

Tax Forum Oct 2011 Submission

Submitted by: Tony Weeks
Submission date: 2 Oct 2011
Re: **Session 5: Environmental and social taxes**

Summary

This submission relates to transport infrastructure which forms part of the Session 5: Environmental and Social Taxes discussion. It indirectly addresses the discussion question of *“are there ways in which governments could use specific taxes to ensure that people take appropriate account of environmental impacts in their decision making?”*

After reading seven submissions from a diverse range of stakeholders I was struck by the similarities between the concerns and proposed solutions to improve infrastructure. However, none of the submissions address the fundamental issue of who controls the money. The purse strings for infrastructure projects are controlled by the State and Federal governments.

Whilst it is an exaggeration to say that the tax summit is doomed because this issue is not addressed, it is probably fair to say that implementation of solutions proposed will be suboptimal as execution will be piecemeal and taken for political reasons such as election promises. Infrastructure projects cut across Federal and State lines and should be prioritised according to need and viability by an independent body which has representatives from all stakeholders and assesses projects on triple bottom line, social, environmental and economic criteria.

A case study, the Roe Highway extension in Perth is attached. Whilst the final decision to proceed hasn't been made as the project is currently being assessed by the EPA it nevertheless illustrates the folly of allowing politicians to determine which infrastructure projects should be implemented. The project is controversial and has been on the books for over 10 years as debate rages between Local Government Authorities, environmentalists and State Government over the need for the highway. In the meantime stop gap measures that are just as controversial have been put in place, none of which solve the congestion and freight transport efficiency issues that were the reason for the proposed highway in the first place.

The stupidity of this project is that a viable alternative exists that would probably keep all stakeholders happy. However, it has become an emotive case where facts are ignored as all parties draw a line in the sand. An initial assessment of the needs and solution by an independent body would have helped to avoid many of the issues and be a far more efficient use of taxpayers' money.

Other Submissions

Submissions read included:

Andrew McKellar	Executive Director	Australian Automobile Association (AAA)
Charles Berger		Australian Conservation Foundation (ACF)
David Simon	Chairman	Australian Trucking Association (ATA)
Brendan Lyon	CEO	Infrastructure Partnerships Australia (IPA)
Raymond Horsburgh	Chairman	Toll Holdings (Toll)
John Lee	Chief Executive	Tourism & Transport Forum (TTF)
Wayne Scheggia	Deputy CEO	WA Local Government Association (WALGA)

On face value it would be reasonable to assume that a diverse group such as this would have significantly different concerns and propose quite radically different solutions. This assumption is not borne out by the submissions. There appear to be enough similarities between the proposals to provide a solid foundation of common points of agreement from which the points of differentiation can be worked through. The points of commonality and differences are summarised below:

Road Congestion Tax & Public Transport

- AAA and Toll oppose this tax. The Toll submission states *“the introduction of congestion levies in Australian cities will only serve to punish motorists and the road transport sector for the chronic under investment in public transport infrastructure perpetuated by state governments over many terms”*
- Whilst the IPA and TTF submission do not explicitly state opposition to the congestion levy, they both back the call for the need for an improved public transport system.
- TTF believes *“there is a strong case to examine using taxation to encourage public transport patronage. Recent reforms to fringe benefits tax (FBT) concessions for salary packaged vehicles have removed incentives for motorists to drive further. However, the FBT rate applied to public transport fares (46.5 per cent) remains a significant disincentive for employers to encourage workers to make sustainable commuting choices.”*

Greenhouse Emissions

- The ATA has put forward an argument that B-doubles and B-triples are significantly more efficient than other types of trucks. They use considerably less fuel and consequently emit far less greenhouse gases, but high registration charges discourage their use.
- The AAA expresses concern that the Luxury Car Tax acts as a disincentive to the uptake of advanced vehicle safety and environmental technologies.
- WALGA are of the opinion Fringe Benefits Tax should be designed to better reflect sustainability principles in relation to motor vehicles

