



Ideas to Outcomes

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Infrastructure Victoria
Level 34, 121 Exhibition Street
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Dear Sir/Madam

It is our pleasure to submit a response to *The Road Ahead: How an efficient, fair and sustainable pricing regime can help tackle congestion*, November 2016. We welcome Infrastructure Victoria's (IV) research program on examining the options, challenges and opportunities for transport network pricing in Victoria.

For 30 years, Committee for Melbourne (Committee) has been shaping a better future for our city. The Committee is an apolitical, not-for-profit, member-based organisation that brings together over 120 organisations from Greater Melbourne's business, academic and community sectors. This diverse group has a passion for Melbourne as a leading global city in the world's fastest-growing region, the Asia-Pacific.

The Committee will be soon launching its MELBOURNE 4.0 report, which will outline some of the possible future scenarios for our city arising from technological disruption and matching strategies to successfully ride the wave of change. The report will help the Committee set a forward agenda to continue to influence the best possible outcomes for Melbourne's future.

The Committee regards IV's analysis of current limitations to Victoria's transport pricing and formulation of a new pricing regime as critical to the challenge of reducing congestion, improving efficiency of the state's transport network and achieving optimum value-for-money for infrastructure investment. We have chosen to focus particularly on issues relating to the Committee's four pillars of Future Economy, Infrastructure, Urban Optimisation, and Liveability that fit into the MELBOURNE 4.0 objectives.

With an annual growth of almost 100,000 new residents each year across Greater Melbourne that is expected to reach six million by 2030, the ability to manage the growing number of road and public transport users on our already congested roads and crowded public transport is of significant interest to the Committee. The success of providing an efficient transport network for a much larger population will, for a large part, determine whether Melbourne can maintain its status as the world's most liveable city and provide its businesses with a competitive edge.

The Committee notes that IV has a clear view that we cannot build our way out of congestion and that revenue is going backwards in the current system of tolls and charges. Hence it is critical that IV clearly articulates a vision of what a good transport network looks like for Greater Melbourne including an appropriate level of public transport – crucial to engaging the community in a new transport network pricing regime. This vision should form part of an overall blueprint for Greater Melbourne that describes where people live, work and move, as was mentioned in the Committee’s previous submission to IV’s *Moving from Evaluation to Valuation* paper.

The Committee believes that a critical challenge is the provision of a solid infrastructure pipeline as outlined in our 2012 paper *Moving Melbourne*¹. We encourage IV to refer to this discussion paper which contributes to this dialogue about Melbourne’s future transport investment needs. The Committee recommends exploring a full range of funding sources to find solutions to our infrastructure challenges and unlock new funding streams ‘... for our infrastructure investment to generate an uplift in productivity and urban value’.

Below is a summary of the key observations made by the Committee’s membership base in response to *The Road Ahead*.

Community engagement

The Committee recommends that greater consultation with the community is required to increase understanding about why a new transport network pricing regime is necessary. The Committee believes that community acceptance about the perceived benefits of new transport pricing changes will be essential to any changes in existing transport pricing mechanisms.

The Committee considers that convincing the community of a new pricing regime to replace the existing transport network pricing will probably be a controversial issue. Melburnians think transport charges are already too high, which means they will need to be shown how they will benefit from a much improved transport system, even though compared to other Australian cities, Melbourne has relatively low prices for public transport and is possibly the lowest in the developed world². The Committee believes it is likely that Melburnians’ dissatisfaction and perceptions arise from not getting value for the money they spend on

¹ Committee for Melbourne 2012 *Moving Melbourne* accessed at http://melbourne.org.au/cms_uploads/docs/moving-melbourne-a-transport-funding-and-financing-discussion-paper.pdf

² Nine-Squared, 2015 *Fare Benchmarking Report* accessed at <http://ninesquared.com.au/wp-content/uploads/2015/10/2015-Fare-Benchmarking-Final-Report.pdf>

congested roads and crowded public transport. In setting an effective pricing regime for Melbourne's overall transport network, the Committee acknowledges that it is important to take the public's views into consideration.

In this regard, a useful framework for public transport, as a mass transit alternative to private car use, may be to describe a 'frequent network', including consideration of equity and distributional elements. In other words, IV should conceptualise where and when frequent public transport would be provided, specifically in the context of area-based pricing regimes. The case study about London (*The Road Ahead*, p.64) provides an instructive example of how demand management effectively reduces congestion on existing road networks using a congestion charge accompanied by improvements to the bus system. The Committee suggests that it would be worth trialling a similar model to change motorist behaviour and significantly reduce the number of road users while at the same time generating infrastructure revenue.

The Committee recommends that IV develop a clearly articulated proposition about what good road and public transport systems look like including clarity about the arguments for change and the benefits of an efficient transport network pricing system. The community will need to be convinced about the benefits including:

- An improved road and public transport system that describes how transport can be improved from point A to point B
- An equitable system where users are better off despite possible price rises
- A value proposition about choices when using toll roads
- Road prices based on weight, so that heavier vehicle users are expected to pay higher transport prices depending on the time of day and location
- Outer suburban residents and rural Victorians who do not travel into the city not having to pay for congestion
- Modified registration costs depending on where people live and how often they use roads.

