



MEDIA RELEASE

Committee for Melbourne Identifies Melbourne's Worst Transport Crisis Points

Melbourne faces a major transport crisis within a decade unless urgent action is taken, according to the influential business group, the Committee for Melbourne (CfM).

A specially convened CfM Transport Taskforce has identified three major challenges for the Federal and State Governments:

- ◆ Reforming the way that transport is priced, charged, taxed and funded.
- ◆ Completing Melbourne's major road network, and
- ◆ Significantly improving Melbourne's bus services.

The Committee for Melbourne has brought together a range of top executives and professionals in both the public and private sectors in the transport industry to begin an urgently needed debate about the city's transport needs.

The Chairman of the CfM Transport Taskforce, Mr Jack Smorgon AM, said with Melbourne's population to increase by a third or by more than a million people in the next 25 years, the community needed to understand the policy choices necessary to improve transport infrastructure.

Mr Smorgon said an investigation by the taskforce already shows that:

- The cost of congestion in Melbourne will double from \$4 billion annually to \$8 billion by 2015. Over 60% of these costs are business costs, particularly for the freight industry, thus influencing business' ability to maintain employment levels,
- The length of road congested will more than double from 640km to 1330km by 2011, with the major growth in outer suburbs,
- Peak travel speeds are projected to decline from 19.7km/h to 15.2km/h in Melbourne, even with the completion of existing major road improvement projects, while Sydney's peak travel speeds are improving,
- Much of Melbourne's outer suburbs are poorly served by public transport, with the average finishing time for bus services around 7pm, and
- With train and tram services close to or at capacity, tram services will also continue to be strongly affected by the growing congestion on our roads.

“The Taskforce is very concerned that under-spending in the city’s transport system will cause Melbourne to be less competitive. This will get worse given the commitment of both of our northern neighbours to massive transport infrastructure investment programs,” he said.

“Melbourne is already rapidly falling behind Sydney in creating an orbital road network that has the potential to attract hundreds of millions of dollars of new investment. And the Queensland Government has just unveiled a 25 year infrastructure program. In addition, Sydney and Brisbane have also announced significant re-investment in their public transport networks.

“If Melbourne does not respond, infrastructure investors will overlook our city to take opportunities in other parts of Australia where there are stronger visions for the future.”

The CfM Transport Taskforce has reviewed existing policies and commitments, including those presented in the 2004 Metropolitan Transport Plan, and concluded that, while many of these programs were worth doing and supported, they fall well short of what is needed in total.

The Committee has also identified three major projects that need to be completed by 2015 to protect Melbourne’s competitiveness and preserve the city’s lifestyle:

- Extending the Eastern Freeway to the Tullamarine Freeway,
- Joining the Ring Road at Greensborough with the Eastlink project,
- Upgrading the West Gate Corridor (including the option of a West Gate Bridge Duplication), and
- All of the above three road projects should include dedicated transit/bus corridors.

Many new projects have very long lead times between conceptualisation and opening for traffic. Therefore the State and Federal Governments should commence serious investigations of these projects immediately.

At least one of these projects need to be completed within the next five years – for example, the continuing expansion of the Port of Melbourne will need improved road connections to both contain the impact of trucks on surrounding roads and minimise freight delays.

These major projects are in addition to the need for a substantial upgrade program on many two lane arterial roads in the fast growing outer suburbs, where traffic volumes exceed the practical capacity of the road network. High accident rates and growing congestion costs are the result of this backlog, according to the Committee.

The chairman stressed these issues were not an industry wish-list and there were real consequences for Melbourne's social and economic development if politicians continued to ignore these issues.

"It is also important to commit to a significant upgrade of Melbourne's public transport system, particularly the bus network, especially as the State Government is introducing parking levies to dissuade car use in the CBD," Mr Smorgon said.

"Public transport has to remain an intrinsic part of Melbourne's overall transport system. There is a significant financial and political commitment to tram and train programs such as Think Tram and the Dandenong line triplication which are strongly supported by the CfM. However buses, which serve a greater number of people in Melbourne's middle and outer suburbs, have been the poor relation. We really have to address that."