Revenue Distribution from Transport Taxes

- AAA, ATA and WALGA all call for revenue to be distributed in a manner that better reflects the realities of transport use.
- The AAA advocates *“that all revenue from motoring taxation should be dedicated to the funding of land transport infrastructure.”*
- The ATA are concerned that *“the local councils that manage the roads used for the first and last mile of almost every freight journey do not directly receive any of the revenue and have no financial reason to provide better access for high productivity vehicles.”*
- WALGA state that *“revenues raised from road user charges should have a more transparent and direct linkage back to supporting that road infrastructure.”*

Australian Conservation Foundation (ACF)

- The ACF want to introduce congestion pricing in urban areas and mass-distance-location (MDL) charges for heavy vehicles.
 - A congestion levy is opposed by the AAA and Toll.
 - An MDL tax is opposed by the Australian Trucking Association.

Nevertheless, the ACF submission has many points of commonality with the other submissions mentioned above. Their stated position is *“the structure and rate of tax applied to road transport does not account for traffic congestion, greenhouse pollution, and resource use. This causes overuse of roads and competitive disadvantages for efficient modes of freight transport, such as rail. This will be exacerbated by carbon pricing, which will affect public transport (by increasing electricity costs) but not affect fuel for passenger road travel, which is exempt from the scheme.”*

On face value it appears that there are sufficient common grounds between groups to come up with a workable solution. The attached Roe Highway case study also illustrates that it should be possible to find common ground but whilst the decision making remains in the hands of the State Government, common sense and logic tend to be jettisoned with political promises taking their place.

