to the future of transport and fuel in Australia " [39]. Food production requires fertiliser, the manufacture of which is heavily fuel

[36] Kenworthy et al, 2005

[37] Glazebrook, 2002b

[38] Riedy, 2003

[39] Chartered Institute of Transport in Australia, 1998

dependent. As the present Oil Age ends, transport requirements may well be de-prioritised in favour of agriculture. Urban car travel is arguably the least necessary transport priority and new urban road projects can therefore be seen as "disastrous investments" [40]. There is currently no feasible alternative to oil for powering high-speed passenger aircraft; therefore, aviation is possibly the mode most vulnerable to future energy problems.

Rail transport, on the other hand, is much less vulnerable. Rail is inherently more energy efficient than road transport (lower friction, easier grades and fewer interruptions) and can also potentially be powered by whatever fuel is most economical at the time. Kilsby believes that rising prices will probably hit Australia's diesel fuel first and Australian transport users therefore need to be weaned off diesel use. The impacts of higher oil prices are already being felt in Sydney, with ferry and bus operators calling for an increase in fares to reflect higher fuel prices and the Commonwealth Government offering financial assistance to vehicle owners to convert cars to LPG. The impacts of fluctuating petrol prices are experienced differentially across Sydney, with those most dependent on car travel being most greatly affected. This reinforces existing economic inequities. Those least well provided for in terms of public transport often live in areas of low average income, such as Penrith, Wollondilly and Blacktown, and these people are further economically penalised by the necessity of car dependence. Crucially, Sydney needs to move away from increasing, energy-intensive car dependency and instead begin to plan for and build-in resilience to future oil shocks by investing in less energy-intensive and non-oil dependent transit options. Planners will need to fundamentally rethink the robustness of plans for major infrastructure projects or other programs in the face of variations in future energy scenarios [41]

4. Funding and pricing the transport system

The current policy and funding platform for Sydney's transport infrastructure as outlined in the [Metropolitan] Strategy will provide Sydney with what could be called a 'business as usual' infrastructure future. All indications are that this future will essentially be a continuation of the current policy environment, in which the government, on behalf of the community, trades off between lower investment in order to deliver a budget surplus in exchange for lower quality services that come with lower investment. Quite simply, 'balanced books' are being traded off against worsening transport.

> ~ Sydney's transport infrastructure: the real economics – Centre for International Economics (CIE), 2005

The full cost of addressing Sydney's transport problems will depend on what initiatives are implemented and how and when they are implemented. What seems clear is that the total cost will not be met from current funding sources. This section of the paper looks at potential alternative sources of funding for Sydney's transport initiatives. Inextricably linked with funding, is the issue of transport pricing. There is agreement that current pricing arrangements do not capture, as they should, the full cost of transport provision. In particular, the costs of environmental and social externalities are not fully captured in current pricing arrangements. Here pricing is considered in terms of revenue raising (funding), cost-recovery and behavioural change.

4.1 Funding

4.1.1 Current funding: Sydney has adopted a 'stop-go' approach to funding public transport investment in the last 30 years. "Every decade or so, funds are made available to undertake a major project, but these tend to dry up shortly thereafter" [42]. It is important to secure guaranteed ongoing, annual funding for development of Sydney's public transport system to enable implementation of a long-term improvement plan and to achieve the undertakings set out in the NSW Government's Metropolitan Strategy. Funding must be sufficient to provide for new infrastructure and ongoing

[40] Fleay, 1998, cited in Kilsby, 2002

[41] Kilsby, 2002

[42] Glazebrook, 2002a

operating and maintenance costs; "*the mere building of infrastructure is of little use unless the guaranteed operating resources are available to ensure that service quality is also improved in areas such as frequency, comfort, security, reliability, etc*" [43] .

Currently transport in Sydney is funded from a variety of sources:
• User payments including: public transport fares, registration charges (Motor Vehicle Tax) and fuel contributions from road users (Commonwealth Government fuel excises) and road tolls;
• Government funding including: Community Service contributions (covering concession fares), untied road fund allocations, public transport service delivery funding and direct capital works funding; and
• Other revenue including: non-operating revenue such as property rent and net debt. [44]

There is widespread agreement that current public transport funding is insufficient to provide Sydney with a system of adequate quality and scope. The goal of transport funding should be to support provision of "*a high level of accessibility for all Sydneysiders consistent with limiting the harm done to the environment*" [45]. The emphasis should be on improving the quality of services. It is vital that the available funding is directed wisely. Historical spending on the transport system as a whole has been inefficient. A focus on building motorways to reduce congestion has only led to greater congestion. At the same time, spending on public transport has often been poorly targeted or based on public-private funding models that have not worked.

More effective use of existing transport funds could go a long way to providing the funds required for a world-class transport system. A new injection of funds is needed, however, to ensure a level of quality, reliability and speed sufficient to attract current car drivers to more sustainable transport, in other words, to make public transport a realistic and viable alternative to car use. As public transport benefits the entire community, the cost should be shared by the community, rather than relying solely on fare revenue. Successive Warren Centre Community Values studies indicate that there is community support for increased spending on public transport and that politicians underestimate the community's preparedness to change.

4.1.2 Required funding: The Committee for Economic Development of Australia (CEDA) estimates that the total value of rail and road infrastructure under-investment is $18 billion Australia wide. This under investment covers the deficiency in meeting current demand only [46] Funding is required for capital works, maintenance and operations. Based on estimates provided by SRA and STA, the Parry Inquiry found that the total costs to maintain existing CityRail, Sydney Buses, Newcastle Buses and Ferries, and Sydney Ferries services will be nearly $2.7 billion per year to 2010 [47]. Therefore, the expenditure required to operate public transport services in NSW in a 'steady state' is expected to increase substantially to 2010. Clearly much more will be needed to fund improvements. A recent study by the Centre for International Economics (CIE), analyses the social cost of road transport and from its analysis, derives a maximum justifiable expenditure to address these worsening costs of between $800 million and $11 billion in present value terms in 2005 (note this is only the expenditure justified to prevent social costs from rising above 2005 levels and is subject to simplifying assumptions) The Warren Centre has called for an increase in funds available for long-term investment in developing Sydney transport of an additional $500 million per annum. Glazebrook indicates the need for a potential investment of $19 billion in public transport development including heavy and light rail, ultra-light rail, buses, ferries and multi-hire vehicles over 20 years [48]. As a first step then, the NSW Government should commit to continuous, annual funding at the level needed to deliver the improvements in public transport that Sydney deserves.

