

### A Response to Michael Costa

Is Mr Costa right when he claims that commuters are paying a “ridiculously low” share of the costs of travel - only 22%, down from 33% two years ago?

Mr Costa’s figures are contradicted by IPART. Its 2002 report showed that CityRail’s level of cost recovery from passengers has hovered between 60-70% since 1996. Why are IPART’s figures so different? Because 23.4% of CityRail’s expenditure is spent on “access fees”, paid to the Rail Infrastructure Corporation for the use of the track and signals. Nearly a quarter of CityRail’s spending goes straight back to the Government. IPART omits the access fees when it measures the level of cost recovery.

What is an appropriate level of cost recovery? There is no set criterion - that’s the first problem. Parliament has never told IPART what the ‘correct’ rate is, so IPART just guesses.

For those who believe that economics is everything, the appropriate criterion is obvious. Rail competes with roads. If one mode is subsidised more than the other, price signals to travellers and infrastructure suppliers will be ‘distorted’. The more subsidised mode will attract more users, and higher investment, than is economically optimal, to the detriment of the economy as a whole. The level of cost recovery from railways should therefore be same as the level of cost recovery from motorists.

What is the level for motorists? No-one really knows. That’s the second problem. The few studies that exist differ in their methodology and conclusions, but some de-bunk the popular myth that motorists are not subsidised.

This is not surprising. After all, when has the motorist ever been charged an ‘access fee’ for use of the roads? And when has either mode of transport been asked to provide a rate of return on the land invested in transport corridors?

This last point is crucial. Every Sydney resident knows the value of land. Rail unquestionably uses land more efficiently than roads. By not requiring a return on the land, the Government effectively hides a massive subsidy to roads.

If Mr Costa is serious about cost recovery, he can adopt the submission of the Rail Now Campaign to his Ministerial Inquiry. We advocate systematically measuring the cost and cost recovery levels of each mode of transport in each region, as a first step in determining who should pay what for our transport. Without this information Mr Costa has no basis for his comment that commuters do not pay enough for transport.

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