



Australian Government

Australian Government response to the Senate Rural and Regional
Affairs and Transport References Committee Report:

The Role of Public Transport in Delivering Productivity Outcomes

March 2015

Government Response

Role of Public Transport in Delivering Productivity Outcomes

Report of the Senate Rural and Regional Affairs and Transport References Committee

The Australian Government welcomes the Committee's report and its continued focus on the productivity of Australia's transport systems.

The Australian Government supports investment in productivity-enhancing infrastructure. The Government's infrastructure reform agenda, such as reforms to Infrastructure Australia and the Government's ongoing commitment to improve the robustness and consistency of Benefit Cost Analysis in project appraisals, is directly designed at better identifying and selecting the infrastructure projects that best enhance national productivity.

Efficient and productive transport infrastructure services are important for both sustained economic growth and for delivering continued improvements to our quality of life. With all levels of government in Australia facing substantial fiscal constraints, governments will need to work collaboratively to deliver the infrastructure that Australia needs.

The Australian Government has committed to delivering over \$50 billion of funding toward major productivity-enhancing infrastructure projects, designed to support more than \$125 billion in new and upgraded infrastructure. In turn, this contribution is freeing up state and territory governments to invest in state and local priorities.

The Government's infrastructure policy settings are designed to enable all levels of government to focus on, and deliver, their core responsibilities in infrastructure investment. This is supported by the Asset Recycling Initiative, which provides incentives for jurisdictions to transfer mature infrastructure assets to the private sector and invest in productivity enhancing projects that address their local infrastructures priorities – including public transport.

The Australian Government also plays a leading role in the coordination of integrated national approaches to transport and infrastructure planning, through the Council of Australian Governments (COAG) and the Transport Infrastructure Council. This includes driving national reforms to the way infrastructure projects are planned, assessed and selected.

The Government's independent advisory body, Infrastructure Australia, is considering nationally significant infrastructure priorities across of all types of economic infrastructure, as part of the national Infrastructure Audit and the development of a 15-year Infrastructure Plan. This long-term approach will ensure that the necessary infrastructure is delivered at the right time, without placing undue financial pressure on future generations.

Getting the planning, selection and investment in transport infrastructure right is crucial for Australia's future productivity, both in our major cities and across our regional areas. The Australian Government is committed to working with jurisdictions to collectively deliver the infrastructure that Australia needs.

Response to recommendations

Recommendation 1

2.59 The committee recommends that public transport infrastructure should be considered as nationally-significant infrastructure, alongside private transport infrastructure such as road construction.

The Australian Government agrees to this recommendation.

The Australian Government considers nationally significant transport infrastructure to include all major infrastructure assets in which investment would help materially improve national productivity. The Government recognises that public transport infrastructure forms an important element in supporting Australia's economic activity and productivity, particularly within Australia's major urban centres.

Infrastructure Australia, the Government's independent advisory body on infrastructure, is expected to consider infrastructure it deems to be nationally significant transport infrastructure as part of:

- the audit of Australia's nationally significant infrastructure;
- the national 15-year Infrastructure Plan; and
- its evaluation of proposals for investment in, or enhancement to, nationally significant infrastructure seeking Commonwealth funding of at least \$100 million.

In particular, the significance of public transport infrastructure is expected to be acknowledged in Infrastructure Australia's soon to be released audit of nationally significant infrastructure. It is anticipated that the audit, which measures the capacity, utilisation and economic contribution of Australia's nationally significant infrastructure, will detail the important contribution that public transport infrastructure makes in the national context.

Recommendation 2

2.60 The committee recommends that wider economic costs and benefits, including social and economic connectivity, environmental factors, active lifestyle benefits, safety factors and avoided costs and benefits be factored into transport project analysis.

The Australian Government agrees to this recommendation.

The Government considers Cost Benefit Analysis (CBA) to be the most appropriate tool for determining the merits of infrastructure projects. The Commonwealth expects that all land transport infrastructure projects seeking Commonwealth funding are subject to a CBA. Appropriate consideration of wider economic costs and benefits during the assessment of

project proposals can complement the CBAs by providing a richer understanding of the project's impacts.