[43] Warren Centre, 2002a
[44] Pettigrew, 2002
[45] Kirwan, 2002
[46] CEDA 2005, p. 22, cited in Centre for International Economics, 2005
[47] NSW Government, 2003
[48] Glazebrook, 2002a

State Government Spending Initiatives Announcements

About one-third (just over $530 million) of the capital spending 'announced' in 2006 is for continued spending on two current initiatives: the, Rail Clearways and the Epping-Chatswood Rail Line. While these are important initiatives, the announced spending is certainly not a new investment commitment. Construction of the South West Rail Link (SWRL) is scheduled to commence in 2009, but the Budget papers indicate only $34 million is for this project, despite land acquisition cost estimates of more than $70 million for one-third of the corridor ($75 to $85 million for the section between Edmondson Park and Leppington) [49]. Investment in rail rolling stock represents a key step forward. The level budgeted ($275 million) is close to what experts estimated was needed ($200 to $280 million) each year to maintain and grow the fleet. [50] The $36 million set aside for bus purchases in this Budget will give the STA 86 new buses for use on the Sydney and Newcastle networks. The budgeted purchase seems disproportionately small when cities such as Brisbane, with bus fleets less than half the size of the STA's, will purchase 71 new buses in the 2006–2007 financial year [51]. It also appears low in light of the NSW Government's own commitment to purchase more than 1,000 new clean diesel and natural gas buses over the next seven years [52] The State Infrastructure Strategy (SIS) is a very important commitment by the Government to long-term investment and some $15 billion of projects are foreshadowed. Detailed funding allocations in the plan indicate where about one-third of this will be spent. Of the $5 billion detailed in the SIS, more than half is for Rail Clearways and the Parramatta Chatswood Rail Link. It would be a disappointing ten years to come if we can expect only two major projects and two new rail corridors (NWRL and SWRL). The Clearways Projects is especially important because it is network development that should have been implemented progressively. However, this infrastructure catch-up game cannot be an acceptable reason for avoiding network development and growth over the next ten years.

In November 2006, the NSW Government announced it would spend $660 million fixing some of Sydney's worst roads and improving train and bus services. Although this amount includes provision for bus lanes, there is provision for further road investment including duplication of the Iron Cove Bridge [53]. The latest budget announcements, and the announcement in March 2008 by the Premier of an allocation (of private investment) of $12billion for the North-West Metro to run between St James Station and Rouse Hill (as a revision to the north west rail link), to provide the cornerstone of a $50billion development. While all contributions to public transport are welcomed, expenditure needs to be framed within a long-term, coherent, strategic plan with meaningful goals and targets, not piecemeal, ad hoc announcements in the run-up to an election

4.1.3 Commonwealth Government

It is appropriate for both the Commonwealth and NSW Governments to have a role in the provision of funding. The Commonwealth Government is responsible for Australia's economic performance and the efficiency of the transport system in Australia's largest city is a significant influence on economic performance. In line with this, the Sustainable Cities report recommended, "*the Australian Government significantly boost its funding commitment for public transport systems, particularly light and heavy rail, in the major cities*" [54]. The report also notes that the Commonwealth Government's Auslink program does not provide for sustainable transport as the funds are mainly being spent on traditional road infrastructure. The Committee recommended investigating options to extend the Roads to Recovery program to include other modes of transport.

[49] Transport Infrastructure Development Corporation, 2006

[50] Christie, 2001

[51] Newman, 2006

[52] NSW Government, 2006

[53] Baker and Clennell, 2006

[54] The Parliament of the Commonwealth of Australia, 2005

The Planning Institute of Australia's (PIA) submission to the Sustainable Cities inquiry drew attention to the lack of funding for rail infrastructure. There is no designated Commonwealth funding program 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'. For example, the US Intermodal Surface Transportation Efficiency Act (ISTEA) provided a strategic investment framework for transport provision and dedicated Federal funding over a period of 5 years. The Commonwealth Government collects fuel excise and it is appropriate to return a proportion of this money for development of the transport system. It is not clear what proportion of Commonwealth fuel taxes are currently directed towards transport funding. One estimate puts the return to NSW roads from the Commonwealth Government to be about 11% of fuel excise [55]. There is currently an 'artificial' federal/state divide in Sydney's transport funding arrangements. While the Commonwealth Government controls policies such as the planned expansion of Sydney's airport, there is little federal funding assistance for the impacts of such policies on the wider transport system. The resulting increase in traffic on Sydney's roads is likely to have serious knock-on consequences for local residents in particular, and Sydney's transport system as a whole. There is therefore a strong case for additional Commonwealth funding to support development of Sydney's transport system.

Taxation and tariffs The Commonwealth Government plays a role in influencing transport choices through taxation and tariff setting. Currently, people can choose to salary sacrifice for the novated lease of a car and taxation rules 'incentivise' travelling longer distances. Employees are able to use pre-tax dollars to cover lease payments and running costs on a vehicle and fringe benefits tax (FBT) is then payable. Under this arrangement, the further a person travels a year, the less tax is assessed. Such concessions are not available for other forms of transport and therefore the system encourages car use. In evidence given to The Sustainable Cities inquiry, Dr Chloe Mason stated that in Sydney, some 50% of car use during peaking hour is estimated to be a result of concessional car use [56] As recommended by the Inquiry Committee, the Commonwealth Government should review these arrangements to ensure that other forms of transport are prioritised over cars. Regulation affects not only distance travelled, but also car purchase choices. The import duty on four wheel drive cars is 10% lower than for all other imported cars. These cars have lower fuel efficiency and higher environmental impacts than other cars. The Sustainable Cities report also recommends review of this tariff policy.

Despite the clear case for Commonwealth Government funding assistance and taxation reform, the NSW Government should not use Commonwealth inaction as an excuse for State inaction. The NSW Government should press ahead with commitment of additional funding and consideration of alternative funding mechanisms discussed below.