The Taskforce proposes that local bus services should run on weekdays from at least 6 am to 8 pm with a minimum 30 minute frequency; on Saturdays from 7 am to 8 pm with a minimum 60 minute frequency, and Sundays 8 am to 6 pm with a minimum 60 minute frequency. Timetabling for these services must ensure that they connect well with the other public transport services (particularly trains) at all major interchanges.

As well as this improved local bus service provision, the Taskforce called for much faster roll-out of the higher frequency cross-town SmartBus network, with selected bus priority on busy arterial roads, to reduce transit times and improve bus reliability. The success of the SmartBus trial – an unprecedented increase in passengers of around 30% to 43% -- shows the public's acceptance and support of the SmartBus concept.

"The scale of congestion costs, coupled with the need for major expansion in transport infrastructure and services, emphasises the need for reform of transport pricing, taxing, expenditure and funding," said Mr Smorgon. "This reform will help to bring transport policy and land use policy closer together. The goals of Melbourne 2030, the city's growth strategy, will not be met unless transport and land use are dealt with in an integrated manner, including pricing reform.

The Taskforce believes that there should be a clear separation of taxes from charges, with charges being related to the full cost (including the "costs" imposed on the wider community) of the trip. The revenue raised from the charges should be used to fund transport infrastructure and services. Provision of a safety net for public transport services is necessary where full costs are not recovered by the fare box to ensure a travel choice for all.

"These reforms have happened with just about every other infrastructure service, and they are well-overdue in transport", Mr Smorgon said. "We need to put

everything on the table, including the role of public sector debt for infrastructure funding, direct user charges such as tolling or congestion pricing, Victoria's share of Commonwealth road and transport funding, and the future of public-private partnerships."

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Background:

Members of the Committee for Melbourne Transport Task Force

Transport Taskforce Members:

- ABN AMRO
- Arup
- Bates Smart Pty Ltd
- Bus Association Victoria
- City of Melbourne
- Clayton Utz
- Committee for Melbourne
- Connell Wagner Pty Ltd
- Escor Corporation
- Freehills
- Gavin Anderson & Company
- Grenda Corporation
- Lend Lease Corporation Ltd
- Maunsell Australia Pty Ltd
- Metlink
- Minter Ellison
- Royal Melbourne Institute of Technology University (RMIT)
- Royal Automobile Club of Victoria (RACV) Ltd
- Transurban Group
- Victoria University of Technology – The Institute for Logistics and Supply Chain Management.

Background:

Transport: the Key to Liveability and Prosperity

Melbourne's reputation as the world's most liveable city is a vital foundation for its economic and social development. The success that is being achieved in this regard is reflected in Melbourne currently having the fastest population growth of all Australian capital cities – people want to live here in increasing numbers. This implies a commitment to investing in infrastructure to accommodate growth and deal with current backlogs, particularly in transport.

Sustaining Melbourne's liveability and prosperity depends on a number of factors, foremost of which is its transport system. The Committee for Melbourne, a representative group of Melbourne's business leaders, is deeply concerned that Melbourne is failing to cope with an emerging transport crisis and believes that urgent action is required to:

- recognize the problems and
- take positive steps to deal with them.

It highlights three areas where it believes that a real sense of urgency is required, beyond what is apparent in Melbourne 2030, the Metropolitan Transport Plan, or recent State Budget funding commitments. These three areas are:

1. completing Melbourne's major road network;
2. significantly improving bus services, especially in Melbourne's outer suburbs, with significant spin-off benefits in terms of social inclusion as well as congestion benefits; and
3. improving the way transport is priced, charged and funded.

