



Submission by the Bus Industry Confederation to the Competition Policy Review

July 2014

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About 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.

About this Submission

This submission addresses a selection of the key questions that arise from the Terms of Reference for the Review. The BIC approaches this review from two perspectives

- (i) As representatives of the businesses within the Australian bus and coach industry, including bus manufacturers and service suppliers
- (ii) As advocates for the development of policies, programs and investment from the Commonwealth, State and Territory Governments in the areas of infrastructure, urban development and passenger transport.

BIC's submission focuses primarily on the importance of infrastructure and urban transport networks in ensuring that the Australian economy is globally competitive and maximising efficiency and productivity at a domestic level.

This submission outlines three priorities for a competition policy reform agenda from the perspective of our transport and land use planning systems, infrastructure and public transport networks. These are:

- The need for an integrated approach across road and rail in addressing congestion in capital and major cities
- The need to reform land transport pricing in Australia
- The need for better institutional frameworks in delivering infrastructure and transport networks

The second section of this submission focuses on issues specific to bus and coach operators in the experience of regulatory impediments while conducting their operations.

A range of BIC publications, policies, research and submissions are available on the BIC's Ozebus website, www.ozebus.com.au.

Background

The Australian bus and coach industry is composed primarily (85 per cent) of State owned or contracted bus services including urban and regional route and school bus services throughout Australia.

Coach services (tourism, charter and express inter-town and inter-city) compete with rail and airline services for market share.

Since its establishment in Canberra the BIC has advocated for the development of a national Moving People Strategy. We envision this as a multi-faceted and inter-governmental approach that involves a suite of policies and programs to address challenges related to Australia's land transport system.

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The BIC has taken the lead in public transport related research and policy through a range of policy statements and publications including *Moving People, Solutions for a Growing Australia* (2010), *Moving People, Solutions for a Liveable Australia* (2012) and *Moving Australia 2030* (2013)

The most significant national land transport challenges that BIC sees are as follows:

- Traffic congestion costs \$11 billion annually (valued by what economists call a “deadweight” loss) and this cost is rising, significantly impacting the quality of our lives and our economic competitiveness
- Road transport is the third largest source of greenhouse gas emissions and these emissions are growing, at a time they need to be declining
- Many Australians are socially excluded through inadequate access to transport options
- The road toll, of about 1450 fatalities and 30,000 serious injuries annually, remains unacceptably high, and our dependence on car travel seems to be contributing to growing health problems from obesity
- Australia’s energy security is significantly threatened by our high reliance on, and increasing demand for, fossil fuels, where we are currently about 50% self-sufficient, with this share expected to fall to about 20% by 2030
- Ageing transport infrastructure accentuates many of these concerns, as does rapid population growth.

We view addressing these broad challenges as crucial to maintaining Australia’s high standard of living and making our economy more competitive in a global context and more efficient in general.

What should be the priorities for a competition policy reform agenda to ensure that efficient businesses, large or small, can compete effectively and drive growth in productivity and living standards?

The BIC concurs with the Australian Consumer and Competition Commission’s identified principles for an effective and sustained competition policy. In the context of transport there are a number of priority areas for reform that we believe will drive the best outcomes in terms of Australia’s global competitiveness and domestic productivity.

1. The need for an integrated approach across road and rail in addressing congestion in capital and major cities

Road congestion cost the Australian economy \$11 billion in lost productivity in 2011¹ and this figure is expected to increase to \$20 billion a year by 2020.² This is assessed as the cost to the Australian economy in wasted time and fuel, this figure does not include the public health and social costs associated with traffic congestion. Congestion not only impacts on productivity economy wide, but impacts on the productivity and quality of life of individuals.

Reducing congestion can bring significant benefits to the economy. A recent study from the United States (Hartgen and Fields, 2009) shows that reducing congestion and increasing travel speeds enough to improve access by 10 percent to key employment, retail, education and population centers increases regional production of goods and services by 1 percent. This in turn increases tax revenues to government.³

An integrated approach that considers not only road and rail, but also includes land use planning and active travel such as walking and cycling is essential for productivity gains, income generation and quality of life in our major cities.