The RTBU Recommends:

- **A commitment to continuous, annual and substantial State and Commonwealth funding to the development of a world-class transport system in Sydney:**
- **Commonwealth Government to allocate a proportion of fuel excise to support the development of public transport in major cities;**
- **NSW Government to adopt an integrated resource planning approach to identify the most efficient allocation of resources;**
- **NSW Government to identify and commit to additional funding mechanisms and to enshrine the chosen mechanisms in legislation;**
- **Use appropriate planning and accountability measures to support the development and integration of new transport infrastructure;**
- **Investigation of the application of emissions trading to transport in NSW**

[55] Pettigrew, 2002

[56] The Parliament of the Commonwealth of Australia, 2005

4.2 Pricing

As well as being a potential source of revenue to fund new initiatives, pricing should cover the full costs of service provision, including the costs of environmental and social harm. Exceptions can be made where there is a social or environmental basis for subsidisation, for example, cross-subsidisation of public transport by road users. Public transport fares should be *"set to cover the marginal cost of the level service that is not funded by other revenue streams*" [57]. The CIE study supports the view that car users are currently heavily subsidised by society as a result of hidden costs, namely environmental and social externalities – congestion, accidents, greenhouse gas emissions and air pollution - as well as subsidisation from the RTA. CIE estimates the total subsidised costs to be in the region of $18 billion in 2005. [58] There are additional hidden subsidies in 'free' car parking at work, retail centres and other public facilities such as sports grounds. In reality, free parking at retail centres is subsidised by the price of goods and hence public transport users. There are also issues of perception.

Evidence presented by Glazebrook to the Sustainable Cities inquiry suggests that the average person perceives the cost per passenger kilometre for car use as being 6 cents compared to 11 cents for trains and 20 cents for buses. When externalities are accounted for however, the real costs per passenger kilometre for cars, trains and buses are 86 cents, 47 cents and 57 cents respectively [59]. Individuals therefore perceive only a fraction of the true cost. To encourage public transport use, parking policies and road pricing must be considered. Fully-fledged road pricing "*under which each road user would meet a charge that reflected the direct and external costs of road use, varying by locality and time of day*" [60] is an ideal, but in the short-term, less ambitious schemes need to be considered. Pricing should more accurately reflect the full costs of service provision, even if absolute precision is not possible.

An important issue is whether any new funding/pricing method will be an additional tax or income stream, whether it will be a replacement for existing methods and therefore fiscally neutral, or whether it will be a reallocation/ redistribution of funds. Any new or different charging regime to cover the direct costs of providing transport infrastructure could be introduced as a substitute for existing charges, leaving the total burden unchanged. To achieve this, some taxes, such as stamp duty on vehicle transfers may have to be abolished [61] . The exception is charges to cover externalities, such as environmental and social costs, which, should be used to address the impacts of those externalities or recycled back to public transport users.

Transparency and hypothecation are key to public acceptance - transparency of funding and pricing, and hypothecation of transport pricing charges to transport funding [62]. There should be clear links between pricing revenue streams and transport funding. There is however, currently little transparency in the transport pricing and funding system.

4.3 Funding and pricing mechanisms In 2003, GVA Grimley conducted a study for the Royal Institute of Chartered Surveyors (RICS), London region and Policy Unit [63], in which they reviewed potential 'innovative' funding methods for funding London transport infrastructure schemes. To assess the various funding schemes the authors developed a set of criteria and a taxonomy of funding methods based on existing literature. The criteria were based on previous studies but modified to suit the needs of the RICS study.

[57] Kirwan, 2002
[58] Centre for International Economics, 2005
[59] Glazebrook, 2006
[60] Kirwan, 2002
[61] Keane, 2002
[62] Kirwan, 2002
[63] Whelan, 2003

The RICS study assessed each method in relation to the following evaluation criteria: revenue potential; operational costs; practicality; transparency; transferability; acceptability; and effectiveness. The taxonomy organises funding methods according to the following factors:

• Whether they represent an approach based on the polluter pays principle
• Methods that are essentially general taxation based
• Methods that are mainly based on the 'beneficiary pays' principle, although this may overlap with the general taxation approach
• A 'non-specific' approach that also falls into the general taxation category, namely state grants and loans. Funding mechanisms discussed in the literature are categorised in Table 1 using the RICS taxonomy structure:

Table 1: funding Mechanisms

Taxonomy	Funding Method
Polluter Pays	1. Road charging: o Road pricing mechanisms including Congestion charging or CBD cordon toll
	2. Workplace parking and parking charges: o Increasing CBD parking levies
	3. Motor tax: o Hypothecation (allocation) of Commonwealth Government fuel taxes to public transport (discussed above) o Increases in car user taxes, including environmental taxes o Increases in public transport fares
General Taxation	4. Consumption tax A. Sales Tax B. Gambling Tax
	5. Employer tax: o CBD employee/payroll tax such as France's Versement Transport
	6. Cross-utility funding
Beneficiary Pays/General Taxation	7. Property-related taxes: o Betterment tax o Sale of airspace over transit facilities
	8. Development Charges: o Increasing Section 94 contributions and developer levies o Developer bonuses to encourage contributions to public transport development
	9. Bond financing
Non-specific/General Taxation o Reallocation of NSW roads budget to transit	o Federal Government assistance (discussed above)

The methods listed in the bullet points above and additional funding sources, are briefly analysed below. Contributions from consumption tax and cross utility funding are not considered:

4.3.1 Road pricing The primary objectives of road-pricing are economic efficiency and mitigation of environmental and social impacts. A further objective is to raise revenue, either to fund transport or as part of general taxation. Economically optimal road pricing involves levying charges that cover the difference between private costs of road use, such as vehicle operating costs, and the marginal social cost of road costs, such as damage to roads, increased risk of accidents and environmental externalities [64](. Road tolls A September 2006, Sydney Morning Herald article drew attention to the current inequalities in Sydney road tolls, estimating that some drivers pay up to $4,000 a year in tolls, while others in different geographical locations pay as little as $165 a year. The article discusses a system whereby the Government would collect a distance-based rate, as already happens on the M7, then divide the revenue among the operators, in other words, a network toll, rather than separate road tolls. A funding option for public transport is to continue levying tolls on toll roads after current concession periods expire and allocating the revenues to public transport. [65] Congestion charging A vehicle entering a congested traffic stream contributes to social costs, such as time costs of other road users, by further slowing the traffic stream. Congestion charging involves levying a charge on road users to cover the gap between private and social marginal costs. This would cause some road users' behaviour to change, thereby easing, but not eliminating, congestion. Congestion charging improves economic efficiency and government gains the additional revenue. There are however issues of acceptability because it can be shown that road users themselves are worse off on average. It is also important to ensure that there are adequate public transport services in place to offer alternatives to road use, otherwise increases in road pricing could discriminate against those who lack access to public transport.