The Committee is encouraged by the example of Oregon, USA (*The Road Ahead* p 70). State authorities implemented a road user charge designed to replace revenue from fuel excise. Similar to this case, road user parity could be achieved for Greater Melbourne through more appropriate road user charges. Moreover, people on lower incomes are likely to drive less efficient vehicles and pay relatively more for fuel than people on higher wages and salaries which further strengthens the argument for improved road user parity.

Pricing and equity

The Committee recommends that any replacement of existing charges requires a fairer system for users in all geographical locations by removing inequities in the current system of road charging. Equity for people living in outer and regional areas is of top concern.

The following ideas and suggestions are put forward for consideration:

- Weight of vehicles, time, distance and location all need to be considered in establishing user price equity. Importantly, actual price estimates would show how the community could be better off with a new pricing regime.
- A levy or an annual fee could be charged for roadside parking, in particular, vehicle parking that holds up tram flow at intersections.
- While road pricing is likely to have a positive impact on tram services, the timing of community conversations requiring long term decisions and enough sensitivity testing to ensure adequate public transport investment (given the long life of public transport assets) is a challenge for road pricing design.
- Charges on parking bays can assist in shifting the behaviour of the community towards increased use of public transport.
- Self-driving cars, shared cars and emerging car-pooling systems could result in less cars on the road which may result in less revenue being collected. However, revenue could be gathered by charging sole-person cars a higher fee.

In responding to Question 6 *Would you support a transport network pricing regime if taxes and charges were reduced or removed*, the Committee's view is that a new transport network pricing regime will only be supported if current taxes and charges are changed. If charges are added on top of existing charges, the new pricing regime will probably be rejected. It would be unfair to add a congestion tax on top of existing fees and charges including registration, fuel excise, GST as well as import and sales duties. A properly structured and fair system would charge motorists for the weight of the vehicle, the distance travelled, location and contribution to congestion, but only with the removal of fuel excise, GST and the other fixed taxes.

The Committee believes that pricing mechanisms for pricing models (i.e. cordons, corridors, partial and whole-of-network) need to be more sophisticated with good analysis (*The Road Ahead* p 47) before establishing a congestion price. For example, people will go to a lot of trouble to avoid a cordon if benefits for the cordon and the prices have not been properly explained.

Social cohesion benefits of reducing congestion

It is the Committee's view that new road pricing could be viewed more favourably if it is given a social context. The introduction of the car has meant that social cohesion has declined these days due to sprawling suburbs and long commutes that reduce social and family interaction. To encourage road users to travel on roads in non-peak hours, thereby reducing the time taken to travel to and from work, behavioural incentives are required. A social well-being model can be persuasive if it shows evidence of social cohesive benefits, such as the reduction of stress levels when time is given back to families and communities, and overall improvements in mental well-being.

In response to Question 6 *How important to you are improvements in public transport in order for a road pricing scheme to be successful*, the Committee believes that investment in a more efficient public transport system is essential. On a deeper level, it would be worth considering whether the outer suburbs can have a public transport network as an effective alternative to personal mobility at a socially affordable price once congestion is taken into account. If not, the road pricing models should take that into account. Thus it is worth considering having a road pricing scheme which actually makes it cheaper to drive in the outer suburbs and a cordon price or congestion pricing for locations where there is congestion.

Furthermore, the Committee believes that choosing the right solution to road and public transport development should occur in line with geographic adaptability and extendibility of new transport systems. For example, road pricing could initially be free for regional Victorians, followed by a pricing scheme rolled out over time.

National reform and freight

While IV is clear in this paper that it is not addressing road pricing for freight and that the national reform agenda underway includes heavy vehicle charges, the Committee wishes to make a couple of points about freight. As noted in IV's paper, freight is currently subsidised. Freight companies do not pay for damage to roads. However, as roads and bridges are built to accommodate the heavy weight of freight vehicles, the Committee suggests that if roads are priced according to damage from heavy vehicles, then prices for use of roads by freight should be reflective of that.

The Committee is encouraged by IV's support for the national reform process to establish a framework for heavy vehicle charges and investment in roads.

Financing infrastructure

The Committee believes there is a shortfall in revenue being gathered to finance essential transport infrastructure. There needs to be a revenue replacement scheme. Uplift of value of land through infrastructure

development could be captured to build new infrastructure. In the Committee's discussion paper *Moving Forward*³ (p10), the arguments for use of value capture to support funding of infrastructure projects are outlined, including overseas examples of property development as a funding source for transport investment. Finally, the Committee recommends that the existing system of road tolls could be improved compared to the current system of tolls causing unequal distribution. Some road users pay higher prices for road travel than others depending on whether tolls are in place between where they live and where they want to go. The Committee suggests that a more strategic placement of tolls across the city could achieve greater equitability while providing added revenue for infrastructure investment.

In conclusion

The Committee is encouraged by IV's ongoing research on transport network pricing in 2017 and the positive signal that the call for contributions sends to the public. Engaging the community in this important debate is of vital importance and the Committee will continue to be at the forefront of this discussion.

We are eager to work with IV, as well as our community leaders, to safeguard Melbourne's future growth and prosperity. Please do not hesitate to contact the Committee to expand on any of the points touched on in this submission.

Regards

A handwritten signature in black ink, appearing to be 'Martine Letts', with a long horizontal line extending to the right.

Martine Letts
Chief Executive Officer
Committee for Melbourne

³ Committee for Melbourne 2012 *Moving Melbourne* accessed at http://melbourne.org.au/cms_uploads/docs/moving-melbourne-a-transport-funding-and-financing-discussion-paper.pdf