

ROAD SAFETY COMMITTEE

Inquiry into Federal-State Road Funding Arrangements

Perth—9th April 2010

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Witness

University of Western Australia, Transport and Logistics Business School:
Prof. J. Taplin, Winthrop Professor.

Mr KOCH—Thank you, Professor Taplin, we appreciate you coming and addressing our Victorian parliamentary Road Safety Committee which is bipartisan. In saying that I would like to introduce my colleagues: Paul Weller represents the National Party and is a regional Victorian; Craig Langdon represents the government and is a metropolitan member of parliament. I represent the Liberal Party and, like Paul, am regional focused. We do understand a lot of what was put to us by Main Roads, especially in regional Western Australia. Alexandra Douglas is our executive officer, and Nathan Bunt is our researcher. Today we shall be recording what is taking place during all our briefings. A transcript will be forwarded to yourself at the completion of our visit to Western Australia. The opportunity is there that if, in your own thoughts, it may not be representing what you were trying to deliver, we would only be too happy to consult further on that. In saying that, today's briefings will not have parliamentary privilege. From that point of view, thank you very much. We are only too happy to hear your presentation. Are you comfortable to take some questions on the way through or would you prefer us to hold those to the end? I must say we were a little bit late on our scheduled meeting and we are happy to share the same amount, 45 minutes, with you. We do have a briefing that is not taking place this afternoon so we will pick up on some of that time. If there is anything at the end you would like to add, we would be only too glad to accommodate it. Thank you, Professor.

Prof. TAPLIN—Thank you, Chairman. I do not have a formal presentation to make. I said, yes, I would be delighted to come because this takes me back to my own experience, but it is experience that is really only 20 years ago when I retired as director-general of transport in this state. Many years before that I was deputy head of the federal Department of Transport in Charles #(indistinct) time. I was responsible for the federal end of road funding. I quickly looked at papers, downloaded stuff off the web and it all looks fairly familiar. They keep changing the names, of course, the programs get re-branded but it is still essentially the same thing. I do not think there has been substantial change in the federal approach since the National Highway, and that was in my time.

Several things I would like to say: I understood that you wanted me to talk about the road funding in Commonwealth, state, that sort of thing. The central issue is hypothecation. For the professionals in the field like myself, or like my Main Roads colleagues, hypothecation is a very important issue and that prompted me to look up the American material yesterday and they are still doing it the way they have always done it. I will come back to that. The catch is that even though our respective states will front up to the feds and appear to do battle for us I am always suspicious because Treasury officials on both sides—Commonwealth and state—all have the same goal of preventing hypothecation. They do not like a tied program so they will essentially run theirs. Your Treasury people and our Treasury people I think will all do the same sort of thing. They want untied money.

Having said that I guess the answer is I think that concerned people in this field should push for hypothecation. I have looked at some of the advocacy type stuff that appears on the web and some of it is a bit misguided and misunderstands what is going on. For instance—it is more than a 'for instance'—I carefully calculated what the total American fuel taxes in Australian dollars per litre are, and they are about a third of ours. The Americans are collecting, both federal and state, and some of the state taxes are hypothecated too which is interesting. They are collecting a third and it is interesting that the third that they collect in relation to ours is not quite enough. The federal government had to pump in about \$10 billion in 2008, another \$10 billion in 2009, just to top up from central revenue. It shows you that the American third of our tax is not quite enough. Having said that, half of our tax would probably be brilliant to support the road system. They think that is our problem.

Incidentally, I was responsible, with my then minister, for setting up the Transport Trust Fund in this state. This is in the days of the fuel franchise fee. We had the right idea of pumping the whole lot, keep out of Treasury's hands, pump it all into a fund so that it was transparent, and we did; we managed to get it all into the hands of Main Roads and some into the public transport. Incidentally, the Americans started off with 1c of the Highway Trust Fund some years ago—1c going to public transport. The figure I looked at yesterday seemed to be something like a fifth they are siphoning off into transit and that seems about right to me. It may be a bit more but it has helped them to upgrade their transit systems, and we in this state cannot really complain about our transit system, we have pumped a lot of money into it.

That is the line I would like to take. I do not know how you do it because people who have gone before

you and before me, we all tried to move in this direction, hypothecating of funds that are sourced from motorists. It is no good pushing the argument that the petrol tax is not a general tax at all; it must be. The catch is to capture an appropriate proportion and hypothecate that. What was said earlier in the discussion is consistent. It is quite a while, even as an academic, since I have worked on this stuff, but last time I worked on it, that seemed to be the case that we were getting close to full cost recovery from heavy vehicles. As everyone knows, heavy vehicles can cause the entire damage to roads, not just 95 per cent, the lot. Recovery from cars is essentially a recovery to provide road space in cities really. That is a very valuable resource and it is costly. It is appropriate that the private car or the small vehicles, delivery vehicles, do contribute to that. The country roads, the highways and so forth, the wear and tear is almost entirely heavy vehicles and there has been continued agitation by railways, but of course privatisation of railways has changed that, changed the nature of the argument; it has not changed the spirit of it.