The National Guidelines for Transport System Management (NGTSM) provide a comprehensive framework for strategic-level transport planning and analytical approaches to transport assessment. The current edition of the NGTSM, released in 2006, is under review. Once updated, it is anticipated that Infrastructure Australia will consider the methodologies recommended in the NGTSM as part of its method for evaluating infrastructure projects.

As part of the Government's Response to the Productivity Commission's *Inquiry into Public Infrastructure*, the Government agreed to the development and publication of a national best practice framework for evaluating projects. The framework will update the methodology for using CBA to assess infrastructure projects, as well as provide guidance on how best to incorporate wider economic impacts in project assessments.

In November 2014, the Government released an *Overview of Project Appraisal for Land Transport* which explored these issues. This *Overview* is informing ongoing work to update project assessment methodologies within the NGTSM, including the consideration of the consistent application of CBA and wider economic impacts. Initial draft sections of the updated NGTSM were released for public comment between December 2014 and February 2015, including discussion papers on how wider economic benefits should be measured and considered within the assessment of transport infrastructure projects. The review is currently considering the outcomes of this consultation.

The *Overview of Project Appraisal for Land Transport* is available on the website of the Department of Infrastructure and Regional Development at:

<http://www.bitre.gov.au/publications/2014/overview-project-appraisal.aspx>.

Further information about the review of the NGTSM is available on the review website at <http://ngtsmguidelines.com/about/>.

Recommendation 3

3.70 The committee recommends that, given the productivity cost of capital city congestion, all levels of government interested in increasing national productivity consider backing solutions to congestion, including public transport.

The Australian Government agrees to this recommendation, noting that it is also a matter for state, territory and local government.

The Australian Government agrees that reducing congestion on our transport networks will be a key factor in increasing national productivity into the future.

The Australian Government's \$50 billion investment in land transport infrastructure will deliver major road and freight rail projects that are necessary for improving the productivity of Australia's transport network. These include upgrades to major freight routes and improved access to ports, airports and intermodal facilities, reducing congestion at key transport bottlenecks.

This approach is also freeing up state and territory governments to invest in infrastructure where they have particular expertise and responsibility, such as public transport. Since late 2013, state and territory governments have committed to a record more than \$36 billion in new infrastructure projects. This includes commitments such as:

- the North West Rail Link (\$8.3 billion), South East Light Rail (\$1.6 billion), the Sydney Rapid Transit Network (\$7 billion, including the second harbour crossing), the Parramatta Light Rail (\$1 billion) and the Western Sydney rail upgrades programme (\$1 billion) in NSW;
- the Melbourne Rail Link (up to \$11 billion) and Cranbourne-Pakenham Rail Corridor project (up to \$2.5 billion) in Victoria;
- \$5 billion for a public transport tunnel crossing of Brisbane River in Queensland;
- the \$2 billion Forrest Airport Link in Western Australia; and
- \$783 million for the ACT Capital Metro light rail project.

The Australian Government's investment is also addressing upgrades to major shared use road corridors, including supporting more efficient bus movements. In 2013, buses accounted for over 690 million passenger journeys in Australia's capital cities. This was more than heavy rail (around 660 million journeys)¹.

The Government is also supporting jurisdictions' effort to reduce major city congestion through the Asset Recycling Initiative, which rewards jurisdictions for unlocking capital from mature assets and reinvesting in state infrastructure priorities which return net positive benefits. For example, on 19 February 2015 the Government signed the first bilateral agreement under this initiative with the ACT Government, under which the ACT Government will sell mature assets to help deliver the ACT Capital Metro project.

Collectively, investment at all levels of government is providing additional transport capacity, across modes, which is reducing congestion and its impact on productivity.

¹2013 figures, as reported in the Bureau of Infrastructure and Regional Development's *Long-Term Trends in Urban Public Transport* Information Sheet, published September 2014.

Recommendation 4

3.71 The committee recommends that when addressing congestion and other transport problems, a range of reasonable solutions, be examined, including the publication of cost-benefit analysis, before decisions on funding are made by government.