The Problem

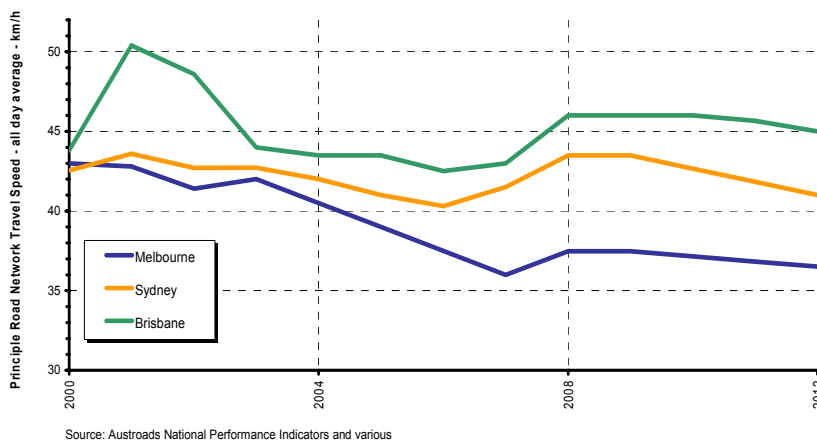
Traffic congestion. Congestion is increasing rapidly on Melbourne's roads, reducing personal mobility and increasing freight costs. Congestion currently costs about \$4 billion annually, with this cost projected to double by 2015. Over 60% of these costs are business costs.

The State Government's Linking Melbourne: Metropolitan Transport Plan recognizes the significance of the congestion problem. It notes that 640 km of Melbourne's road length was congested in the morning peak in 2001 and this is projected to more than double to 1330 km by 2011. Morning peak travel speeds are projected to decline from 19.7 km/h in 2001 to 15.2 km/h in 2011, even with the completion of some significant major road improvements projects (Eastlink, Deer Park Bypass, Pakenham Bypass)¹.

¹ Source: Department of Infrastructure

This is a very substantial decline in peak hour travel speeds over a short time period. It implies a significant deterioration in urban amenity and livability. Freight costs will increase and economic competitiveness decline, with associated job losses.

Comparative data for Melbourne, Sydney and Brisbane shows that Melbourne's all-day travel speed is the lowest of the three cities and the gap between Melbourne and the other two capitals is likely to widen over coming years. Melbourne has traditionally enjoyed a comparative advantage over Sydney and Brisbane in access terms but, because of recent investment in those cities, we are losing that advantage, with potentially significant economic consequences.



Safety. The number of fatal plus serious injury road crashes in the Melbourne metropolitan area has remained relatively static at about 3,800 over the last nine years. While some improvement has been achieved in the number of minor injury crashes, the failure to significantly reduce fatal and serious injury crashes has meant that road accidents continue to cost the community about \$2 billion annually².

There is a particular problem in the outer suburbs, where fast population growth and associated car and truck movements have run well ahead of additions to road capacity, leading to rapidly increasing peak period congestion and casualty accident rates much higher than the State average. For example, the road casualty crash rate for City of Casey is twice the State rate.

² These costs have been calculated on the basis of cost to the community from Austroads Report: Economic Evaluation of Road Investment Proposals: Improved Methods for Estimating Australian Unit Crash costs. Crash costs based on the willingness to pay philosophy would be much higher. Costs are in dollars of the day. The magnitude of costs each year is about twice the annual investment in infrastructure improvement.

Air quality. Air quality indicators show that Melbourne is winning the race on motor vehicle emissions. Implementation of tighter emission control standards in coming years, plus cleaner fuels, should ensure that air quality continues to improve, even with growing traffic levels.

Greenhouse. While air quality is improving, the greenhouse gas situation is not. Road traffic remains the second largest contributor to greenhouse gas emissions and the sector is the fastest growing sector in emission terms. The fast growth in freight movement is a significant contributor to this problem. While the average fuel economy rate from cars has improved about 19% over the 1997 to 2002 period, fuel economy across the heavy road vehicle fleet has deteriorated over this period³. With the rapid growth in road freight traffic volumes, greenhouse gas emissions will continue to grow strongly.

Social Exclusion. With Melbourne being so car-dependent, those without a car available for travel may have less opportunity to engage in the range of pursuits and relationships that are available in a liveable city. This is especially the case in Melbourne's middle to outer suburbs, where public transport service options are far less than in the inner area and bicycle/walking options are more limited. Melbourne Bus Plan, for example, showed that

- the average weekday finishing time for Melbourne's bus services is before 7.00pm;
- only 3 in four bus services operate on a Saturday, with the average finishing time being just after 5.00pm; and,
- only one in five bus services operate on a Sunday.