Cordon toll Cordon pricing is described by Harvey (2002) as a "coarse form of congestion pricing" because the price does not vary with distance travelled, time or geographical location. It could however, be the first step towards more comprehensive congestion charging. A CBD cordon toll, such as that introduced in central London, could be considered for Sydney and Parramatta CBDs, using an electronic tagging system. Such a system could help to raise revenue for public transport and reduce congestion, improving overall economic efficiency. It could also, however, have a regressive impact on low-income car owners. Implementation in Parramatta may also be problematic as there are fewer alternative transport options available than in the CBD. Implementation of a cordon toll should be preceded by community consultation.

4.3.2 Parking levies An alternative to the cordon charge that was considered in London, is workplace parking charges. Wachs (2002) cites evidence that removing or reducing parking 'subsidies' is an unpopular but effective mechanism for reducing car dependence. A Parking Space levy has been operational in Sydney CBD and North Sydney/Milsons Point since 1992. In June 2000 it was extended to Bondi Junction, Chatswood, Parramatta and St Leonards. A rate is levied on commercial and office parking spaces and, according to the Ministry of Transport, the revenue is used to finance public transport infrastructure. In 2002–2003 collections were around $45 million (Ministry of Transport, 2006). The current levy rates could be increased as a means of further discouraging private vehicle transport and raising revenues to fund public transport. There is also a need for greater transparency in the allocation of revenue.

4.3.3 Car user taxes and environmental taxes As discussed, road users do not currently meet the full cost of externalities associated with road use. Environmental taxes could be imposed through annual vehicle licence fees, or perhaps more directly through fuel taxes. Pricing of externalities should match the costs of externalities as closely as possible, although arriving at an accurate assessment of the cost of externalities is problematic. Such taxes may serve several purposes – revenue raising, cost-covering and potentially behaviour-changing, although it is difficult to assess the likely impact on behaviour. NCOSS also cautions against cost reflective pricing to avoid penalising growth

[64] Harvey, 2002
[65] Baker & Norrie, 2006

communities, communities in decline and low income people [66]. Plans to increase or introduce new taxes should take these concerns into consideration.

4.3.4 Increases in public transport fares Some commentators (although we have argued to the contrary elsewhere in this submission) support a limited increase in public transport fares, with the provision that any such increase is clearly linked to improvements in services. The Parry Inquiry concluded that, *"There is a strong case for transport users to contribute a greater share. In particular, transport users can reasonably be expected to contribute to the additional funding that is required for improvements to the current system—as long as they do benefit from this additional investment*". This is a view not shared by the RTBU or the arguments put forward in this submission.

4.3.5 Payroll tax A further option is a CBD transport tax on employers. The rationale behind such a tax is that the concentration of activity in business centres, makes provision of public transport to such centres a necessity. Businesses benefit from this provision and the economies of agglomeration but they do not pay for the diseconomies, such as congestion. In France, businesses over a certain size in concentrated centres are subject to a quasi payroll tax known as the Versement Transport. Introduction of such a system in Sydney is likely to be more contentious than say, an increase in parking levies, since the parking levy system is already well established. There is also a risk that such a levy could result in relocation of businesses to areas that may be less well serviced by public transport.

4.3.6 Betterment tax This refers to development of mechanisms to recoup the increased value received by property developers and owners of commercial premises when rezoning or construction of public transport infrastructure increases land value. One such mechanism advocated in the RICS report for London, is Tax Increment Financing (TIF) [67]. Using this mechanism, local government can carry out improvements in an area without raising taxes, to attract businesses. The tax increment is the difference between the amount of property/rating tax revenue generated before the creating of a TIF area or district, and the amount of property/rating tax revenue generated after designation. TIF involves the issuance and sale of tax-exempt governmental revenue bonds to finance public infrastructure redevelopment, and subsequent ring-fencing of a proportion of the incremental growth in property tax collections to secure repayment of the TIF bonds.

4.3.7 Sale of airspace Development of airspace over transport interchanges and corridors (including roads) is another way of capturing some of the increase in land value that arises from the consolidation of commercial centres and development along the transit corridors. This is already happening in Australia and further development is encouraged.

4.3.8 Section 94 Contributions/developer levies Section 94 of the Environmental Planning and Assessment Act 1979 (NSW) gives Local Councils the power to levy contributions from developers for public infrastructure required as a consequence of their development. There is no uniformity, however, in the amount that developers are required to contribute, or the way in which contributions are spent. There is no legislative requirement for developers to invest in, or contribute to, public transport infrastructure. '*Our Public Transport* 'calls for an increase in Section 94 developer contributions based on the contribution a development makes to traffic generation [68]. Ideally, the levy should take into account the estimated total vehicle kilometres generated annually by the development, based on the nature of the development, its location and the amount of parking provided [69]. Developer levies could also be implemented for re-developments. The Sustainable Cities inquiries found that state governments and/or developers should be required to include transport infrastructure to new developments and that this should be incorporated in the planning approval process [70]

[66] NCOSS, 2006a, and Submission to the Ministerial Inquiry, p3, cited in Campbell & White, 2003

[67] Whelan, 2003

[68] Campbell and White, 2003

[69] Glazebrook, 2002a

[70] The Parliament of the Commonwealth of Australia, 2005

4.3.9 Developer bonuses Some commentators have supported proposals to offer bonuses to developers who contribute financially to public transport. The Parry Inquiry interim report proposed offering rights such as floor space bonuses subject to the payment of a transport levy (NSW Government, 2003).

4.3.10 Reallocation of NSW roads budget to transit As already noted, there is community support for greater spending on public transport at the expense of the roads budget. Despite this, the dominant trend over a number of years has been to build more roads at the expense of public transport initiatives. There is clearly a case for a reallocation of spending from roads to public transport. New South Wales' 2006 budgetary documents confirm that more expenditure is required for public transport.