Recommendation: address congestion through an integrated approach to land use and transport planning

¹ Australian Treasury (2011), *Revenue Group Update*, Australian Government, Canberra.

² Bureau of Infrastructure Transport and Regional Economics, *Working Paper 71: Estimating Urban Traffic and Congestion Cost Trends for Australian Cities*, Australian Government, Canberra.

³ Hartgen, D., and Fields, G.M (2009), *Gridlock and Growth: The Effect of Traffic Congestion on Regional Economic Performance*, at: <http://reason.org/news/show/gridlock-and-growth-the-effect#sthash.fxE2EpjM.dpuf>

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To address congestion through an integrated approach to land use and transport planning the BIC, along with strategic partners in public transport, active transport and planning have called for the establishment of an Australian Government Urban Development, Planning and Cities portfolio and Minister to:

- Integrate land use and transport planning considerations at An Australian Government level.
- Oversee the adoption and implementation of Capital Cities Planning Criteria agreed to by the Council of Australian Governments.
- Oversee the delivery of an expanded Liveable Cities program funding and set of projects.
- Appoint Capital City Commissioners to coordinate delivery of capital city plans and act as a conduit between Federal, State and Local Government.
- Through a research and evidence gathering agenda assist State and Local Governments improve structure and concept planning for new land development areas that reflect best practice in integrated land use and transport planning.

Recommendation: Address the Transport Network Related Aspects of Congestion through a National Plan

In 2013 the BIC developed *Unlocking Our Cities: A National Plan for Reducing Congestion in Australia's Major Cities*. This Plan uses the combination of five key measures based on existing government policies and small scale solutions to offer a system wide National Plan for reducing congestion.

The five measures that fit together to form a Commonwealth Government National Congestion Plan are:

- Measure 1 – Identify the congestion reduction value of existing and future transport infrastructure investment
- Measure 2 – Implement a national congestion hotspots program
- Measure 3 – Fund travel demand management strategies
- Measure 4 – Implement travel behaviour change programs
- Measure 5 – Introduce tax and financial incentives for increasing public transport patronage

Congestion has significant impacts on productivity, the environment, personal health and road safety. This is mainly the case in Australia's capital and major cities, the knowledge centres and drivers of the economy. On economic grounds alone, the Commonwealth Government has a key role to play in addressing congestion, including support for public transport investment as part of the solution.

2. The need to reform land transport pricing in Australia

The transport investment 'hole' resulting from the decline in share of infrastructure investment spending has been recently assessed by the National Institute for Economic and Industry Research at \$111b. This is of a similar order to the transport projects in the Infrastructure Australia 2013 priority list, which totalled \$82-91b as at June 2013 across all Infrastructure sectors but were dominated by land transport proposals. It is no surprise that transport projects figure prominently in the Infrastructure Australia priority project funding lists.

Pricing shortcomings in land transport are a major barrier to efficient use of existing infrastructure and send poor signals as to where infrastructure development is needed.

The idea that people should pay the costs that result from their consumption, production and/or product disposal choices (often known as 'user pays', or 'polluter pays' in some contexts) is widely accepted throughout our community and has been increasingly applied in the traditional governmental utility sectors (which are increasingly being privatised), such as energy and water. Infrastructure Australia (2013), for example, promotes the concept of 'user pays-user says', for urban transport, arguing that this charging framework should include congestion costs. The

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NSW financial audit has suggested that efficient congestion pricing could raise up to \$5b gross revenue annually in that state, with a net gain of about \$2b after allowing for abolition of some existing charges (NSW Treasury 2011)⁴.

The land transport sector in Australia has probably made least progress in applying user pays principles for use of infrastructure and services (BCA 2013). While fares are applied for use of public transport (usually well short of full cost recovery, for solid public policy purposes⁵), toll road users pay road tolls (also often short of full marginal social cost recovery, because of the focus on infrastructure costs), heavy road vehicles are charged an explicit (albeit averaged) charge for road use (infrastructure cost focussed) and private car users pay their personal direct car costs (e.g. time, fuel), most land transport infrastructure/service use is not explicitly priced to users on a social cost basis.

