

THE ROLE OF PUBLIC TRANSPORT IN A CLEAN ENERGY FUTURE

Bus Industry Confederation Submission to the Clean Energy Plan Draft Legislation Consultation



August 2011

“...the equivalent of taking 45 million cars off the road.” The Hon Julia Gillard, Prime Minister.

The Bus Industry Confederation of Australia

The Bus Industry Confederation (BIC) is the peak national body representing the interests of Australian bus and coach operators and suppliers to the industry. As the primary voice of the bus and coach industry the BIC works with all levels of Government, regulatory authorities, strategic partners, our industry and the community to:

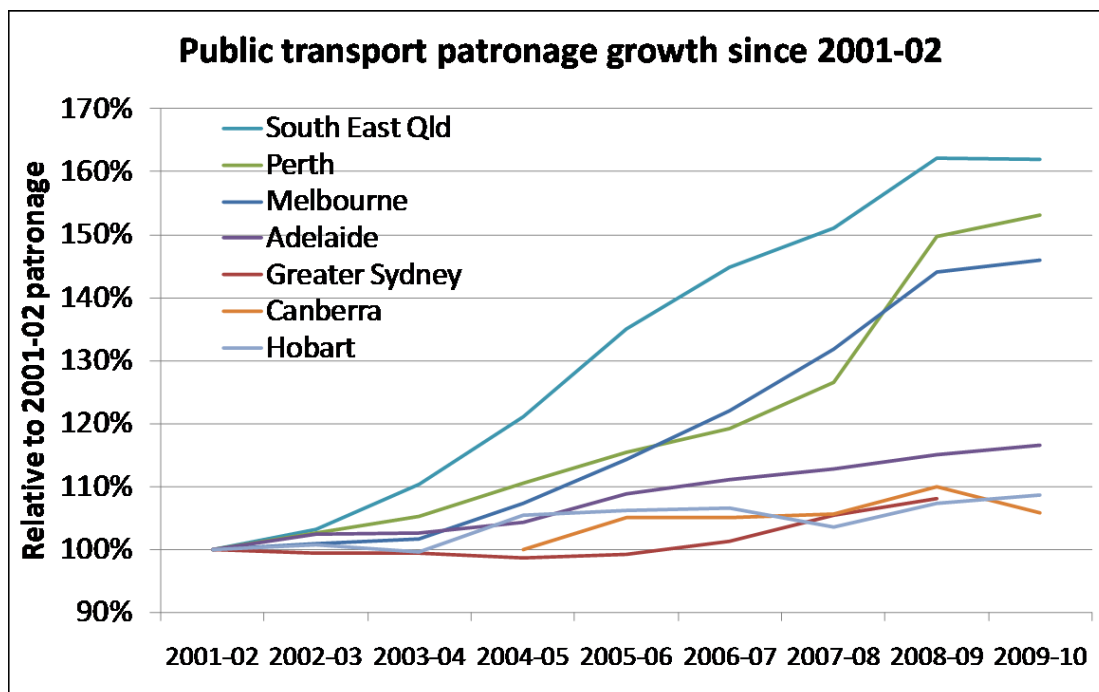
- Encourage investment in public transport infrastructure and services.
- Coordinate and make more effective existing Federal, State and Local Government policies and programs that relate to passenger transport.
- Improve public understanding of the contribution made by the bus and coach industry to Australia’s economy, society and environment.
- Ensure that the accessibility and mobility needs of Australians are met, regardless of where they live or their circumstances.
- Ensure that buses and coaches operate safely and effectively.

Major challenges are confronting public transport systems and the bus industry in Australia at a time when responding to climate change demands a lower carbon footprint from individuals as well as corporations.

Due to rapid and continuing increases in public transport patronage, systems in our major capital cities are stretched to breaking point in meeting the service frequency and network coverage needs of commuters. In cities where capacity constraints have been most noticeable, patronage growth is beginning to decline in response to the reduced amenity of overcrowding and the inability of systems to meet the mobility needs of users.

The following chart illustrates the decline in public transport patronage growth with overcrowding on systems (capacity constrains in the network) identified by many commuters as a major deterrent against public transport use.¹

Source: Charting Transport (Transport Data Mapping Resource) www.chartingtransport.wordpress.com



¹ Auspoll 2011, June Quarterly Omnibus Survey for Merging Crises Summit.

Further investment in public transport infrastructure and services throughout our major cities is needed to meet these needs and provide viable and sustainable alternatives to the car.

This has been recognised through a historic commitment to passenger transport from the Federal Government in the form of infrastructure investment in and the coordination of, a national approach to public transport, but significant shortfalls remain both in services and infrastructure.