Summary. In economic (congestion and comparative economic advantage), safety, environmental and social terms, the Committee therefore concludes that there is a crisis developing in Melbourne's transport system. Yet there is no sense of a crisis in Government policies and current policy directions (as reflected in the 2004 Melbourne Transport Plan) fall well short of what is needed to deal with these emerging crises.

The Committee for Melbourne believes that these problems are indicative of a serious emerging crisis, which Government has not fully acknowledged, and the implications of which are not recognized by Government or the community.

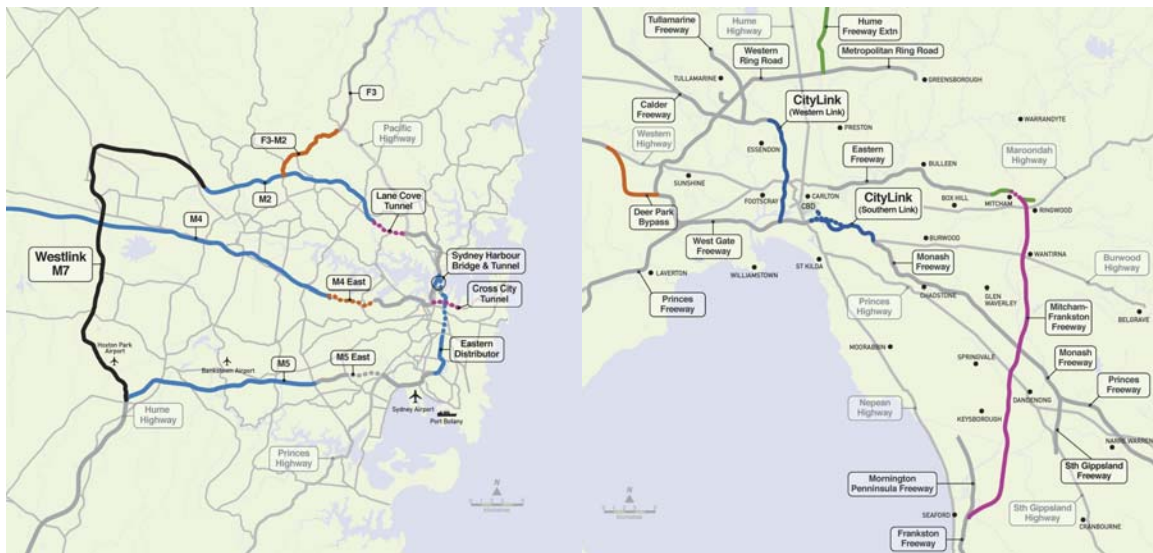
The Committee recognizes that the solution to these crises will be multi-faceted. However, to focus attention to the crisis and point the way to the necessary responses, it proposes three significant reforms which, taken together with other committed projects and initiatives (including those in the Metropolitan Transport Plan) will form the essential components of a response to the crisis. These reforms are outlined below.

³ Unpublished National Transport Commission analysis, based on Survey of Motor Vehicle Use data.

Completing the Major Road Network

The Sydney and Melbourne road networks are shown below, to the same scale. A comparison of these networks indicates:

- Sydney has a continuous, integrated and compact freeway/toll road network of approximately 100 km either operating or under construction with staged opening over the next 4 years.
- Over 90% of Sydney is within 3 km of this network.
- Melbourne requires around 300 km of freeway/toll road to achieve the same coverage/accessibility, due to the city's geography. Melbourne currently has only about 200 km of such routes.
- Significant gaps remain in Melbourne's network, which means that it cannot function as a connected, continuous system. As well as the delays, safety problems and economic disadvantage that this causes, it means that the potential of modern "smart" road management technology cannot be fully realized.
- Melbourne is far too reliant on a single corridor – the Westgate/Monash corridor. Experience has shown that even a small incident at a critical time on this corridor can almost bring the whole city to a near-standstill. This is intolerable, and the problem must be addressed urgently.



