

NO MORE EXCUSES IT'S TIME TO DELIVER

RTBU FEDERAL BUDGET SUBMISSION

#FixMyRide

MAY 2017



RTBU



Contents

INTRODUCTION	3
POLICY CONTEXT	4
Bang for Buck	4
Urban Growth	5
New Funding Models	5
No Blank Cheques	6
More Efficient Cities	6
PRIORITY PROJECTS	8
Melbourne Metro Rail Tunnel	8
Rail Link to Badgerys Creek Airport	8
Cross River Rail	9
Perth Metronet Project	10
AdeLINK Light Rail network	10
Bus Rapid Transit networks for Hobart & Launceston	11
ACT Light Rail	11
INLAND RAIL	12
CONCLUSION	13

Introduction

The Federal Government has made much political capital out of its so-called commitment to rail and public transport. In reality, however, this Government has failed to live up to its own rhetoric on rail and public transport. While the language may have changed, the substance of Federal Government policy is still mired in the 1950s mindset of former Prime Minister Tony Abbott, who famously claimed the Federal Government's should "stick to its knitting" by ignoring public transport altogether. Investment in urban public transport is yet to progress beyond tokenism, and the lack of progress on Inland Rail is a constant source of frustration for rural and regional Australians.

Nevertheless, commuters and public transport workers remain hopeful that the Federal Government will make a genuine effort tackle Australia's rail and public transport infrastructure needs. Recent media statements from the Prime Minister and Treasurer have given commuters hope that a change in policy is imminent. The Prime Minister's enthusiastic support of alternative funding models such as value capture, and the Treasurer's recent acknowledge that investment in infrastructure is a prudent use of debt, have raised expectations that this Federal Budget will be different.

This Budget represents the Federal Government's last chance to obtain any credibility on transport issues. The time for tokenism is over, and the time for delivery has well and truly arrived.

This Budget simply must make genuine and substantial investments in rail and public.

Policy Context

According to the Bureau of Infrastructure, Transport and Regional Economics (BITRE), urban congestion is estimated to cost the Australian economy over \$16 billion a year, and this expected to rise to up to \$37 billion by 2030.¹ This includes the cost of wasted time spent by both people and freight in traffic jams, the cost of increased wear and tear on vehicles, and the cost to the community of increased transport-related pollution.

But Australia's transport woes go further than this. Australian cities are under sustained pressure from continued population growth and government policies that have supported artificially-high real estate prices. A new approach to transport, planning and urban policy is desperately needed.

Bang for Buck

Investing in new mass transit infrastructure must be a central component of a national strategy to address the problems facing Australian cities. This is because investment in mass transit delivers economy-wide returns.

These benefits include:

- More efficient transport of goods and people;
- The social benefits of people having more time to spend at leisure, in education, or with their families; and
- The environmental benefits of reduced transport-related pollution.

Considering these economy-wide benefits, the National Institute of Economic and Industry Research (NIEIR) found that a \$100 million public transport investment would generate around \$400 to \$700 million in economic benefits over the life of the asset.²

That is, once all the direct and related benefits of more productive public transport are taken into account, there is a return of around four to seven times the initial investment.

Public transport also contributes to economic growth by facilitating the beneficial effects of agglomeration – the benefits that firms obtain by being located near each other. Mass transit systems such as heavy rail maximise the benefits of agglomeration by moving large numbers of people to a consolidated location, such as the CBD of a major city, quickly and efficiently.

With a diminishing number of economic levers available to the Federal Government to stimulate productivity growth, investment in transport infrastructure has become the Government's best bet for achieving its productivity objectives.

¹ *Traffic and congestion cost trends for Australian capital cities, Bureau of Infrastructure, Transport and Regional Economics (2015), p1.*

² *Ibid, ppiv-v.*

Urban Growth

Not only does investment in rail and public transport provide governments with significant “bang for buck”, it also is essential to dealing with the economic and social pressures placed on our major cities by continued population growth. It is no coincidence that the major population growth magnets of Melbourne and Sydney are facing the problems of worsening housing affordability and increasing transport congestion. Population growth, in part fuelled by overseas migration, is placing enormous pressure on existing urban infrastructure and services. The Federal Government is responsible for Australia’s migration policies, therefore it has a responsibility to fund the infrastructure to underpin sustainable migration.