The current climate of global economic uncertainty and the Government's commitment to returning the budget to surplus poses a major obstacle to meeting the levels of investment required to deliver viable transport alternatives to motor vehicles.

Encouraging Australians to make more sustainable transport choices can not only reduce transport related greenhouse gas emissions, but also play a leading role in facilitating an overall behavioural change from old transport, energy consumption and lifestyle choices, towards a clean energy future for Australia.

An investment in sustainable transport is a worthwhile investment for the Federal Government to make in Australia's future.

In addition to the environmental value of a modal shift to public transport from cars there are significant economic and social benefits, through the reduction of traffic congestion and the improvement of access to employment and essential services, which come through increasing public transport patronage and improving the coverage and quality of our systems.

The investment in public transport which the BIC is proposing in this submission will recover the cost of the bus and coach industry's carbon emissions, but take into account the positive congestion reduction, road wear reduction, and road safety improvement benefits that buses bring by taking cars off the road.

These are benefits that are not taken into account under current road pricing arrangements and as such the Clean Energy Future Plan presents a unique opportunity for incentivising public transport use through reforming the way public transport systems are priced.

This submission outlines a proposal from the BIC to make the Clean Energy Future Plan a passive mechanism for investment in sustainable transport through fuel tax arrangements and states our case for its inclusion in legislation to be introduced to the next sitting of Parliament.

Public Transport: Taking Cars off the Road

In releasing the Government's Clean Energy Future Plan Prime Minister Gillard likened the overall reductions in emissions under the scheme to "...the equivalent of taking 45 million cars off the road."

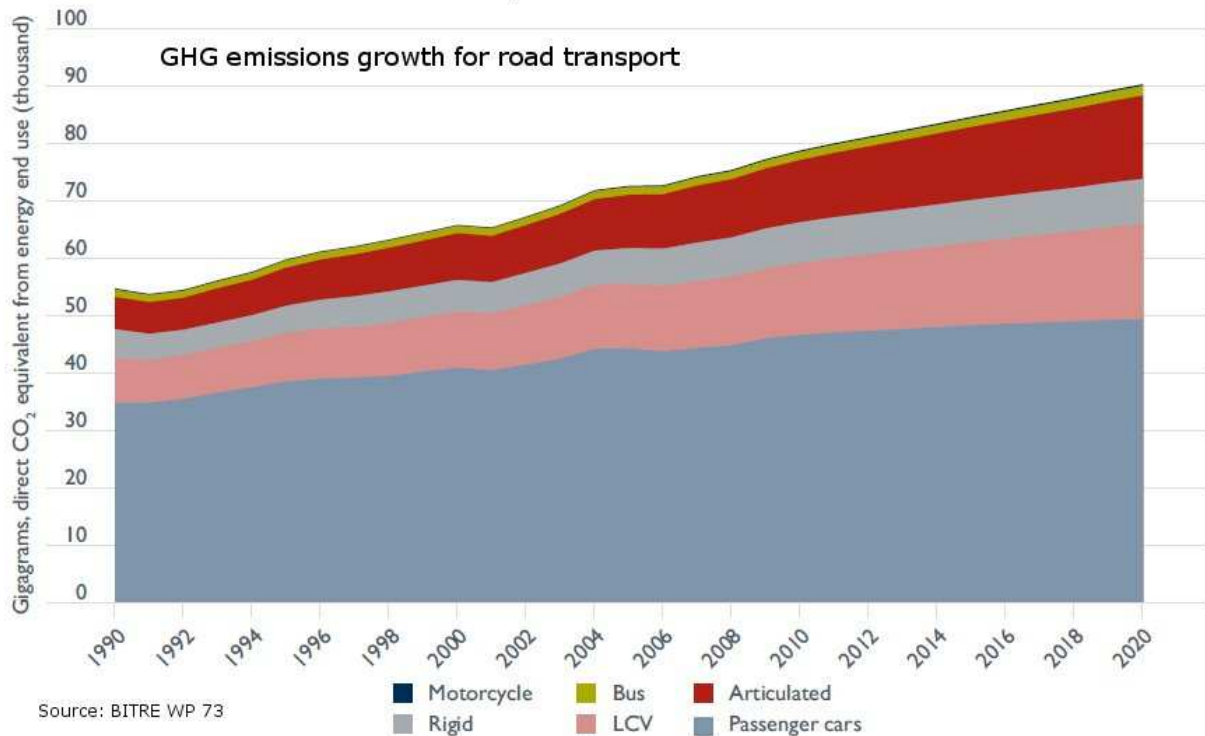
An analogy of this nature underlying the purpose of the Government's Plan implies that some effort should be made within its framework and through the revenue raised by carbon pricing to actually reduce car use rather than provide incentives for it!

