

The Rail Now Campaign

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Submission to the Ministerial Inquiry into Public Passenger Transport

Cost and Cost Recovery

Introduction

The Transport NSW website refers to the Inquiry as part of the Government's commitment to sustainable transport. The Rail Now Campaign is a Western Sydney lobby group committed by its Constitution to promoting transport which is both ecologically and economically sustainable.

The Inquiry's Terms of Reference

Though the Inquiry's terms of reference refer to "public passenger transport" and mention particular entities and schemes operated by the Government, the terms are *not* limited to an examination of rail, buses and ferries.

- ▶ The terms acknowledge that cost recovery from users must be reasonable. What is a reasonable level of cost recovery in one mode of transport is necessarily related to the levels in other modes.
- ▶ The terms recognise the importance of equity. Western Sydney has few railways.

Many of our residents have no option but to drive. Equity therefore demands that cost recovery from road users be considered.

- ▶ The Inquiry is to consider funding options. One option is to charge all transport users for their use of the land under transport corridors. If this was done for one mode only, both the supply and demand for different forms of transport would be distorted. (This point was examined in the author's submission to IPART's Cityrail fares determination in 2000).
- ▶ Point 3 of the terms expressly calls for the Inquiry to consider optimising the use of public passenger services relative to other modes, which necessarily include roads.

It follows that whatever limitations may apply to IPART inquiries in relation to mode do not apply to this inquiry.

In general terms, the Inquiry's terms of reference can be condensed into 3 main questions about passenger transport:

- ▶ How much money do we need?
- ▶ Where do we find it? and
- ▶ How do we ensure that the taxpayers get value for money?

On each question, the Inquiry's task is to provide options to the Government.

The Rail Now Campaign submits that the Government will not be able to answer any of the above questions without detailed information on the cost and level of cost recovery of transport services. No matter what options the Inquiry suggests, it will not be possible for the

Government to determine which are sustainable - economically and ecologically - without such information.

The Importance of Cost Recovery

The terms set by the Minister reflect contemporary debate about transport infrastructure and public transport services, in that they are dominated by concerns about cost and cost recovery.

In our society, perceptions of cost and cost recovery frequently determine the mode of transport, and the level of service, which is supplied. Most transport decisions, and most contributions to the transport debate, are based on views about the extent to which the cost of infrastructure and services should be recovered from certain groups, such as train passengers.

Since such views are so influential, it is essential that they be based on fact. In reality, they are not always based on fact. No-one systematically monitors:

- ▶ the cost of each part of the transport network, or
- ▶ the extent to which its costs are recovered from various groups in society.

In the absence of such monitoring, our transport policy is ultimately based on assumptions, educated guesswork and pure bias.

Recommendations

The Inquiry should recommend that:

1. The Government should require one of its agencies to develop and publish each year a comprehensive Cost and Cost Recovery Statement for the transport system, showing:

1.1 the full cost to society of the transport network, and

1.2 the proportion of those costs which are paid by various groups (e.g. taxpayers, motorists etc).

2. The Cost and Cost Recovery Statement should show cost and cost recovery details for:

2.1 each mode of transport, and

2.2 discrete parts of each mode,

within each region of the State.

3. The Cost and Cost Recovery Statement should include full details of:

3.1 economic costs,

3.2 health costs, and

3.3 environmental costs.

4. The economic costs should include:

4.1 the capital cost of providing each piece of infrastructure and each service,

including the cost of acquiring land for transport facilities,

4.2 the revenue foregone by society when it permits one section of society to use community land as a transport corridor without requiring a rate of return on that asset, and

4.3 the operating cost of each piece of infrastructure and each service,

broken down into a level of detail which enables the components to be checked for accuracy by Members of Parliament, Parliamentary Committees and others using Freedom of Information legislation.

5. The health costs should include:

5.1 the cost of transport accidents, and

5.2 the likely costs in terms of increased rates of illness.

6. The environmental costs should include:

6.1 the cost of air pollution, except to the extent it is counted under point 5.2,

6.2 the cost of noise pollution,

6.3 the cost of soil and water contamination, and

6.4 the cost in terms of endangered species of flora and fauna,

measured in terms the economic cost of either:

6.5 measures which could prevent such costs arising but which are not being undertaken, or

6.6 other measures which would be necessary to offset the effect of the pollution or

contamination by an equivalent amount (being measures not necessarily related to the infrastructure or service being costed).

7. Where such costs depend on assumptions which may not be generally accepted, alternative costings under different plausible assumptions should be published.

8. The Cost and Cost Recovery Statement should be fully transparent, in that:

8.1 each item of data

8.2 each assumption, and

8.3 each formula or calculation,

making up the Statement should be published with the Statement, and that publication should be made in computerised spreadsheet or database format to allow others to calculate the effect of changes in the data and assumptions.

9. The Cost and Cost Recovery Statement should be progressively compiled, region by region, commencing with the Sydney region, initially in broad outline, then progressively in more detail in future years.

10. The Government should take no action to change transport funding arrangements in each region until it has published the initial version of the Cost and Cost Recovery Statement in that region.

Rationale

The extent to which certain people, and certain activities, should be subsidised, will always be a matter of political controversy. This Inquiry will probably receive submissions from a variety of groups either supporting or opposing such subsidies as are believed to exist.

Democratically elected Governments are entitled to support or remove subsidies when they consider it appropriate to do so. But they should only do so when:

- ▶ Those in Government know exactly what they're doing and why, and
- ▶ Society knows exactly what the Government is doing, and why.

Unless accurate, detailed information on the extent of costs and cost recovery is available publicly, neither criterion can be fulfilled.

At present, New South Wales, indeed all Australia, lacks comprehensive information on the cost of different parts of the transport system, and information about who pays those costs.

The task of compiling such information may well be beyond the resources of this Inquiry.

There are some studies on cost recovery, but they are far from unanimous, either in their methodology or conclusions, and rarely deal with transport at a regional level.

Reliable evidence about subsidies in the transport sector is therefore lacking. Yet despite the absence of evidence, Governments, agencies such as IPART and private investors continue to make decisions on the *assumption* that rail is subsidised and roads

are not.

If this assumption is wrong, or wrong in respect of particular pieces of infrastructure, particular services, or particular regions, the policies made on the basis of the assumption are likely also to be wrong. Even if correct, such an assumption tells us nothing about the relative level of subsidy for different services.

This area of policy is too important for guesswork. Sustainable transport, and sensible political debate, must be based on the sort of accurate, comprehensive and comprehensible information which is proposed to be included in the recommended form of Cost and Cost Recovery Statement.

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(This submission has been authorised by the Committee of the Rail Now Campaign in accordance with its Constitution.)