Currently, infrastructure funding decisions are made on a case-by-case basis, with advice from Federal Government agencies and in accordance with political priorities. The RTBU, however, contends that there should be a direct funding link between migration settlement patterns and Federal infrastructure funding. Mass transit infrastructure in high growth areas that are carrying most of the migration load - such as Western Sydney, Melbourne and South East Queensland - must be prioritised. This will enable our major cities to grow sustainably, function more efficiently, and will help reduce demand pressure on inner city housing.

New Funding Models

For several years, the RTBU has been advocating for a bold and revolutionary approach to funding rail and public transport infrastructure. Our Union strongly believes that alternative funding mechanisms such as value capture have much to offer, and can ensure that the people and organisations that profit from new public infrastructure are required to make a reasonable contribution to the cost of that infrastructure.

The RTBU’s 2015 research paper titled *Innovative Funding Models for Public Transport in Australia*, suggested two principal forms of value capture which could be considered for Australian conditions:

- Tax Increment Financing (TIF) combined with bond issuances; and
- Business Rates Supplement (BRS).³

Our position on value capture has been enthusiastically endorsed by the Prime Minister, and by Coalition politicians such as John Alexander MP. The next step for the Federal Government is to put its enthusiasm for alternative funding models into policy practice.

³ *Ibid*, p4.

No Blank Cheques

The RTBU's 2016 policy paper, *The Australian Commuter Trust: Investing in Australia's Transport Future*, called for the establishment of a new \$30 billion Australian Commuter Trust, backed by government bonds. The Trust would adopt a funding model similar to that used for the National Broadband Network. The use of government bonds locks in funding at low interest rates, while the use of value capture methodologies would provide an income stream to ensure the fund was viable. This would provide a stable return to investors, but would also enable the fund to grow over the long-term and become a self-sustaining vehicle for continued investment in urban infrastructure for generations to come.

The Australian Commuter Trust would be overseen by an Independent Board, and would supplement direct investment from State and Federal Governments. Infrastructure Australia would play the role of independent adviser to the Fund, assessing applications for project funding from State Governments, and advising the Federal Government on infrastructure priorities.

Importantly, State Governments would make applications for investment funding from the Australian Commuter Trust for specific projects. States would then be required to generate income from the project via value capture methodologies in order to pay a return to the Trust. Under this approach, the Federal Government would take on a leadership role, encouraging States to reform the way they deliver major infrastructure projects, and thus reducing the overall funding burden on consolidated revenue.

More Efficient Cities

Federal Government leadership in the delivery of funding targeted at high population growth areas will also ensure that State Governments pursue effective land use planning strategies. For example, the expansion of urban mass transit systems should take place in conjunction with land use reforms to increase densities and activity around transport hubs. The use of Transit Oriented Developments at and around train stations, for example, can reduce pressure on local infrastructure, reduce urban sprawl, and create new employment opportunities. Furthermore, increasing densities around transport hubs opens up possibilities for greater use of value capture, while also tackling the key social and economic challenge of increasing residential housing supply.

The RTBU supports a coherent national strategy for infrastructure development, driven by the Federal Government and leveraging State resources through a reciprocal contribution/benefit model. The Federal Government can, and should, drive this radical policy change through the upcoming Budget.

To do so, the RTBU believes a \$5 billion Infrastructure and Housing Development fund be established to incentivise root and branch reform of city transport and land use planning instruments by state and territory governments.

Reforms should be underpinned by a COAG cities agenda which meet nationally agreed criteria including:

- States enshrining long-term plans for nationally significant economic infrastructure such as transport corridors, airports and ports, intermodal connections, communications and utilities - through their legislated land use planning instruments.
- States demonstrating how they are planning for population growth, demographic change and housing affordability through reforms of their land-use planning instruments.
- States simultaneously increasing housing supply, and the development of economic infrastructure, by legislating guidelines and governance mechanisms around value capture and transit oriented developments in key infill and greenfield sites.