The railways have always pushed that there was under-recovery from roads. I suspect there is not very severe under-recovery from roads. Incidentally one route I do work on a lot is road haulage from Melbourne to Perth and from Sydney to Perth, because this is the one case where the majority of freight is carried by road. It is two-thirds rail, approximately, and one-third road, whereas Sydney-Melbourne, Sydney-Brisbane and Melbourne-Brisbane are all predominantly road.

Then these gentlemen talked about the heavy vehicles and our remote areas. Incidentally, they did not mention the fact—because I think our road builders do not like to—that the road building base in this state—and I am not an engineer—is particularly favourable, whereas in your state not so favourable because it is a high rainfall state and the soils and substrate are not so good, and it gets worse and worse in New South Wales and Queensland. We are rather fortunate in this state and, as I say, the Main Roads guys do not like to ever mention it. Chairman, they are the main things I wanted to say.

Mr KOCH—Professor, if you are comfortable to field some questions, and they might come from left field or anywhere.

Prof. TAPLIN—Yes.

Mr KOCH—As you will appreciate, the reference we have is in relation to federal-state funding. I think importantly Roads Australia who briefed us in Canberra recently, they threw up a few other areas that we should be giving consideration to in their belief. We appreciate that total use of excise will not come back to our roads and I think that is a given. If we were to gain a great percentage we would be very fortunate. They have certainly looked at road user charges and congestion charging. I would be very interested to hear your thoughts in relation to those specific areas for offering further funding opportunities for our states.

Prof. TAPLIN—Yes. Congestion charging, of course, is right. Trying to charge congestion charging through the fuel tax is misguided I think is the best you can say for it. With the technology that we have now—and I had a student do a PhD on this 15 years ago, and her comment to me was, 'All the electronic technology is there. What's now done in Victoria is state of the art in Melbourne and it's happening all over.' I might say that one of the things that she demonstrated fairly conclusively was that whereas there is a prejudice—and I am not quite sure where the prejudice comes from because it is amongst very learned people—that if you are going to go into road charging you have to use a cordon charge as in London and Singapore; the idea being apparently that you have to stop people sneaking through the cordon.

My student demonstrated that that is in fact quite wrong, that the way to go—essentially what has happened perhaps by default in Melbourne—is charge your high speed, high standard roads and let the rest go free. You could spread that maybe to other arterials but in essence there is a serious equity question. The Americans have done a lot of work on this. In Southern California they even have parallel free lanes against the charged lanes, but essentially what she found was that without going to all that trouble, as long as there are satisfactory free routes then you get over the distribution problems because cordon charges tend to favour the very rich. The rich come out very well, the poor come out very badly.

If you select the high speed, high standard routes, then a high degree of equity is preserved. In fact I was

looking at her distribution the other day and the rich still do fairly well, they always do, but the very low income people—she did it in 11 or 12 income classes—do quite well as well and unfortunately it is the fairly well to do that maybe suffer a bit. It was a good distribution effect. I think we are headed towards extensive road charging and that would certainly be my comment that it ought to be selective. We reversed the process incidentally; what would happen if you charged on the lower standard roads and, of course, that causes a disaster. You have to charge the high standard roads and the outcome can be very good. There is the wider question of the total congestion of our cities, the very severe congestion. Of course, that pushes you towards the transit type question. We found that our line to Mandurah, it is quite salutary. It runs down the middle of the freeway and trains go at about 110, sometimes a bit above that. Even when the roads are free speed, the train just shoots past the motorist. In the morning peak, of course, the motorist can see that they are not in it. The transit time for a worker from Mandurah on the train to the city is about 40 minutes, I think, and by car it would be an hour, an hour and a quarter or something of that sort. If we are serious about shifting the balance then I think we do have to go that way, otherwise you simply have to resort to squeezing the motorists and you can indeed do that. But I do not know whether that is the type of issue you were interested in.

Mr KOCH—We look at all issues.

Mr WELLER—What you are saying is, in the cities, the likes of Perth and Melbourne, it is better to push people to public transport than try and do what you do in California where you are saying that you have duplicate roads. You have a charge road and a free road. Well, you do not have that room in our cities to have that option.

Prof. TAPLIN—Yes. It is unfortunate what they did in southern California because they forced the railway system out, now they are having to restore it. But, yes, I think that is right. If you simply try and handle the whole problem with degrees of road charging then you do not have the safety valve to take the entire traffic. The trouble with transit is—and it is the same in all our cities and the same in most cities—that only 20 per cent of people work in central Melbourne, central Perth, central Sydney, and your transit only serves those. You are not solving the problem for everybody and that has been the case in Australia for many years, it is the low-paid worker who really depends on the car. The motor car is the poor man's transport and has been for many years. I was at a conference in Kyoto many years ago and I found the Japanese were talking the same way, that anyone who had to drive a car to work was an unfortunate; for some reason they had to use a car. All the best people caught the train, and that was the attitude.