4.3.11 Private sector finance The RICS study concludes that it is vital for government to continue to support the funding of transport improvements, but that private sector investment would continue to play a part [71]. The Sustainable Cities inquiry cites the view that the PPP model is underused and could be advantageous "*as long as monopolistic power is not exercised and that the safety of road users is not compromised by the return expected by investors*". The report also concludes that PPPS will remain a significant aspect of future transport infrastructure provision, at least to some degree. The role of private sector finance is likely to be limited when infrastructure projects, (such as light rail), are uneconomical to finance, build and operate [72]. The record to date in Australia has been mixed. Privately financed initiatives, such as the troubled Sydney Airport Link, have been strongly criticised. There is some support for the view however, that the private sector has matured in its acceptance of risk in major transport infrastructure projects. The experience with a number of major transport PPP projects such as the Airport Link and a number of major toll road projects, call this 'maturity' assumption into serious question.

At the 2006 Sydney Transport Summit, John Martin, (Head of Structured Finance, ABN Amro), presented an analysis of trends in Australian infrastructure investment demonstrating that private sector investment has been steadily increasing for the past 4 years [73]. Martin highlighted a series of successful PPP/Private Finance Initiative (PFI) transport projects, although the majority of these are roads projects. Successful examples of PPP's in Australia for public transport are limited, and there is a risk of 'cream skimming' in which high return routes are selected for private sector roles, and less economical routes are left for the public sector. PPPs should therefore be treated with caution. Where PPP arrangements are used, they should incorporate sustainability principles [74]. PPPs should not be used to perpetrate the myth that public transport can be achieved at "no cost to the taxpayer". They should, however, clearly identify where risk is borne and by whom, and transparency about no hidden taxpayer subsidies if projects fail to meet their targets. If exorbitant charges, such as occurred on the airport line are to be avoided, there will need to be some contribution by the taxpayer and to promote any other concept is misleading.

4.3.12 Government borrowing In recent debates about the decline in investment in infrastructure in Australia, the trend for reduced levels of debt has been raised as a key indicator. As Tanner (2005) notes, by 2002-03, Australian government debt is amongst the lowest in the OECD. The Allen Consulting Group, in a report for the Property Council of Australia (PCA, 2004:20), suggest that government debt is a very appropriate means of funding the provision of infrastructure. The contribution of future generations to servicing this debt is reasonable, given that they will benefit from the availability of this infrastructure. There is also strong community support for this form of transport funding. In the most recent Warren Centre Community Values survey, respondents were at least three times more likely to 'agree strongly' that funding transport improvements be by public (state government) borrowing than by any other funding method in the survey [75]

[71] Whelan, 2003

[72] Keane, 2002

[73] Martin, 2006

[74] The Parliament of the Commonwealth of Australia, 2005

[75] 10,000 Friends of Greater Sydney, 2006

4.3.13 Other mechanisms Other potential funding mechanisms that are worthy of note include:
• Mandatory contributions from insurance companies: the rationale for such a mechanism is that insurance companies benefit from their customers using public transport – reduced car use means fewer accidents and fewer claims. As beneficiaries therefore, insurance companies could contribute to development of public transport.

• Allocation of some part of land tax revenues, from residential and commercial properties, to public transport: like a betterment tax, this would also capture the benefits of increased land value however, tend to be unpopular.

5. Concluding Comments

5.1: Promoting Public Transport

The brief of the IPART review is to develop a framework, that amongst other things, contains incentives for CityRail to operate more efficiently, at lower cost and with more transparent accountability. Yet there is little in the research or discussions to indicate that beyond cost-savings and systems adjustments there is anything that will create these incentives.

There are two sets of data presented in the discussions that are of particular relevance to this aspect of the review. Namely, the Booz, Allen Hamilton research on price elasticity, and the projected CityRail patronage figures. Fare elasticities for CityRail tickets is –0.29, which implies that 'for a change in fares of 5 per cent, passenger journeys will decrease by 1.5 per cent; and for a change in fares of 10 per cent, passenger journeys will decrease by 2.9 per cent. [76]

The historically consistent growth rate in patronage figures of 1.3 per cent (and projected growth of 2.5 per cent) suggest that the decision to use Cityrail services is largely left to individual passenger choice, with growth predicated on a proportion of the community choosing to use public transport for their own personal reasons, and that this will increase accordingly with population growth. This approach strongly suggests that there is no active effort to promote an increase in patronage. There is ample evidence, highlighted by major special events such as the 2000 Olympics or the World Youth Week, that when people are warned of immediate and imminent and unacceptably high levels of congestion and inconvenience (in the order of future projection levels), and when public transport service provision to meet these demands are promoted and clearly explained, that they are readily prepared to utilise these services more than they would under normal circumstances. A concerted promotion of these services and their advantages could be assumed to result in a significantly higher increase in regular patronage than the projected growth figures reflect. These figures provide a base that is 'business as usual' rather than a deliberate strategy to build the business.

5.2: Fare Pricing as Incentive

The discussions do not apply sufficient attention or rigour to the potential of more innovative fare structures playing an important role in patronage of CityRail services. In any review of appropriate pricing, there needs to be detailed consideration of fare pricing options. The IPART review discussions remain within their own circular arguments on these questions. The model used then follows its own logic back to its original assumptions. We have argued that if the approach of full economic costs are the base, and these are off-set by a restricted view of external benefits, which result in a short-fall that must be met by fare paying passengers, then other important considerations are excluded from the discussion and outcomes. These figures and proportionate distribution of burden can shift substantially when even the internal assumptions are expanded or estimates become more inclusive.

For example, a number of submissions have identified the vagueness of selecting and estimating 'external benefits' to the broader community, and by implication argue that the approach taken by IPART may be too restrictive or limiting. IPART emphasises the road congestion and related

[76] Cited in IPART Discussion Paper 2, p 53

environmental impact, yet views a family social outing or people accessing a range of other social, recreational or economic services as primarily a 'private benefit' to the passenger. This is a curious perspective in that it can be argued that each and every individual use of public transport, while providing a personal benefit, always provides a greater external benefit. To put it simplistically, the use of public transport for recreational or social purposes means that the individual or group is not using private vehicle for the same purpose, with all the identified flow-ons from this. Similarly, the utilisation of public transport to access health, employment or other services, may also be viewed as of 'private benefit', but ultimately it is of greater value for its external benefits of not only reducing private vehicle usage and road congestion, but also may have the additional benefits of taxpayers not having to purchase more community transport services, relocation of health and other facilities, and additional infrastructure related to these. We would argue that all public transport usage can be viewed as attracting legitimate external benefits which substantially increase these estimates within the IPART model. That is, if a more expansive view of external benefits is used, it may be argued that the full economic costs are outweighed by the external benefits flowing from this pubic investment. Using the same model adopted by IPART, it would follow that the proportion of revenue required by passengers is either neutral or a negative amount, which would require no fare increases, and without much stretch potentially no fares.