While some states have shown a desire to improve their planning systems, results have been mixed at reshaping our cities and integrating land use with transport plans. Stronger collaboration between and within governments is needed to overcome the key infrastructure and housing supply shortfalls in our cities.

In order to ensure reforms are pursued successfully, collaboration should also focus on:

- Improving community engagement in strategic planning
- Improving policies to also encourage private sector investment and innovation
- Improving the monitoring of implementation and outcomes in cities.

The RTBU believes that incentivising reforms to improve the productivity of our cities, and economy, through the injection of Commonwealth funds is not a new precedent.

Given the imperative of improving housing affordability and addressing the infrastructure deficit, now is the time for the Commonwealth Government to take on a leadership role through COAG to develop a cities agenda that sticks.

Priority Projects

The RTBU has identified a number of key mass transit projects around Australia which should be given priority under the funding approach outlined in this submission.

These projects are:

- The planned Melbourne metro rail tunnel;
- The Parramatta to Epping link in Sydney;
- A rail link to the new Western Sydney airport;
- Brisbane's Cross River Rail project;
- The proposed Metronet projects in Perth;
- The AdeLINK tram network; and
- A Bus Rapid Transit network for Hobart.

Melbourne Metro Rail Tunnel

The business case for the Melbourne Metro states that the project is expected to create 3,900 additional jobs across Victoria, and increase Victoria's Gross State Product by between \$7 billion and \$14 billion.⁴ It will also serve as a catalyst for development around the periphery of the CBD, particularly in North Melbourne, and will facilitate greatly improved public transport access to the research, medical and education hub of Parkville.

The business case also looks at possible value capture opportunities, although it does not consider mechanisms such as business levies or tax increment financing, focusing instead on potential opportunities for Transit Oriented Development and related use of new infrastructure.

The possible value capture opportunities include:

- Over site developments at the proposed CBD North and CBD South stations;
- In-station retail and advertising;
- Use of new telecommunications infrastructure to drive revenue; and
- Redevelopment of surplus land at Arden as part of the broader urban renewal of the Arden-Macaulay Precinct.⁵

The RTBU believes the Melbourne Metro project warrants further investment from the Federal Government.

Rail Link to Badgerys Creek Airport

The Federal and NSW Governments have committed to the construction of a new airport at Badgerys Creek in Western Sydney, but as yet no commitment has been made to building a heavy rail link to the new airport. While the NSW Government has committed to reserving a future rail corridor and the Federal Government has discussed the possibility of a fast rail link to the CBD, the RTBU believes that the airport needs to have a rail connection from the outset.

Moreover, the RTBU believes that a rail link to the new airport should commence from the northern end of the proposed corridor, in order to provide the most efficient and direct service for the airport's catchment area of passengers and workers.

⁴ *Melbourne Metro Business Case, February 2016, p8.*

⁵ *Ibid, p249.*

According to the State Government's plans, the area around the new airport will support much of Sydney's future urban growth. Indeed, the NSW Government's own discussion paper states that 495,000 new residents will be living in the South West Growth Centre and Camden by 2031, while an additional 200,000 jobs will be created in the Broader Western Sydney employment area.⁶

It is clear that the proposed transport corridor will be more than just a route to the new airport – it will be a critical transport route for a huge number of people living and working in Western Sydney. This project presents clear opportunities for value capture – by capturing some of the uplift on land values along the rail corridor, and through the development of land and airspace in conjunction with new stations.

Cross River Rail

Brisbane's Cross River Rail (CRR) project has been on the drawing board for many years, but has sadly been a victim of political point-scoring and dithering. The RTBU supports the original proposal for Cross River Rail endorsed in the 2011 Environmental Impact Statement, which best meets the needs of South East Queensland's public transport network.