The Australian Government agrees in principle to this recommendation.

The Australian Government agrees that proposed solutions to congestion and other transport problems should be considered with regard to alternative options.

Proposals for funding under the Infrastructure Investment (National Land Transport) Programme are expected to consider:

- alternative options for addressing the identified problems;
- more efficient use of existing infrastructure, such as through regulatory changes, the use of technologies or user charging mechanisms; and
- construction of alternative infrastructure solutions, which may involve public transport solutions, as appropriate.

As outlined in the Australian Government's response to the Productivity Commission's *inquiry into public infrastructure*, the Australian Government expects that all land transport infrastructure projects seeking Commonwealth funding are subject to cost benefit analysis. In addition, all infrastructure projects seeking \$100 million or more in Commonwealth funding are required to provide a proposal to Infrastructure Australia for evaluation, including a cost benefit analysis. Infrastructure Australia will publish summaries of all proposals evaluated on its website at least quarterly.

Recommendation 5

3.72 The committee recommends that smaller cost projects, especially so-called smart projects involving the more efficient use of existing infrastructure, or the more effective integration of routes and modes, be prioritised according to the positive benefits they produce.

The Australian Government agrees to this recommendation.

The Australian Government supports investment in projects that more efficiently address identified infrastructure priorities. To this end, the Government has put in place more robust project assessment and selection mechanisms, designed to ensure that Commonwealth-funded infrastructure projects have undergone appropriate planning works, including, where appropriate, options analyses.

In particular, and as already indicated, the Australian Government requires all major economic infrastructure projects seeking \$100 million or more in Commonwealth funding to be reviewed by Infrastructure Australia, including consideration of the proposal's CBA. Infrastructure Australia is required to publish summaries of all evaluated proposals on its website.

In addition, as part of the Government's Response to the Productivity Commission's *Inquiry into Public Infrastructure*, the Government agreed to give preference for funding under its major economic infrastructure funding programmes to projects that, amongst other things:

- demonstrate strong economic productivity benefits; and
- have considered and, where appropriate, applied alternatives to construction, including through enhanced use of existing infrastructure and technological solutions.

In addition, the Government funds a number of programmes that support maintenance and other minor works to ensure the ongoing safe and efficient use of existing road infrastructure.

- The Government's \$2.1 billion, five year Roads to Recovery commitment is providing local governments with untied funding to support the maintenance of existing roads.
- The \$500 million Black Spots programme targets road locations where crashes are occurring. By funding minor upgrades at dangerous locations, the programme is reducing the risk of accidents and saving the community many times the cost of the works undertaken.
- The \$200 million Heavy Vehicle Safety and Productivity Programme is helping support heavy vehicle operations in Australia through minor upgrades that enhance the capacity of existing roads and improve the safety for heavy vehicle operators.
- The \$300 million Bridges Renewal commitment supports state, territory and local governments to rehabilitate bridges to support higher productivity vehicle access and to service local communities.
- The \$1 billion National Stronger Regions Fund supports local governments and not-for-profit organisations to undertake capital works on regional community infrastructure priorities. This programme supports new infrastructure construction as well as the upgrade, extension and enhancement of existing infrastructure.

Recommendation 6

3.73 The committee recommends that the Australian Government fund transport – including road and rail projects – on a mode-neutral basis, based on assessed merit.

The Australian Government notes this recommendation.

All levels of government in Australia are facing fiscal constraints that impede investment in infrastructure. To this end, it is imperative that governments work together to achieve Australia's infrastructure priorities.

The Australian Government's infrastructure policy is designed to support all levels of government in focusing on their core infrastructure responsibilities. This involves targeting Commonwealth funding towards national priorities, allowing state and territory governments to focus on delivering state and local priorities.

To this end, the Australian Government's \$50 billion investment in transport infrastructure is targeting the interstate road and rail freight networks and those urban corridors which will support the delivery of national objectives including improved economic and productivity growth. This includes reintroducing, where appropriate, an 80:20 funding split for new projects on the national network outside major metropolitan centres, reflecting the importance of these links to the national economy.

