

Action for Public Transport (NSW)

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Submission to Productivity Commission inquiry into public infrastructure funding

Introduction

Action for Public Transport is a transport consumer group, operating around Sydney. Our members are users and beneficiaries of public transport. This submission approaches the issues facing the Commission from the perspective of the users and potential users of public transport services, which to a greater or lesser extent utilise public transport infrastructure.

Public transport infrastructure includes major infrastructure such as rail lines and interchanges, but it also includes smaller scale infrastructure such as real time information systems, bus priority traffic signal systems, and the provision of shelter for waiting passengers.

1. How infrastructure is currently funded and financed in Australia

State governments overwhelmingly fund public transport infrastructure. Road infrastructure invariably attracts very significant Commonwealth funding, but Commonwealth funding for public transport infrastructure has still not been accepted as an equally valid use of Commonwealth funds, and funding waxes and wanes.

This inconsistency at Commonwealth level further biases investment at the State level towards road building, even where the purpose of the construction (typically,

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the relief of traffic congestion) would be better served by additional public transport infrastructure. See our prior submission to the inquiry into the role of public transport in delivering productivity outcomes (submission no.21).

2. Rationale, role and objectives of alternative funding and financing mechanisms

The background to the terms of reference for the inquiry presupposes that “the use of financing options involving the private sector can reduce the call on government resources”. This is in essence their rationale. APT notes that a number of the submissions received by the Commission strongly contest this supposition, pointing to instances in which the call the anticipated reduction in the call on government resources failed to eventuate, particularly over the longer term.

The background to the terms of reference in fact qualifies its initial stance by a statement that “alternative financing and funding models offer opportunities to reduce the *immediate* call on governments” (emphasis added). It concludes with the statement that: “it should be noted that the application of new models is not a panacea. Ultimately infrastructure can only be funded through taxation, borrowings or direct user charges.” The logic of this conclusion is that if the call on government (immediate or otherwise) is to be reduced, user charges will have to fill the gap. This accurately describes the case of the Sydney Airport Rail link (see our submission to NSW Upper House Inquiry). The unhappy consequences for the passengers and the operator are well known.

APT believes there is one additional possibility worthy of consideration, which is for governments to facilitate and benefit from development of the land above and alongside suitable public transport projects (“value capture”), as discussed in a submission by Dr Chris Hale (submission no.2).

3. Financial risks to Commonwealth of alternative funding and financing mechanisms, and their possible impact on the Budget and fiscal consolidation goals

A major risk to both Commonwealth and State is the diversion of funds towards projects that are “on offer” whether or not they are those most needed. Historically,

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this distortion of priorities has resulted in a surfeit of toll roads, worsening backlogs in public transport provision, and worsening congestion.

There is a risk of a similar pattern emerging in relation to competing public transport projects. The most serious public transport infrastructure gaps occur in the newer, outer suburbs. Private sector interest in public transport infrastructure has however been confined to areas that already have comparatively good public transport services and (consequently) high patronage levels.

If it is indeed the case that “ultimately infrastructure can only be funded through taxation, borrowings or direct user charges”(and given the failure of the “direct user charges” model of the Airport Rail Link), it would follow that the exercise would not “allow scarce public funds to be targeted in a more effective manner”. Quite the contrary.

4. Cost structure of major infrastructure projects including where project costs have increased considerably compared with other countries

APT is concerned that the projected costings of public transport projects in NSW compares unfavourably with those of other States, as well as some other countries. This militates against investment in much needed public transport projects.

The phenomenon has recently been the subject of an Upper House inquiry in NSW (General Purpose Standing Committee no 3 Report 26 March 2012). There were several concerns of direct relevance to the Commission’s current inquiry, but one we would highlight is the likelihood that too much reliance on the private sector in the early stages of project design and scoping is a potentially costly mistake. More attention to scoping, planning and costing so that the product sought is clearly identified before tenders are called (as in Western Australia) is highly desirable.

APT concurs with the view expressed by Professor Philip Laird from the University of Wollongong quoted in the Committee’s report:

4.65 Professor Philip Laird from the University of Wollongong noted that up until

around 1993 there was good in-house technical expertise in RailCorp. However, since then, government agencies have been downsizing. Professor Laird noted that governments can downsize technical expertise too much, and when that happens 'you are no longer an informed buyer'.

A second observation that APT would highlight is the need to avoid “over-engineering” public transport projects, or limiting their flexibility by ill-judged customisations. There is no need for example to build light rail systems as if they were heavy rail systems. And, as noted earlier, deliberately making the tunnels on the northwest rail line slightly too small for double deck carriages* runs the real risk of costly retrofitting or premature replacement of perfectly serviceable rolling stock.

* The NWRL tunnels are being bored at about 6.1 metres. Existing Sydney double-deck trains require a bore of at least 6.5 metres or preferably 7 metres so they can run at 100 km/h.

5. Ways to improve decision-making and implementation processes to facilitate a reduction in the cost of public infrastructure projects.

In summary:

- The determination of transport investment priorities should remain with government, for the reasons set out in relation to term of reference 3
- Network planning and design should remain with government, for reasons set out in relation to terms of reference 4; planning, design and costing work should be done well in advance of any public commitment to a particular budget or date of completion
- Contract negotiations should preserve the right of government to provide additional public transport services in the public interest. Anti-competitive clauses forbidding additional services should not be a part of contracts with the private sector . For example, we understand that the original M2 contract with the NSW government stipulated that the M2 must remain the “prime route to the north-west” for an area extending east to about Roseville; constructing some competing route could give grounds for re-negotiating the contract. That sort of provision is undesirable.

- The public transport system must be recognised as a system. Regardless of the method of funding and financing, new infrastructure should improve the integration of the system and not detract from it
- To the extent that user charges (fares) are used as a means for the private sector to recoup its costs, the impact on affordability and patronage should be properly appreciated. The result can otherwise be that infrastructure is not utilised as it could be (the Airport Rail Link is a cautionary tale)

6. Comment on other relevant policy measures, including any non-legislative approaches, which would help ensure effective delivery of infrastructure services over both the short and long term.

In its submission to the Commission's inquiry into the role of public transport in delivering productivity outcomes, APT argues that investment in public transport fosters efficient use of land and time, and encourages full workforce participation. Regardless of the outcome of this inquiry, there are choices to be made, and priorities to be set. There is a real backlog in public transport availability in Australia's urban areas, and real benefit can be expected if priority is given to clearing that backlog. Some States have made real progress in recent years and their efforts should be supported, not choked off.

APT also suggests that as a matter of practice, planning and scoping for a range of public transport projects should proceed in advance of commitment to a particular timetable for delivery and certainly well before construction contracts are entered into. Land reservations and acquisitions can also occur progressively. This would reduce the lead- time for delivery and provide a stock of well – considered and well- developed projects that can be delivered as and when funds become available, whatever the source of the funds.

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4 April 2014

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5