The catch is the workers who do peripheral trips—because their place of employment tends to be a bit peripheral and their residence is fairly peripheral—but there are a lot of other workplaces that are dispersed throughout the city and it is extremely difficult to serve those. In fact they will always be served by a car. We have ring services with buses, and Melbourne has quite a lot of those; we have a few. Yes, I think we have to accept that the car will serve those trips. Shopping trips, I would not even bother to get shopping trips out of the car. It is so natural. The shopping centre developers are very good at providing parking space, managing the whole thing, but that remains.

Mr KOCH—Professor, I think moving people from the roadway to the public transport sector still requires massive funding. We look at our own Victorian case, for instance, where we have to upgrade our rail system to a very great degree to have the opportunity to move those where generally there has been quite a move across the public transport system, particularly for commuters with city employment, but we still have to raise the funds to allow that to happen. From that point of view do you see it advantageous to be raising taxes for vehicle commuters to aid the upgrade of the public transport system and, if that were the case, where would you go with it or, if that is not the case, where are the funds going to come from to give the opportunity for rail commuters?

Prof. TAPLIN—You are ahead of me there. You mean like a tax on new car sales?

Mr KOCH—Well, for instance, in Melbourne we have a congestion tax on parking in the CBD which is not tied, as you will appreciate.

Prof. TAPLIN—No, that is true.

Mr KOCH—This is at a state level and further assistance should be sought in our capital cities from the federal government to assist with these transport needs, particularly in congestion. I am interested to hear where your thoughts might be in turning that situation around that gives those who have elected to move across to the public transport system an opportunity not to back their car out on every occasion.

Prof. TAPLIN—I am thinking back a long way now. This city has a very high level of publicly provided parking in the city and somewhat unfortunately it is controlled by the city council. I spent a lot of effort to try and persuade them to put a heavy tax on vehicles that arrived in the peak and then lifted it after the peak so that they attracted shoppers and taxed the peak arrivals. Something like that, I understand, has now happened. But you are going further and hypothecating the revenue from that into public transport.

Mr KOCH—I only raise it for discussion, hearing what you were saying earlier in relation to your rail versus highway traffic.

Prof. TAPLIN—Yes. I much prefer the American idea of somehow hypothecating part of the fuel tax to transport and then a proportion of that going to the transport system. I think that is a much better way, but again you run up against the treasury mentality who would resist that. Simply because that tax exists, they have always had it, they do not want to part with it. Yes, I agree, we tend to provide parking too cheap, certainly in the cities, and raising more revenue that way I would agree, but again you are getting into institutional problems. I do not know who owns the parking in Melbourne. Here it is split between the usual private owners and the city. The private owner pays a tax on his spaces but you get the institutional problem with the city, whereas the city wants to recycle it into city facilities and it can lead to a growth of parking. I do not know that I can go any further.

Mr KOCH—Your thoughts on private-public partnerships as a means of raising funds, not extensively used in Western Australia, we understand. Do you, in the foreseeable future, see greater opportunities there from a community point of view?

Prof. TAPLIN—Yes. I used not to be an enthusiast for any form of privatisation but I have come around to believe that public-private partnerships are a very good way to go. I would adhere to the World Bank's view on that, that it is managerially and institutionally a good way but we only look from a distance here. We look at some of the things like what happened in Sydney where it ended up being too generous to the private investor, simply because people did not do their sums right. In principle, yes. Perhaps I am sliding away a bit but one of the things that has come out in recent years is that in their haste to privatise road construction this state—and I do not think Victoria fell into this one—dismantled a lot of its capability, too much of its capability, and the result was that some of our roads, some of our quite major roads, have been built substandardly and this is because the state instrumentality had at least temporarily been stripped of some of its capacity because the important thing in road building is the oversight of the private contractor and that became deficient. That is not public-private partnership, that is simply oversight of private contractors.

Mr LANGDON—You said you worked, here in Western Australia, from the state point of view and the federal point of view. If you had the power today would you change the funding mix at all and how would you change it?

Prof. TAPLIN—I would change it in the direction that I said. I would hypothecate a proportion of the fuel tax without hesitation if I had the power. I would hypothecate something like, something between 40 and 50 per cent of it to roads. I do not know how the actual expenditure compares with the collections. I did not look that up.

Mr WELLER—It is about a third at the moment, 13c out of 38.

Prof. TAPLIN—Yes, 13 out of 38. Incidentally, 13 is what the Americans collect, 13 Australian cents per litre. That is why the American system is struggling. The federal government has to pump in extra money. Yes, I would hypothecate 40 per cent and hopefully a bit more than 40 per cent.

Mr LANGDON—Would you hypothecate any of it to public transport?

Prof. TAPLIN—Yes, about a fifth of that I would allocate to public transport.

Mr KOCH—We do not have any further questions. Professor, we thank you very much for making your time available this morning, it has been appreciated.

Prof. TAPLIN—You are very welcome.

Mr KOCH—We have listened freely to some of the things you have raised with us. Thank you very much.

Witness withdrew.

Hearing suspended.