Likewise, the IPART Review started from the position that a review of fare pricing implicitly meant determining appropriate fare increase. This statement was made by the IPART Chairman, Dr Keating, in media releases on the review:

" *clearly fares will have to rise, but that rise should be seen to be justified. CityRail passengers should not be asked to pay for inefficient costs, but they should pay their fair share of the efficient costs of the services they use."*

If we applied the same modelling to a range of other public services that are legitimately viewed as services that should be provided by government through the distribution of tax revenues, it would be severely weakened. Depending on the definition of 'efficiency' used, if the model was applied, for example to public education or public health services, the external benefits would be assumed to outweigh any requirement for significant contribution by the individual users of the services. We continue to have conceptual difficulty viewing public transport in the same terms.

Recent developments in integrated ticketing between private bus operators in the Greater Western Sydney region, have been promoted as a streamlining that will reduce the ticket price, attract substantial increase in patronage and expand the individual business operations. The scheme which is scheduled to be implemented in October 2008, has been reported in the media and statements by the Bus and Coach Association and private bus operators in the area as both an improvement to services, a reduction in cost to the passenger, and a significant business expansion opportunity that will result in increases in buses and bus services in the region.

Therefore, with a slightly different focus, the review could and should shift to an emphasis on exploring the incentives that may be contained in heavy discounting of fares, fare free travel, and the expansion of categories of concessional travel. One measure that has been taken in other jurisdictions to address some of the more obvious and immediate external benefits of public transport in a proactive manner, is the system introduced in Victoria of free travel at selected and advertised times to attempt to spread the commuter peak periods, relieving, through this spread, road traffic congestion and public transport congestion during these periods. Similar schemes are under consideration in New South Wales. The assumptions underpinning these approaches appear to be that the loss of fare revenue under these circumstances is considerably outweighed by perceived external benefits.

The RTBU Recommends:

- **That a thorough investigation of heavily discounted fares, fare free travel and expansion of categories and circumstances of concessional travel be conducted in any fare structure determinations.**

- **A comprehensive and direct requirement on CityRail to allocate designated resources to actively promoting services and offering incentives for regular and potential passengers to use the services in a more ways and for more varied purposes than presently is the case.**

- **Any regulatory framework identifies clear performance benchmarks for CityRail in meeting promotional and patronage growth targets.**

- **An integrated ticketing system across transport modes, and the possibility of travel zones at local and regional levels**

- **Increased disincentives for private vehicle use**

- **Social marketing and education programs to promote public transport;**

- **Development of incentives to encourage people to use public transport, for example, offering tax deductions or higher rebates for those who purchase six or twelve monthly travel passes.**

Funding and pricing structures are enabling and supporting mechanisms. New pricing and funding mechanisms should therefore not be introduced in isolation but as part of broader transport planning and land use strategies [77]. A variety of methods will probably be needed to raise the required funds. The success or failure of any particular method will depend on the circumstances of its introduction and implementation. The RICS study make a series of recommendations for the introduction of innovative funding mechanisms including: phasing in, building from initially simple schemes, linking charges to needs and reducing other taxes to compensate the biggest 'losers'. Good communication of new schemes to the public will also be essential to acceptance [78].

There are a number of tasks for the NSW Government in planning the funding of Sydney's transport future. The starting point must be a clear commitment to continuous, annual and substantial funding for the development of a world-class transport system in Sydney. There must be a realistic assessment of the cost of achieving sustainable transport objectives and of optimal funding allocation.

In order to carry out this planning effectively, there needs to be a clear policy framework in place that is underpinned by coherent concepts of the social and economic roles of public transport and the full range of social benefits that are derived from a world-class public transport system. These concepts need to be informed by principles to guide the planning processes and strategies.

In conclusion, and in addition to the recommendations already proposed,

The RTBU Recommends:

- **Pursue and fund specific high-priority initiatives in the short-term while establishing the long-term plan;**

- **Resumed planning of the Epping-Parramatta heavy rail link;**

[77] Kirwan, 2002

[78] Whelan, 2003

- **Electrification of the Southern Highlands rail line and the Kiama-Bomaderry rail line;**
- **Planning of the North-West metro project, based on the ten principles for sustainable public transport contained in the RTBU Blueprint.**
- **Overhaul of fare structures to take into account multi-modal trips and ensure that multi-modal tickets can be purchased across all existing and new public transport modes. There is no reason why existing computerised ticket sales systems should not be used as point of sale for multi-modal trips across NSW;**
- **A comprehensive examination of new and existing light rail and bus proposals with a view to rapidly implementing several of the proposals with the highest merit;**
- **Use targeted programs to support the move from 'car preference travelling' to supporting a 'public transport**