This is why the BIC presents the view, later in this submission, that the draft legislation for the Clean Energy Future Plan acts as a disincentive for public transport in favour of car use and our solution presents an opportunity to address this imbalance.

Road transport contributes almost 15 per cent of total green house gas emissions in Australia. Cars contribute more than 50 per cent of road transport related emissions while buses contribute less than 2 per cent of total emissions from road transport.

By 2020, allowing for some emissions reduction initiatives, greenhouse gas emissions from road transport are predicted to be more than two thirds higher than their 1990 levels with cars still accounting for the majority.

Source: Bureau of Infrastructure Transport and Regional Economics



Shifting from cars to public transport can deliver a 65 per cent emissions reduction during peak times and a 95 per cent reduction in emissions during off peak times from the commuters that make the shift.²

At current occupancy rates for cars a full bus load of passengers can take up to 50 cars off the road and a full passenger train can take 500 cars off the road.

This not only results in significant emissions savings but also reduces traffic congestion (which is predicted to cost the economy \$20 billion by 2020), reduces ongoing road maintenance costs through reductions in road wear and improves road safety (buses are the safest form of land transport).

Based on 2004 occupancy figures for cars and buses the fuel consumption of buses for every 100 passenger kilometres was 2.5 litres and the fuel consumption of cars for every 100 passenger kilometres was 7 litres.

A ten per cent shift to bus passenger transport from cars would reduce greenhouse gas emissions by more than 400,000 tonnes a year and every million passenger kilometres on public transport, instead of cars, saves 45,000 litres of fuel.³

The emissions savings figures for trains, if extrapolated from the figures delivered for bus by CRA international suggest a ten per cent shift to rail passenger transport from cars could save as much as 4Mt of emissions a year.

The nature of how public transport systems work in our major cities would necessitate increases in patronage on both rail and bus modes of public transport similar to that experienced in the 1997 – 2008-9 period to deliver the maximum efficiency, environmental and social gains from reduced car use.

In the long term reduced dependency on cars will lead to further reductions in emissions from road transport.

²Barrett and Stanley (2008), *Moving People: Solutions for a Growing Australia*, ARA, BIC, UITP

³CRA International (2006), *Impact on the Australian economy of Increased Bus Patronage*, BIC

In comparison with other greenhouse gas emissions abatement measures a shift of one commuter from driving to buses for a trip from an outer suburb to the CBD in Melbourne or Sydney can deliver the same carbon abatement value of 3 households switching to energy saving light globes. (Extrapolated from Garnaut Review)

Zero carbon modes of transport like walking and cycling are, of course, highly effective in reducing transport related emissions, but cycling is often presented as a panacea at the expense of public transport by Governments that are unwilling to invest the time and capital in improving public transport systems.

The BIC holds the view that of the sustainable transport alternatives available, only concentrated and coordinated investment in public transport can deliver significant reductions in passenger transport related greenhouse gas emissions alongside the positive economic and social benefits of reduced dependency on the car.

In the following section we present a solution for the Clean Energy Future Plan to be used, in part, to fund the investment needed to build the public transport systems we need.

The BIC Position

The BIC's input into the process leading to the development of a carbon pricing mechanism for Australia has taken a generally supportive view of a carbon pricing as a means of encouraging positive behavioural change in transport choices amongst Australians.

Our Submission to the 2008 Garnaut Review and the Carbon Pollution Reduction Scheme consultation on fuel excise arrangements spelled out our support for a carbon pricing mechanism that supported public transport through an investment of revenue into public transport systems and through the modernisation of the public transport fleet to low carbon and zero carbon technology.

The Clean Energy Future Plan, as it is to be introduced to Parliament does not add a carbon price to the fuels used in bus passenger transport.

This exemption, however, only applies until 2014 with a stated intent from the Multi Party Committee on Climate Change of levying a carbon price from on-road heavy vehicles as of 1 July 2014.

This will apply to the buses in the same way it will apply to trucks without recognising the very different nature of the tasks they carry out.

It is our belief the carbon emissions produced by buses, in the sense that they work towards reducing overall road transport emissions, should be recognised as "good" carbon and not penalised under a carbon pricing mechanism.

We believe buses should not be lumped in with trucks under the Plan.

The addition of a carbon price to the existing Road User Charge on fuel paid by bus operators will increase the cost of using public transport and/or impede the ability of State Governments to expand and improve public transport services by raising the operating costs of public transport systems.

The following schedule outlines the cost increases brought about by adding a carbon price with annual increases to the Road User Charge with annual increases.