Given current political and funding commitments to road investment in Victoria (including such projects as EastLink, Craigieburn, Deer Park, Geelong, Pakenham and Calder), Victoria requires two further links to complete a continuous, connected motorway network connecting the State's major centres, and one project to relieve Melbourne's most significant congestion problem, namely:

Eastern Freeway – Tullamarine Link. The connection of the Eastern Freeway with the Tullamarine Freeway. This “missing link” in the freeway network is the cause of significant congestion to the north of the central city, and that congestion will increase with the completion of the EastLink project in 2008.

The North East Link. Completion of the metropolitan ring road, or orbital corridor, by connecting the Ring Road at Greensborough with the Eastern Freeway. With this link in place, a full 360 degree orbital motorway would exist, and, on the evidence of other cities (and Sydney’s imminent achievement of the same objective), this would provide significant economic and social benefits not only to Melbourne, but to the State as a whole.

Monash – West Gate corridor. The Monash Freeway – West Gate corridor is the most heavily used road in Melbourne and a key axis of economic activity in Victoria, linking the Melbourne CBD and Port of Melbourne with industrial areas in the outer eastern and western suburbs. Significant sections of these freeways, including the West Gate Bridge, are approaching capacity, with resultant poor travel times and higher accident rates. Unless relieved, congestion in this corridor will limit Victoria’s future economic growth. The route therefore requires upgrading, including the duplication of the West Gate Bridge crossing.

The Committee for Melbourne is concerned that, notwithstanding these problems and opportunities, Victoria remains a relatively small spender from State funds on road improvements – road investment from its own sources is less than that of NSW and Queensland on a per-capita basis. Also, the State has no detailed plans to improve bus service levels in outer suburban areas.

Providing Modern Bus Services Across Melbourne

Public transport is an intrinsic part of Melbourne’s transport system. Trains and trams are the more high profile segments of the transport network and are well funded. People who choose to, and are able to, live in tram-suburbs or near a railway station, receive a much higher quality public transport service than the great majority of Melbournians. Some 60% of Melbournians have no train or tram services nearby. They rely on buses for their public transport services and bus service levels are poor across much of the region.

For those people without access to a private car, the poor availability of bus services in outer Melbourne is a significant constraining factor on the capacity for social engagement. Poor bus service availability also increases car dependence, adding to traffic congestion in areas where arterial road improvement has not kept pace with population growth. Recent research by Bus Association Victoria reveals that even those with car availability in outer areas see the need for improved bus services, to provide travel choices and help ease congestion pressures.

For this reason, the Committee for Melbourne believes that it is time to raise the profile of buses and lift bus service standards across the city, particularly in the middle to outer suburbs. The Committee considers that a modern bus system for Melbourne should have at least the following service standards:

- Monday to Friday: 6.00am start, with the last run starting at 8.00pm; frequencies of at least 30 minutes at peak and inter-peak times and 60 minutes at off-peak;
- Saturday: 7.00am start; 8.00pm start of last run; 60 minutes frequency;
- Sunday: 8.00am start; 6.00pm start of last run: 60 minutes frequency.
- In areas of high demand, higher frequencies (and longer spans of hours) would be expected.

Implementation of such improvements in local bus services would cost about \$60 million annually. This would represent an increase of about one quarter in Government funding of bus services in Melbourne, with most effort being devoted to raising outer suburban service standards.

To maximize the effectiveness of investment in improved bus services, selective bus priority measures should be implemented, to reduce the impact of traffic congestion on service speeds and reliability. State Government SmartBus initiatives on Blackburn and Springvale Roads have shown how substantial patronage increases (20-40%) flow from improved service standards in association with bus priority operation. The SmartBus program should be rolled out much more quickly across Melbourne, complemented by spot priority initiatives to improve bus travel speeds.

Pricing, Charging and Funding

At present, there is little connection between the costs of providing transport services and infrastructure and the charges levied for use of infrastructure/services. The Committee for Melbourne believes that the crises identified above will not be resolved without fundamental reform of transport pricing, charging and funding.