The Queensland Government currently plans to deliver a curtailed version of the original CRR project - truncating the tunnel length on the southern corridor at Dutton Park, rather than Yeerongpilly. The RTBU contends that the original CRR proposal to Yeerongpilly is significantly superior to the revised, shorter version. Indeed, we believe that the current proposal will not deliver the long-term capacity increase that is needed to future-proof the SEQ transport network.

The benefits of the original Cross River Rail include:

- addressing rail capacity constraints on the existing rail network;
- improving service reliability and travel times for commuters;
- providing opportunities for commercial development in and around new stations; and
- increasing the capacity for rail freight travelling to the Port of Brisbane.

The cost of the project was assessed as being approximately \$6 billion.

The original Cross River Rail also offers significant opportunities for the use of value capture, particularly in regard to property value uplift along the corridor. For example, there are opportunities for new development, urban renewal and value uplift at Yeerongpilly and to a much lesser degree at Dutton Park.

The truncated version of CRR, with the tunnel ending at Dutton Park, will result in significant network capacity constraints - particularly for the freight sector. In short, it will create a rail bottleneck affecting rail transport to and from the Port of Brisbane. This will in turn affect the ability of the Federal Government's supposed regional flagship project, Inland Rail, to deliver on its promised benefits.

The RTBU calls on the Federal Government to invest in Cross River Rail by providing funding to deliver the project in line with its original scope, with the southern corridor tunnel extending to Yeerongpilly.

⁶ *Transport for NSW, South West Rail Link - Public transport corridor protection discussion paper, April 2014, p9.*

Perth Metronet Project

The growth of Perth has placed enormous strain on the city's road network. Population growth has far outstripped the growth of the footprint of the Perth rail network. The Western Australian Government's proposed Metronet provides an ambitious but achievable plan to extend the network and boost capacity, thus giving Perth residents a genuine a transport choice.

The Metronet project appears to be a viable candidate for the application of value capture measures. The potential for relocating Midland Station, for example, could unleash major urban redevelopment opportunity.

Similarly, the development of a rail link to Perth Airport would be a major boost to the airport precinct, and would open up new development opportunities. The development of new stations would also enable opportunities for Transit Oriented Development throughout Perth.

The proposed Metronet project consists of:

- New North Circle route - including the Ellenbrook line and a connection between the Ellenbrook line and the Joondalup line;
- New South Circle route - including the Airport line, with new stations at Airport West, Perth Airport and Forrestfield, and a railway line connecting Thornlie station to the Mandurah line;
- Extension of the Clarkson line, to Yanchep;
- Extension of the Armadale line to Byford; and
- New stations on the Mandurah line at Atwell and Karnup.

Metronet will dramatically change the way people travel around Perth, and warrants significant Federal Government involvement.

AdeLINK Light Rail network

The development of light rail in inner city Adelaide has been a remarkable success story. Since the historic Glenelg line was extended to Adelaide Station in 2007, Adelaide commuters have flocked back to trams.

The South Australian Government has now developed plans for an extensive light rail network across the city.

The RTBU has concerns about some aspects of the AdeLINK plan – particularly the potential conversion of existing heavy rail corridors to light rail. The Union will work with the South Australian Government to address those concerns. Nevertheless the overall plan represents a step change in public transport in Adelaide, and will dramatically improve local public transport services.

The development of this network will bring significant benefits to local neighbourhoods across Adelaide, and this project warrants Federal Government involvement.

Bus Rapid Transit networks for Hobart & Launceston

The issue of traffic congestion has become a serious concern for people in Hobart and Launceston. Improving local bus services remains the best option for tackling traffic congestion in both cities. In particular, the development of efficient express services would provide commuters with a viable alternative to private vehicles.

Most importantly, new express services that are complementary to existing routes must be introduced. They must not be implemented as replacements for local services that others rely on.

While there are limitations on the application of value capture initiatives to local bus infrastructure improvements, there are, however, opportunities for related transit oriented developments. In particular, park and ride hubs could be established offering secure parking and opportunities for retail and services for commuters.