In delivering its significant investment in interstate and export freight networks, the Australian Government works closely with state and territory governments to identify the best solution to meet the identified infrastructure needs. This includes consideration of road and rail options, determined on a case by case basis, with due consideration of the costs and benefits of each option.

Recommendation 7

3.74 The committee recommends that the Australian Government take a leadership role on urban policy, working with the states and territories, given the strong link between transport and urban planning.

The Australian Government agrees to this recommendation, noting that the state, territory and local governments have primary responsibility for implementation of urban policy.

The Australian Government works with state and territory governments, through COAG and its supporting bodies, to implement agreed reforms and to drive best practice across infrastructure planning, procurement and delivery. Governments are working together to develop coordinated approaches to infrastructure planning, including the protection of

transport corridors for future infrastructure requirements. This work will also be informed by Infrastructure Australia's national infrastructure audit and 15-year infrastructure plan.

In its recent response to the Productivity Commission's *inquiry into public infrastructure*, the Australian Government outlined its plans to encourage state and territory governments to undertake early planning for major infrastructure projects. These included aligning future funding for planning activities under the Infrastructure Investment Programme with the priorities identified in IA's 15 year Infrastructure Plan.

The Australian Greens' Additional Recommendations

Australian Greens Recommendation 1

1.8 Given the productivity cost of capital city congestion, the Australian Greens recommend that all levels of government should take action to reduce congestion.

The Australian Government agrees to this recommendation, noting that it is also a matter for state, territory and local government.

The Government's response to this recommendation is incorporated within the response to Report Recommendation 3, above.

Australian Greens Recommendation 2

1.9 We recommend that transport infrastructure projects being considered for funding by the Australian Government must have a comparative benefit cost analysis undertaken, in particular comparing major proposed road projects with other options available to address the identified transport needs. These options should include mobility management and public transport options.

The Australian Government agrees in principle to this recommendation.

The Government's response to this recommendation is incorporated within the response to Report Recommendation 4, above.

Australian Greens Recommendation 3

1.10 The Australian Greens recommend that smaller cost projects, involving the more efficient use of existing infrastructure and more efficient integration of routes and modes, be prioritised according to the positive benefits they produce. This would include mobility management measures which provide people with real choices in the way they travel, and encourage the use of modes of transport other than single occupancy private vehicle use.

The Australian Government agrees to this recommendation.

The Government's response to this recommendation is partially incorporated within the response to Report Recommendation 5, above.

The Australian Government also supports modal choice for the travelling public and supports safe road environments for all road users, including cyclists and pedestrians. This is reflected in the National Road Safety Strategy 2011–2020, which aims to reduce serious

road casualties by at least 30 per cent by 2020; and the National Cycling Strategy 2011–2016, which aims to double the number of people cycling by 2016.

Australian Greens Recommendation 4

1.11 The Australian Greens recommend that investments in public transport should be prioritised for consideration for funding by the Australian Government, given the legacy of underinvestment over the last 30 years.

The Australian Government does not agree to this recommendation.

Consistent with the Report Recommendations, the Australian Government supports a merit based approach to project assessment.

The Government recognises the need for adequate investment in infrastructure to support the economic growth and deliver improvements to Australian’s quality of life. This includes efficient, functioning transport systems in our major urban centres. However, the Government also recognises the fiscal constraints facing all levels of government.

To this end, the Australian Government’s policy is to target its transport infrastructure investment into projects that meet national priorities, including strengthening interstate freight connections and unlocking national productivity growth through improved national competitiveness.

In comparison, the state and territory governments are better placed to determine state and local infrastructure priorities. The Australian Government’s approach has freed up state and territory funding towards such priorities, including improved connectivity within our major urban centres. For example, since late 2013 state and territory governments have announced over \$36 billion in new and upgraded public transport projects.

In addition, the Australian Government is delivering the Asset Recycling Initiative. Under this \$5 billion Initiative, the Government will provide incentive payments to states and territories that transfer government-owned assets to the private sector and invest the proceeds in infrastructure projects that deliver clear positive net benefits. This Initiative encourages state and territory governments to unlock capital in their balance sheet to fund local infrastructure priorities, including public transport.