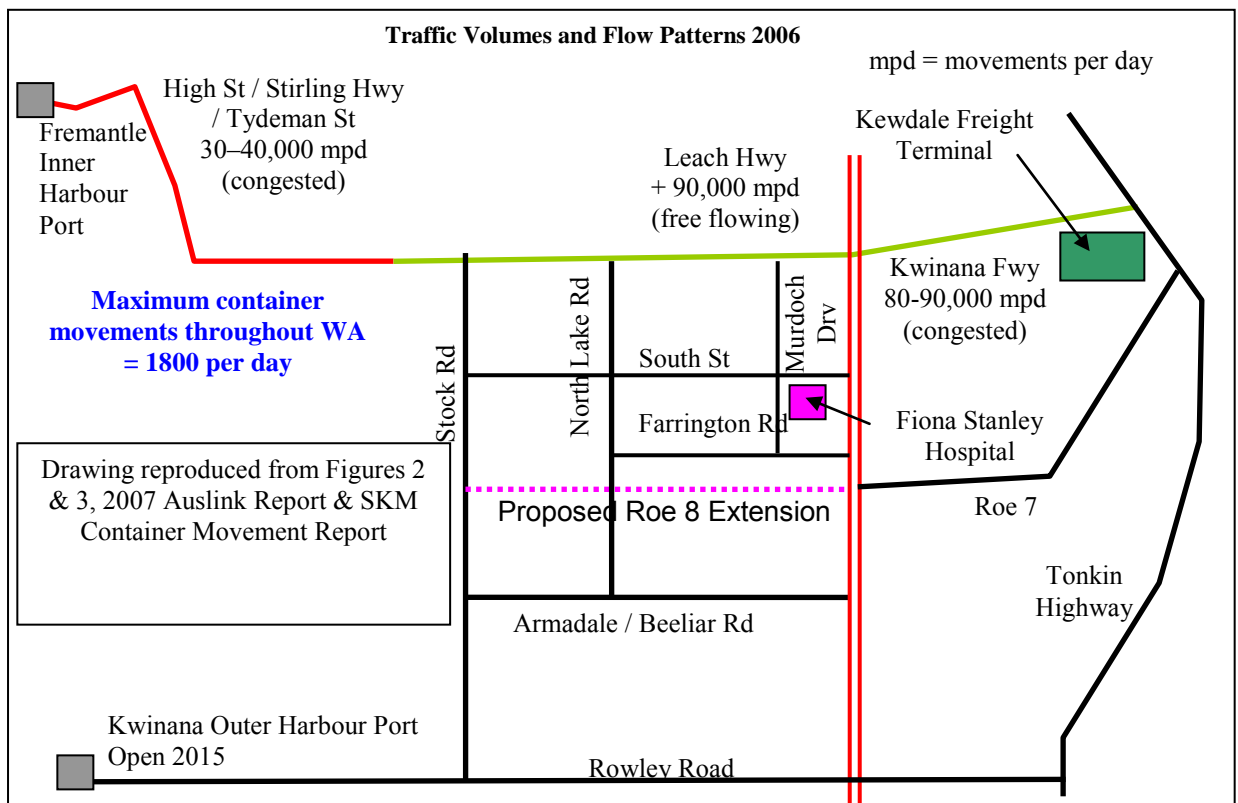
Case Study: Roe Highway Extension

Stated problem which the Roe Highway Extension was purported to solve

1. Leach Highway (which was a designated freight corridor) is congested
2. Freight movement to and from Fremantle Inner Harbour is inefficient
3. South Street will become congested when the Fiona Stanley Hospital is completed in 2012/13

Actual problem

1. High St / Stirling Hwy / Tydeman St (which is a designated freight corridor) is congested
2. Freight movement to and from Fremantle Inner Harbour is inefficient
3. South Street between Kwinana Freeway and Murdoch Drive will have higher traffic flows when the Fiona Stanley Hospital is completed in 2012/13



Background Information

Roe Highway

- Roe Highway first proposed in 1963 as a ring road on the outskirts of the city to connect the Fremantle Inner Harbour port to the intermodal freight terminal at Kewdale and outer suburb industrial areas.
- The Fremantle Eastern bypass which was designed to connect from Roe Stage 9 to Fremantle Inner Harbour was removed from the road reserve and land sold for urban development in approximately 2004.
- There is now no way for the Roe Highway to fulfil its original purpose of connecting the Fremantle Inner Harbour port to the intermodal freight terminal at Kewdale and outer suburb industrial areas.
- Roe Highway Extension is in the City of Cockburn who oppose the highway as it will cut through environmentally sensitive wetlands

- Environmentalists oppose the highway as it will cut through environmentally sensitive wetlands
- City of Fremantle is caught in the middle. They have traffic and freight transport problems around the harbour but any solutions that involve road widening or new transport corridors are very controversial as attested by the protest concerning the Fremantle Eastern bypass. Due to public outcry this road was removed from the road reserve and land sold for urban development

Leach Highway

- Was a designated freight corridor
- Suburbs in the immediate vicinity are mature residential suburbs with high population
- Is 4km from the proposed Roe Highway (Stage 8) extension
- Highway runs through the City of Melville who is in favour of the Roe Highway as they perceive that it will reduce congestion

Fremantle Inner Harbour Port Facilities

- Port has been in operation since the 1800's
- Currently handle approximately 600,000 TEU's (twenty foot equivalent containers) per year
- Facilities currently being upgraded to handle 1,200,000 TEU's per year which is the maximum capacity – no space is available to extend beyond this
- Currently predicted to reach maximum capacity in 2021
- Roads around port are, and will remain, a bottleneck

Kwinana Outer Harbour Port Facilities

- New facilities being planned to come on-line in 2017
- Designed for 1,200,000 TEU's per year
- Expandable
- Rowley Road (into and out of facilities) is designed as dual carriageway "truck friendly" with no artificial limitations on truck length imposed

Proposed Solutions

2002 Freight Network Review

This was a genuine attempt to get agreement between all stakeholders. Set up by the State Labour Government who were in power at the time. Representatives from trucking associations, local government, state government, business, Main Roads Department, Fremantle Port Authority, environmental groups and the public participated in the review. Six point plan was agreed:

1. Extend Roe Highway to Kwinana Freeway (Roe 7)
Remove traffic from South Street and Leach Highway, while catering for increasing levels of traffic heading to the growing industrial areas of Cockburn and Kwinana.
2. Put more freight on rail
Improved rail linkages between Kewdale, Kwinana and Fremantle will help industry transport freight by rail instead of by road.
3. Build inland container terminals
A container terminal at Kewdale will ensure that trucks do not have to drive to and from Fremantle just to pick up or return an empty container.
4. Make better use of our roads
Currently, many trucks going to Fremantle Port are empty. Better scheduling, backloading and a truck booking system at the port will ensure that the number of trucks entering or leaving the port empty will be significantly reduced.
5. Plan now for the Outer Harbour at Kwinana
A new port will take much of the growth in traffic from Fremantle Port.
6. Improve existing roads
Upgrades of Leach Highway, Stock Road and High Street will improve efficiency and reduce the impact of traffic on local residents.