Source: Bus Industry Confederation 2011

Year	Road User Charge – Excise (38.143 cents per litre) Minus Fuel Tax Credit – Cents Per Litre	Annual Increase in Road User Charge – Cents Per Litre	‘Carbon Price Equivalent’ – Cents Per Litre	Remaining Fuel Tax Credit for Buses – Cents Per Litre	Total Cents Per Litre in Charges Paid by Buses
1 July 09	21.7	0.7	NA	16.443	21.7
1 July 10	22.6	0.9	NA	15.543	22.6
1 July 11	23.1	0.5	NA	15.043	23.1
1 July 12	23.6	0.5*	NA	14.543	23.6*
1 July 13	24.1	0.5*	NA	14.043	24.1*
1 July 14	24.6	0.5*	6.858*	6.685*	31.458*
1 July 15	25.1	0.5*	7.028*	6.014*	32.128*
1 July 16	25.6	0.5*	7.208*	5.338	32.808*

* All figures marked with an asterisk are based on estimates from the Australian Livestock Transporters Association.

With anticipated increases factored into the carbon price and Road User Charge we anticipate the fuel cost of bus operations will increase by more than 9 cents per litre by 2016.

Professor Stanley of the University of Sydney anticipates an increase of more than \$40million per year in operating costs as a result of the imposition of the carbon price on buses.

While this figure might seem low on a year to year basis, when it is factored into a 5 year rolling plan for State Governments this is an added increase in operating costs of bus public transport of more than \$200 million which will need to be recouped from users or made budget neutral through reduced spending on new and more vehicles in the fleet and worse still a reduction existing services and no new services.

This added cost, when coupled with the permanent bowlers based exemption from the carbon price for car use creates a perverse incentive for increased car use. This the polar opposite outcome sought by the Clean Energy Future Plan which equates emissions reductions with “cars off the road”!

We believe the Clean Energy Future Plan legislation has the potential to not only avoid adding cost to public transport operations through additions to the fuel tax legislation in the package of amendments being presented to Parliament, but also create a perpetual source of investment in public transport through reform to road pricing arrangement for buses.

The BIC Position

The BIC's input into the process leading to the development of a carbon pricing mechanism for Australia has been to argue that a carbon price should not have the perverse effect of creating a disincentive for public transport use. Any climate change policy aimed at reducing greenhouse emissions should act as a means of encouraging positive behavioural change in the transport choices of Australians.

It is the BIC view that the carbon emissions produced by buses, in the sense that they work towards reducing overall road transport emissions, should be recognised as "good" carbon and not penalised under a carbon pricing mechanism. We believe buses should not be lumped in with trucks in the road based emissions considerations of climate change policy.

BIC Proposal in Relation to the Government's Proposed Carbon Tax

We propose through an amendment to the Fuel Tax Act (2006) the following addition is made to section 43-10 relating to the amount of fuel tax credit available.

The intention of the amendment would read as follows:

43-10 Reducing the amount of your fuel tax credit

Add subsection 43-13

All on road heavy vehicles registered and accredited for the purposes of transporting passengers are not subject to any road user charge.

We believe that this reform, amounting to approximately 16 cents per litre of savings on the fuel costs of bus operators will free revenue for investment in the improvement and expansion of passenger transport services by State Governments.

An annual reporting process could be established to ensure the savings to State Governments were returned as investment in public transport services.

It is the BIC's view that a carbon price at the level it is determined for on-road fuel, should apply in place of the Road User Charge.

This effective exemption from the Road User Charge and payment of the carbon price could still be applied through the fuel tax credits system with operators applying for the full amount of excise minus the carbon price when making claims for the fuel tax rebate.

Conclusion

The Clean Energy Future Plan presents a unique opportunity for the Federal Government to passively invest in public transport as an element in its emissions reductions strategy and apply an approach to pricing buses consistent with the goal of removing cars from the road by encouraging public transport use.

In taking cars off the road buses provide a road wear, congestion, social mobility, greenhouse emissions reduction and air quality benefit.

Through a simple reform to the current Road User Charging arrangements, State Governments can be provided with a significant revenue boost for investment in moving the bus passenger fleet to low and zero emissions technology as well as increasing the reach of bus public transport to grow patronage on public transport and present viable and sustainable alternatives to car use.

The BIC also recommends comprehensive research into the carbon emissions abatement value of public transport.

Attached is a surface analysis of the emissions reductions from public transport developed by the BIC as an invitation for the Government, in partnerships with research institutions to develop a model to base carbon pricing revenue investment decisions on.

The Bus Industry Confederation is available to discuss our submission and can be contacted on email: enquiries@bic.asn.au or via phone: (02) 247 5990.