The RTBU calls on the Federal Government to work with the Tasmanian Government to develop a strategy for upgrading bus services in Greater Hobart and Greater Launceston, including the provision of bus rapid transit services and investment in more park and ride facilities.

ACT Light Rail

The Capital Metro Project is a one of the most exciting transport developments in the country, and will change the way people move around the city of Canberra. Construction of Stage 1 of the ACT Light Rail network is due to commence soon, with services to start in 2018. The first stage will go between the City and Gunghalin – a 12km journey taking in Northbourne Avenue, Federal Highway and Flemington Road. A second stage of the light rail network is being planned, which will extend the line into the Parliamentary Triangle.

There is genuine potential for applying value capture methods to Stage 2 of the Canberra light rail project. (Do we need to explain here what the value capture methods that should be applied are?) It is expected that the project will have a positive impact on land values, and will also lead to new building developments along the route.

Federal investment in Stage 2 of this project is needed to ensure the full benefits of light rail in Canberra are realised – including reduced traffic congestion, improved travel times, and a more efficient city.

Inland Rail

The Inland Rail project is one of the most important infrastructure projects to be undertaken in this country since the construction of the Snowy Hydro scheme.

The RTBU argues that the Inland Rail project should be a top-tier infrastructure priority for the Federal Government, however we also believe that the current proposal needs to be re-worked to ensure it delivers a world-class outcome for Australia. As the RTBU argued in its 2014 submission to the Inland Rail Implementation Group, we believe the guiding principles for the delivery of Inland Rail should be:

- Inland Rail should be treated as transformational and intergenerational nation building project, delivering 21st Century performance and productivity benefits.
- The journey-time from one end to the other should be under 20 hours, enabling a return train trip to be completed in two days.
- The project should be constructed to North American Class I Railroad standards rather than ARTC mainline standards in order to support modern fast, efficient, high-productivity freight trains.
- The project should begin with early works from Toowoomba to the Port of Brisbane corridor – the section that will deliver the most value to the national economy.

The failure of the Turnbull government to progress this project has been a major disappointment for the rail industry. While funding has been allocated for property acquisitions, the rail industry needs more than just a corridor reservation – it needs genuine a commitment to build this project sooner rather than later.

Recently the Federal Government has hinted that funding will be available in this year's Budget to commence construction works in New South Wales. The RTBU is concerned that the Government may start with “low hanging fruit” in terms of token upgrades, rather than tackling the sections of track that will deliver the most value to the rail industry and the Australian economy. For this reason, contend that the focus of the first stage of construction should focus on the section between Toowoomba and the Port of Brisbane.

Any further delays on Inland Rail will see potential major investments diverted away from the rail industry towards road transport. The window of opportunity for Inland Rail is therefore closing. We need significant investment now, we need to see a timeline for construction, and we need to start work in South East Queensland. Further failure is not an option.

⁷ *Inland Rail: Learning the lessons of the past to build a railway for the future.*
RTBU Submission to the Inland Rail Implementation Group, June 2014

Conclusion

It's time for the Federal Government to act on its rhetoric and make good its supposed commitment to rail and public transport.

Australian cities continue to face the challenges of urban congestion, inefficient transport and housing unaffordability. The RTBU sees one clear cause of these issues to be the fact that population growth in our cities, while a welcome phenomenon, is not being made sustainable by the necessary transport infrastructure improvements. The Federal Government must invest in transport infrastructure in order to ensure that its growth agenda is successfully and sustainably executed.

The RTBU believes it is necessary to pursue a bold and revolutionary approach to transport funding, one built on fairness in both contribution of funds and distribution of benefits. We need to incorporate new models like value capture, and continue to invest in mass transit infrastructure that our cities desperately need.

We call on the Federal Government to take a leadership role in this bold new approach. It's time to deliver on transport infrastructure.



RTBU

Rail, Tram & Bus Union (National Office)

Office: Level 2, Trades Hall,
4-10 Goulburn Street, Sydney NSW 2000

Phone: 02 8203 6099 Fax: 02 9319 2096

www.rtbu.org.au