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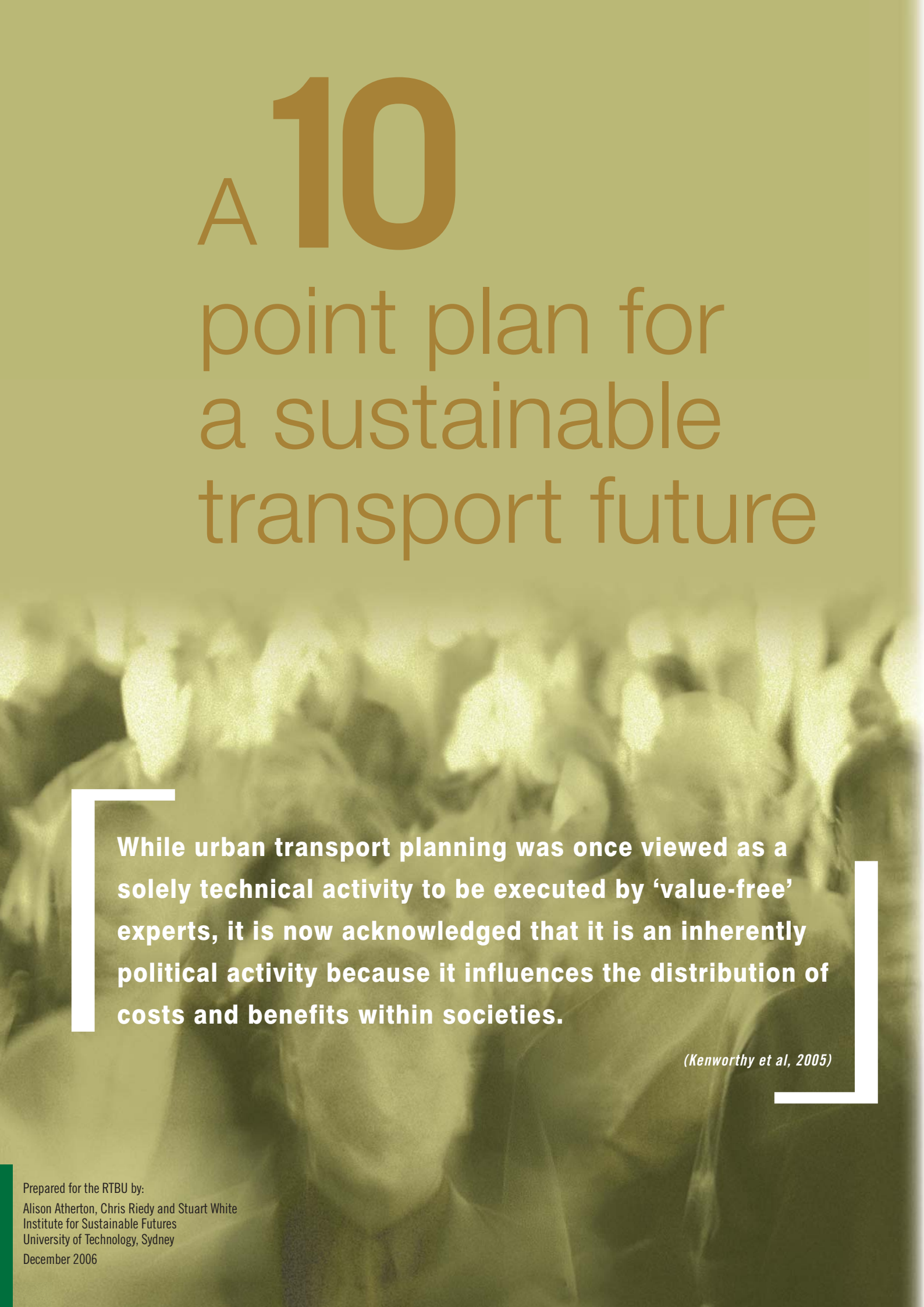
Moving On

The RTBU's Public Transport Blueprint for Sydney

RAIL TRAM AND BUS UNION

A 10 point plan for a sustainable transport future



While urban transport planning was once viewed as a solely technical activity to be executed by 'value-free' experts, it is now acknowledged that it is an inherently political activity because it influences the distribution of costs and benefits within societies.

(Kenworthy et al, 2005)

Prepared for the RTBU by:
Alison Atherton, Chris Riedy and Stuart White
Institute for Sustainable Futures
University of Technology, Sydney
December 2006

This document summarises the Rail Tram and Bus Union's (RTBU) Transport Blueprint. The Blueprint recommends ten key policy changes that would help to deliver a sustainable transport future for Sydney. The full Blueprint *(Moving On: The RTBU's Public Transport Blueprint for Sydney)* is described in a longer policy paper available online.

Most of the recommendations outline fundamental structural changes needed to develop a sustainable public transport system rather than identifying specific transport initiatives. Current State and Federal Government planning and decision-making frameworks for transport in NSW hinder the transition to a sustainable public transport system. Framework focus on short-term planning governed by election cycles, without guiding principles or sufficient investment to permit long-term commitments. The recommendations in the Blueprint provide a framework to identify sustainable public transport policy initiatives consistent with the expectations of New South Wales taxpayers and transport users for public transport that is safe, accessible, efficient and effective.

The RTBU urges all political parties to consider and adopt these policy recommendations in advance of the NSW election in 2007. Without significant change, New South Wales' and Sydney's continued economic growth will be threatened and the negative impact on our community and the environment will be exacerbated by the growth of transport modes that are neither fuel-efficient nor socially equitable. Only long-term thinking supported by immediate action can deliver a public transport system that reflects Sydney's status as a world city.

Current State and Federal Government planning and decision-making frameworks for transport in NSW hinder the transition to a sustainable public transport system.

Public transport must be appropriately priced, fast, efficient, close, reliable, frequent and safe.

1 Commit to a long-term legislated plan for a world-class public transport system in Sydney that provides a real alternative to car use.

The history of transport planning in Sydney indicates a lack of long-term political commitment to the development of a public transport system which is capable of challenging increased car use as the only solution to transport challenges. To be attractive, public transport must be appropriately priced, fast, efficient, close, reliable, frequent and safe.

THE RTBU CALLS FOR

- A legislated plan for the development of a world-class public transport system for Sydney incorporating clear and enshrined targets to reduce private vehicle kilometres travelled (VKT) and increase public transport usage
- A clear VKT reduction plan to accompany the VKT target
- Firm targets for increased public transport accessibility, frequency and quality.

2 Commit continuous, annual and substantial State and Commonwealth funding to the development of a world-class transport system in Sydney.

The development of a world class public transport system requires changes to both funding sources and funding priorities. Efficiency of funding allocation should be improved but additional resources also need to be found and applied to the reduction of reliance on private motor vehicles and increased support for public transport.

THE RTBU CALLS FOR

- Commonwealth Government to allocate a proportion of fuel excise to support the development of public transport in major cities
- NSW Government to adopt an integrated resource planning approach to identify the most efficient allocation of resources
- NSW Government to identify and commit to additional funding mechanisms and to enshrine the chosen mechanisms in legislation.

3 Establish an independent NSW Transport Coordination Authority to oversee the development of a sustainable, world-class transport system for Sydney.

Responsibility for transport planning is spread across numerous government departments and authorities and too much power rests with the Roads and Traffic Authority. Greater coordination is needed.

THE RTBU CALLS FOR

- An independent NSW Transport Coordination Authority, which is:
- Modelled on the successful example of the Olympic Roads and Traffic Authority
- A statutory body, reporting to Parliament, with responsibility for transport planning and allocation of funds across all modes of transport
- Charged with the task of developing and implementing the plan to achieve a world-class sustainable public transport system.