The essence of this reform will involve:

- clear separation of taxes from charges;
- charges being cost-based, including any relevant externalities (e.g. accidents, greenhouse gas emissions, congestion), the revenue so raised being used to fund transport infrastructure and services;
- provision of basic “safety-net” public transport and local street access services for which user charges may not be appropriate.

The Committee has identified a number of options for reform of road user charging, funding and pricing. It believes that a serious public debate must occur on what combination of these should be adopted, as part of an overall reform package which would lead to the above outcomes. These options include:

Government Debt. This includes the issuance of long term government debt typically in the form of bonds by Treasury Corporation of Victoria or the Commonwealth Government. Increased government debt, however, would potentially be seen as being imprudent given recent fiscal consolidation and debt reduction.

Budget Appropriations/Taxes. This covers the full range of Commonwealth, State and Local government taxes, including income, corporate and GST at the Commonwealth level, stamp duties, land taxes and payroll taxes at the State level, and property related taxes at the Local level. This form of funding spreads the costs widely throughout the community, which potentially accords with the nature of the benefits resulting from the infrastructure provision. Key drawbacks include their inefficiency (as they are often distorted) and the likelihood that they would be subject to significant stakeholder and political opposition.

The distribution of Commonwealth funds needs to be considered within this. For example, over recent years, Victoria has received a significantly lesser share of Commonwealth road funds than would be indicated by its share of the national economy or the higher economic returns from project investment in Victoria.

User Charges. These can include tolls, fares or tariffs that are directly levied on the consumer of the good or service. The asset can be publicly or privately financed, or can even fall somewhere in between (such as “shadow tolling” where the private sector takes usage risk, and the government pays a toll per the public’s usage). Charges are usually linked to the cost of service provision but can also include externalities, such as congestion costs. User charge systems funded by the private sector allow the acceleration of infrastructure provision and the transfer of usage risk to those parties. These systems require the private sector to invest equity and debt (via either the bank or capital markets) into projects, and receive a market return. The “usage” charge element typically restricts this mode of financing to those assets which will involve high levels of public usage. User charge systems can be politically unpopular, but their increased usage appears to be leading to increased social acceptance against the government funded alternatives.

Public-Private Partnerships. These are privately financed vehicles which provide public infrastructure and associated services. They may be Build-Own-Operate or Build-Own-Operate-Transfer type projects. These vehicles build, finance and operate the infrastructure, for which they receive availability payments from government to cover their costs. This can be particularly relevant for projects where public usage may be regulated or limited, where a “user pays”

system may be uneconomic or could be socially unpopular. PPPs allow the provision of infrastructure to be accelerated, and are more cost efficient in situations where risks can be adequately be transferred from the public to the private sector. PPP financing includes the investment of private sector equity and the raising of third party debt (via either the bank or capital markets).

The structure of public-private partnerships may open up further innovative funding opportunities, such as the recent example of cashing in future Transurban concession notes in respect of CityLink to help fund the Calder / Tullamarine interchange.

Producer Levies. This covers a variety of charges levied directly on the supply or production of infrastructure, including developer charges. This might include a transport levy charged on newly released blocks of land in areas where transport links have been significantly improved, increasing land values. Producer levies are generally not very efficient or fair and involve significant compliance costs. Moreover as a source of finance they are susceptible to the vagaries of the building and construction cycle, and are unlikely to be able to provide funds on a larger scale.

Summary and Call to Action

The Committee for Melbourne believes that these three initiatives – completing the road network, upgrading the bus system, and reform of road user pricing, charging and funding - are critical to sustaining Melbourne's livability and prosperity. Melbourne is facing a crisis today and urgent action is needed.

Transport's role in securing Melbourne's future is not sufficiently acknowledged, much less reflected in investment in transport infrastructure and services.

A failure to act will mean loss of jobs to other capitals and overseas, accident rates stuck at high levels, no progress against greenhouse gas emissions from transport, and a worsening outlook for those outer suburban residents with limited access options.

End of background