A vast literature on road pricing has emerged over the past fifty years. The small number of live examples where this has been applied, however, means that most of this literature is largely theoretical. However, it now includes some recent very useful modelling work, which brings together land use/transport/computable general equilibrium modelling (LUT/CGE). This analysis, and the experience from the handful of live examples where an element of road pricing reform has been implemented, is very valuable for thinking about what might work in Australia.

Fuel is a convenient base on which to charge for road use, its major advantage being that it has the benefit of administrative simplicity: countries have fuel taxes and it is possible (but seems politically hard in many jurisdictions!) to change the tax rate to achieve a rough proxy for external costs.

Stanley and Hensher 's(2011) analysis suggests that Australian fuel excise on petrol needs to be raised to better reflect the external costs of car use (heavy vehicle charges were not assessed), the suggestion being that an increase of perhaps 14c/L would be appropriate, with congestion accounting for the largest component of the charge. Such a charge would raise an additional \$5b a year, Stanley and Hensher arguing for separately quarantining urban and rural/regional revenue collections for use in those respective areas, recognising the absence of congestion costs in rural/regional settings. An increase of this magnitude will obviously be difficult to achieve in one jump, such that a series of cumulative increases of 3-4 c/L over several years would probably be needed to have any chance of implementation. In this regard, it is noteworthy that New Zealand has announced increases in its petrol excise duty of 3c/L on 1 July, 2013, 1 July 2014 and 1 July 2015, to deliver the Roads of National Significance program, with road user charges to increase by an equivalent amount⁶, suggesting that such increases are achievable if there is sufficient political will .

3. The need for better institutional frameworks in delivering infrastructure and transport networks

The need to reform land transport pricing in Australia should be complemented by reforms to the way transport funding is arranged. We propose the establishment of state-based land transport funds, which would receive revenue from users, value capture and government (federal and State, and possibly local in some situations). These funds would implement priorities that have emerged from integrated land use/transport plans that include ten year transport infrastructure plans. Tying strategic planning processes closely to pricing and funding arrangements should help drive improvements in strategic planning processes and help deliver better outcomes.

The way we see the land use/transport plans operating is summarised in Figure 3, which is taken from Professor Stanley's 2013 lecture material at ITLS, University of Sydney. Figure 4 then suggests how this might be linked to funding.

⁴ Market failures associated with 'public goods' (such as defence and law and order) and 'merit or quasi-public goods' (such as a decent base level of public education, disability support services and a core public transport 'social safety network') would typically sit outside a full user pays framework.

⁵ The failure to price the external costs of car use argues for financial support to public transport, because of the savings in external costs of car use that result. The social safety net role played by public transport also argues for some governmental financial support.

⁶ Light diesel vehicles also pay the road use charge.

