

6 February 2015

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

2015-16 BUDGET SUBMISSION - TRANSPORT INFRASTRUCTURE

The Tourism & Transport Forum (TTF) welcomes the opportunity to make this submission for the 2015-16 federal budget. TTF has lodged a separate submission with our recommendations in relation to tourism and aviation funding. This submission makes recommendations specifically in relation to budget funding for transport infrastructure.

The Tourism & Transport Forum represents the public policy interests of Australia's leading transport, tourism and aviation companies and organisations. In transport, we are a strong advocate for investment in Australia's transport infrastructure by all levels of government.

1. The role of the Australian government

In recent years, there has been discussion about the role of the Commonwealth in the provision of some classes of transport infrastructure.

This reflects a greater appreciation of the importance of transport infrastructure, including in urban areas, to the growth of the national economy and Australia's productivity. With congestion costs forecast to reach \$20 billion by the end of the decade, the economic strength of our cities is threatened by inadequate transport networks.

Better transport infrastructure is vital to the liveability and sustainability of our cities as they expand geographically and their populations increase. By 2056, our capital cities will have doubled their populations, with Melbourne and Sydney both forecast to exceed 7 million people.

In 2014, TTF released a major report prepared in conjunction with PwC, *Better Public Transport, Better Productivity*, which examined the contribution of public transport infrastructure investment to productivity growth. The report found that improved public transport infrastructure was vital to ensure that our cities could meet the needs of the modern economy, particularly as the contribution of service industries continue to grow within the economy. A copy of the report can be viewed at <http://www.ttf.org.au/Content/bprreport181114.aspx>

Consequently, concerns have been raised as to whether state and territory governments are able to fund the infrastructure needs of the nation without additional assistance from the Commonwealth.

Historically, the role of the Commonwealth in transport has primarily related to responsibility for interstate and international air services along with shared responsibility for national roads and some cross-continental railways. Funding has also been provided at relatively modest levels for local and state roads, particularly through local government grants and programs like the federal Black Spot program.

Federal support for our transport network has more recently expanded to include urban motorways and, during the term of the last government, public transport infrastructure projects.

TTF strongly supports a role for the Australian government in the provision of transport infrastructure. Federal involvement has enhanced the assessment and prioritisation of nationally-significant transport projects and also assisted state and local governments which would otherwise not have the capacity to fund necessary infrastructure.

With Infrastructure Australia having identified an infrastructure deficit of \$300 billion, that role will continue to be vital if we are to ensure Australia's future economic prosperity.

2. A 'modally neutral' Commonwealth

While there is general acceptance that there is a strong role for the Australian government in supporting Australia's transport network, there is some conjecture and debate about whether that role should extend to urban public transport projects.

TTF strongly supports a modally-neutral approach to assessing and funding transport infrastructure needs and proposals. In short, the federal government should fund projects based on their contribution to the functioning of the national economy and enhancing national productivity. Such an approach would see support flow to both urban road and public transport projects. To distinguish between classes of transport infrastructure neglects the role that all modes play in the functioning of our cities and our economy. Federal funding, if directed just to roads, will inevitably skew state priorities to major motorway projects whether they are the most important or not.

In its December 2013 Urban Transport Strategy, Infrastructure Australia noted that:

"..any discussion on urban transport needs to consider roads and public transport together, since greater use of one may result in less use of the other, and funds allocated to one are not able to be allocated to the other." (p5).

"A further risk of Australian government funding only major infrastructure projects, or certain types of infrastructure projects, include that states and territories may unduly focus on such projects at the expense of wider perspectives..." (p9)."

TTF concurs with these sentiments.

The overarching principle of modal neutrality is supported by the critical role that public transport plays in our cities. Growing congestion will only be contained by both a better road network and the provision of expanded public transport services. In some of our major CBDs, improved public transport is the only viable option as land constraints mean that expansion of the road network is not feasible.

Travel trends observed in Sydney reflect the potential of public transport in responding to the growing transport demand in constrained urban centres. For the past decade, the number of public transport trips increased by 38.1%, representing 80% of the transport demand to the city centre during the AM peak hour in 2012. Over the same period the number of individual vehicle trips rose by only 8.7% with a declining mode share of 14% in 2012 compared to 17% in 2002 (Sydney City Centre Access Strategy 2013, p10).

While new road infrastructure and traffic management measures are critical to contain congestion, the role of public transport should not be overlooked.

In most capital cities, public transport infrastructure has suffered from decades of inadequate investment and is itself reaching capacity on many routes and services. This is particularly so in Sydney, Melbourne and Brisbane, while a large increase in rail patronage in Perth has seen crowding on its rail network. In many cases, critically needed infrastructure involves the injection of major new capacity by way of what will be multi-billion dollar projects. These include the Brisbane CBD rail and bus capacity project, further expansion of light rail on the Gold Coast, a second Harbour rail crossing in Sydney, rail links to the proposed Western Sydney Airport, the Melbourne CBD rail project, a rail link to Melbourne airport and the proposed light rail network in Perth. In Adelaide, completion of the electrification of urban rail is necessary to grow public transport patronage in that city.

While some state governments will be able to fund these infrastructure projects, others will find it difficult (particularly in a desirable timeframe) without federal support.

It is acknowledged that the federal government's asset-recycling fund can be utilised by the states for both road and public transport projects and this is a welcome development.

However, TTF believes that funding from this source will not be sufficient to ensure that the nation has the public transport infrastructure that it needs to support the Australian economy and our cities.

The federal government should be prepared to fund public transport infrastructure projects alongside its support for urban road projects where Infrastructure Australia identifies such projects as being important to the national economy and our major cities.

Recommendation

That, in consultation with state and territory governments, the federal government develops a mechanism and allocate capital funding for public transport infrastructure projects that have the support of Infrastructure Australia. Such funding should commence in the 2015-16 financial year and, over the budget cycle, be of a quantum to advance several major projects in urban areas.

Yours sincerely



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