4 Adopt principles of sustainable transport to provide a framework for the development of Sydney's transport system.

Sydney's existing transport system is not sustainable. It is characterised by poor access and poor service quality, health impacts, lack of integrated planning, inefficient land use, greenhouse gas emissions, reliance on fossil fuels and low economic efficiency. These characteristics arise from the ad hoc and haphazard approach adopted by governments of all persuasions in dealing with the challenge of high quality public transport provision across Sydney.

THE RTBU CALLS FOR a transport system that complies with principles of sustainable transport. See last page for sustainable transport principles.

5 Give high priority to initiatives that will improve transport equity in Sydney.

Sydney's public transport system is marked by geographical and social inequity. People living in older and wealthier parts of the city have a range of public transport options that include various combinations of heavy rail, light rail, ferries and buses.

People living in the outer urban rings of Sydney and new developments in the south western and north western corridors have few options other than to use private vehicles.

THE RTBU CALLS FOR

- The extension of public transport options, particularly to western and south western Sydney
- Improved planning for the provision of public bus and light rail services as 'feeds' to the heavy rail network
- A review of the provision of public and community-based transport services with a view to improved integration of services to the transport disadvantaged with a specific focus on people with disabilities and people with mobility issues as a result of ageing
- Acceleration of the Metropolitan Rail Expansion Project
- A more equitable distribution of road tolls accompanied by incentives for public transport usage especially targeted at areas where toll roads dominate transport options.

Sydney's existing transport system is not sustainable.

Sydney's public transport system is marked by geographical and social inequity.

Government needs to make better use of community transport assets that it funds to ensure these resources are not sitting idle and are providing the most effective services for the capital outlaid.

6 Establish citizen-driven transport planning processes at multiple levels to identify preferred targets and initiatives.

There have been few effective opportunities for citizens to participate in Sydney transport planning in a way that has a real influence on how public transport is provided.

THE RTBU CALLS FOR

- The Transport Coordination Authority to establish authentic, participatory processes to guide transport planning at the metropolitan, regional and local levels.

7 Develop 'fit for purpose' public transport infrastructure with a heavy rail base at the metropolitan level, buses and light rail operating on a regional scale and more active use of Government provided transport assets at the local level.

Transport requirements change with spatial scale and transport responds to and influences land uses. This needs to be recognised in transport planning and mode selection. Further, the Government needs to make better use of community transport assets that it funds to ensure these resources are not sitting idle and are providing the most effective services for the capital outlaid. Local government is an active provider of local transport for special needs groups. These transport assets may be able to be managed to provide additional transport options for local areas.

THE RTBU CALLS FOR

- Investment in heavy rail as the skeleton of the network (accelerate MREP, identify missing links in the network and put in place heavy rail to complete the metropolitan coverage)
- Investment in bus services and light rail to provide a finer network
- Investment in active transport options and the improved use of community transport assets at the local level.

8 Pursue and fund specific high-priority initiatives in the short-term while establishing the long-term plan.

There is a risk that the development of a long-term plan for the transport system will be used as an excuse to delay initiatives that are needed in the short-term.

THE RTBU CALLS FOR

- Resumed planning of the Epping-Parramatta heavy rail link
- Electrification of the Southern Highlands rail line and the Kiama-Bomaderry rail line

- Overhaul of fare structures to take into account multi-modal trips and ensure that multi-modal tickets can be purchased across all existing and new public transport modes. There is no reason why existing computerised ticket sales systems should not be used as point of sale for multi-modal trips across NSW
- A comprehensive examination of new and existing light rail and bus proposals with a view to rapidly implementing several of the proposals with the highest merit
- A local trial of demand-responsive bus services integrated with community transport resources in an appropriate location.

9 Use appropriate planning and accountability measures to support the development and integration of new transport infrastructure.

In addition to infrastructure development, there is a need to develop planning and accountability measures to support the transition to a sustainable transport system.

THE RTBU CALLS FOR

- Investigation of the application of emissions trading to transport in NSW
- Better public transport information services, for example the integration of public and private timetabling into the 131 500 service.

10 Use targeted programs to support the move from 'car preference travelling' to supporting a 'public transport culture'.

Initiatives to move people to public transport must be supported by innovative programs and incentives to move people towards using public transport.

THE RTBU CALLS FOR

- Social marketing and education programs to promote public transport
- A public transport service that is fast, reliable, safe, comfortable and frequent – something that is both possible and desirable, as the 2000 Sydney Olympics demonstrated
- Programs with major trip generators – such as universities, hospitals and businesses – that can support sustainable transport options by combining cultural and infrastructure changes
- Development of incentives to encourage people to use public transport, for example, offering tax deductions or higher rebates for those who purchase six or twelve-monthly travel passes.

There is a need to develop planning and accountability measures to support the transition to a sustainable transport system.

Ten Principles for Sustainable Transport

Principle 1 People have a right of access to other people, places, goods, services and opportunities.

Principle 2 Transport services that enable access should meet the community's expectation of a high standard of reliability and quality.

Principle 3 Governments and transport planners and developers should be bound by a framework that ensures the equitable distribution of basic transportation resources to meet the needs of all people including men and women, young and old, the poor, the disabled and those living in outer suburban or rural areas.

Principle 4 Transportation systems should be designed and operated in a way that protects and promotes the health (physical, mental and social well-being) and safety of all people, and enhances the quality of life in communities.

Principle 5 Transport decision-makers have a responsibility to ensure that the transportation systems allow the opportunity for individuals to act to reduce their impacts on the natural environment.

Principle 6 Transportation decision-makers have a responsibility to pursue more integrated approaches to planning, delivery and use of public transport.

Principle 7 Transport decision-making processes should support, encourage and provide resources for public participation.

Principle 8 Transportation needs must be met within a framework which minimises the use of natural resources and land and reduces emissions that threaten public health and essential ecological processes.

Principle 9 Transportation systems must maximise the use of, and return on, transport assets and resources through better planning and accountability measures, while maintaining their long-term sustainability.

Principle 10 Transportation systems should be cost effective, now and in the future, and transportation decision-makers must move as expeditiously as possible towards fuller cost accounting, reflecting the true social, economic and environmental costs, in order to ensure that users pay an equitable share of costs.

Rail Tram and Bus Union *NSW Branch*
Level 4, 321 Pitt Street
Sydney NSW 2000
Tel (02) 9264 2511

www.rtbu-nsw.asn.au

Authorised by **Nick Lewocki,** Branch Secretary, **Rail, Tram and Bus Union** (NSW Branch), 321 Pitt Street Sydney NSW 2000