Additional comments:

- Point 1 was opposed by the environmental groups but was accepted as a compromise to ensure stage 8 which ran through the wetlands wasn't built.
- Point 6 was largely opposed by the local council and residents but was accepted as a compromise until the new Outer Harbour facilities could be bought on line.
- The truck drivers were disappointed that they couldn't get a decent highway through to the port but accepted as a compromise until the new Outer Harbour facilities could be bought on line.

2005 Trucks banned on Leach Highway

In what could only be a panicked vote buying exercise by Labour in the predominately Liberal seats around Melville, trucks above 19m in length (B-doubles and upwards) were banned from using the Leach Highway. This increased the journey length and time to move freight to and from the port and has had no effect on congestion.

2008 Roe Stage 8 back on the books

The Liberals in a bid to win the 2008 election promised Roe 8 would go ahead if they were elected. They won and have commenced planning for the extension. Budget costs in the 2009-10 Budget were \$551.3 million. Newspapers have recently reported costs may blow out to \$700 million.

2010 Upgrade for Existing Fremantle Inner Harbour given the go ahead

The Liberal Government gave the go-ahead to upgrade the existing Fremantle Inner Harbour facilities. Decision makes little sense as the road transport bottleneck remains

Common Sense Solution

Given that

- Trucks are not causing congestion (they amount to less than 2% of the vehicle movements on Leach Highway)
- The roads in the immediate vicinity of Fremantle Inner Harbour are not truck friendly & are almost impossible to upgrade
- Rowley Road (the entrance road into the new Outer Harbour port facilities) will be designed to be truck friendly
- Rowley Road connects directly into the other major freight corridors
- The Outer Harbour facilities could handle all freight into Perth until 2021 and is expandable and could cope with larger volumes

It is logical that the Outer Harbour solution is accelerated to solve the freight transport issues.

The congestion issues on Leach Highway can also be simply solved by improving public transport. Studies by the WA Main Roads Department have found that 50% of all light vehicle trips are less than 5 km or in other words half of all car trips are local trips to visit friends, go to the shops, take the kids to school and drive to work.

Leach Highway, South Street and the Roe Highway extension run approximately parallel to each other. Leach Highway is approximately 4 km from the proposed Roe Highway extension and South Street is approximately 2 km away. The proposed Roe Highway extension will therefore have little effect on traffic congestion.

To ease traffic congestion a good public transport system is needed to encourage people to leave their cars at home for short journeys. Public transport systems that have been used successfully in other parts of the world to reduce traffic congestion include bus rapid transit (BRT) systems and light rail technology (LRT).

A BRT system has been estimated to cost approximately \$2.7 million per kilometre in a built up urban area. A 100 km of BRT system could be installed for approximately \$270 million which is less than half the projected cost of the Roe Highway extension. A BRT system of this magnitude would in all likelihood have far more effect on traffic congestion than the proposed Roe Highway extension.

An installation of this size of BRT system would “tick all the boxes” for good design and take-up by the public. It would:

- Enable systems to be spaced 400 to 500 m apart which is important as this means the public can walk from their house or work place to the bus stop in less than 5 minutes. This short walk encourages take-up.
- Would link all the common destinations which have a high frequency of use such as areas of high job density, the train stations shopping centres and schools in the area.

Conclusion

While the solutions seem obvious, they get lost in the rhetoric and election promises. Many infrastructure projects don't have vote catching appeal and consequently don't get the recognition they deserve. This needs to be counteracted by an independent body reviewing and pre-approving projects that will get funding provided they get EPA approval and State or Federal Government budget approval. Only then will a tax system work properly.