 **Figure 3: Integrated land use/transport planning**
PROCESS (Source: Stanley and Smith 2012)

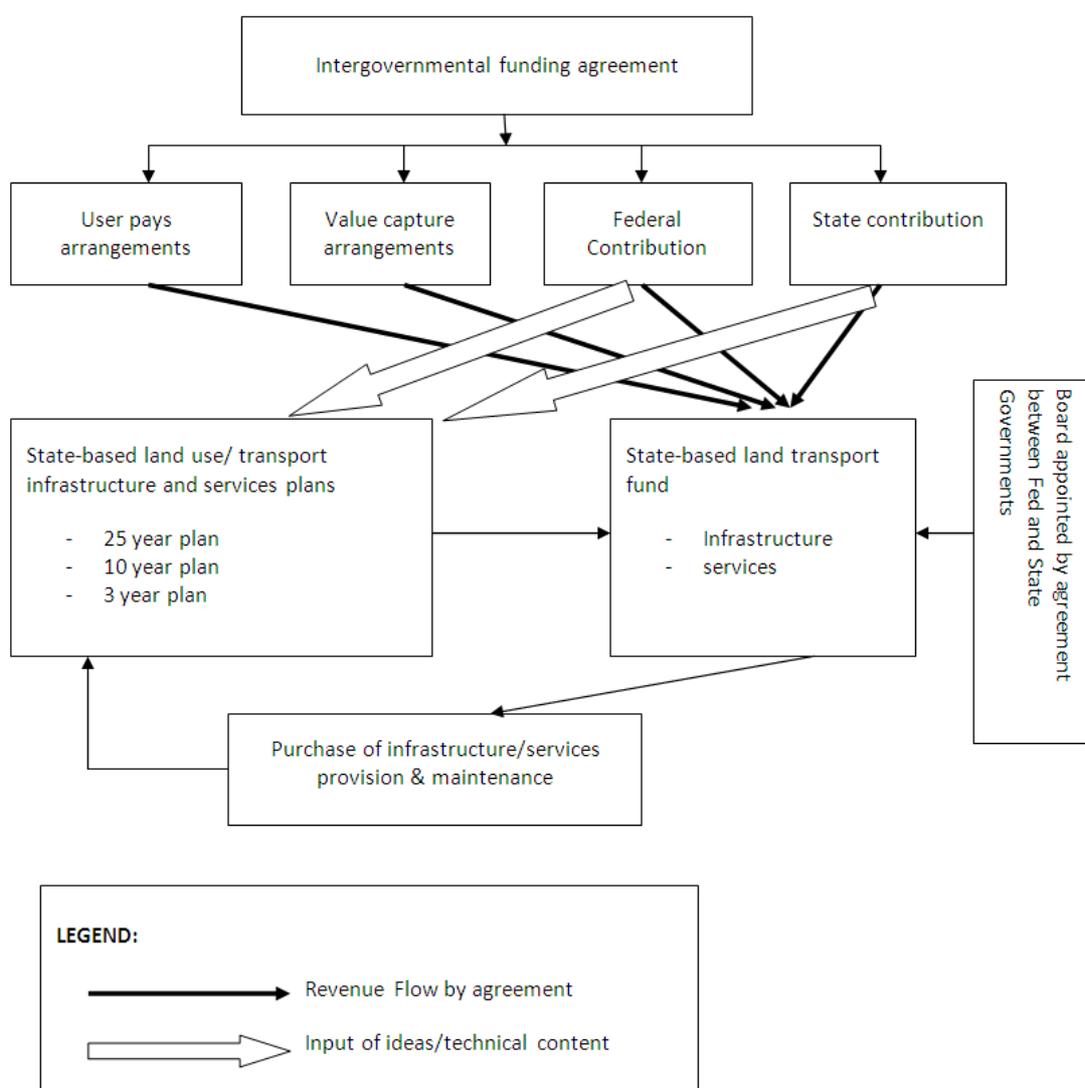


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As noted, Figure 4 suggests how the integrated land use/transport planning process would link to a dedicated land transport fund. The fundamental principles underlying this proposed approach are:

- aligning pricing with marginal social costs
- aligning infrastructure priorities with the results of integrated land use/transport strategic planning processes, where partnerships are a key element in developing and implementing the plan
- aligning funding with revenue streams that (partly) flow from marginal social costs and value capture mechanisms (beneficiary pays), supplemented by government funding contributions for functions seen as community service obligations, such as support for base public transport service levels to help assure social inclusion and for functions seen as delivering significant external benefits
- increased professionalism in decision-taking, guided by more open strategic planning processes
- increased transparency and accountability in planning and decision-making.

Figure 4: Indicative Land Transport Fund



Source: Stanley 2012

Are there unwarranted regulatory impediments to competition in any sector in Australia that should be removed or altered?

The BIC has developed a matrix of regulatory impediments to bus and coach industry businesses. These are included in Appendix A. The BIC has also identified significant regulatory impediments to coach tourism business related primarily to National Parks entry requirements. This is presented as a matrix which is attached to this submission.

Appendix A: Summary of Red and Green Tape Impediments to Bus and Coach Industry Business

The following is a summary of feedback received from bus operators and manufacturers regarding the impact of red and green tape on the businesses of bus operators and bus manufacturers.

In preparation for discussions with Minister Billson the BIC requested information from bus operators and manufacturers about red and green tape that was impacting on their ability to do business.

Based on a range of responses the BIC received there have been five key issues related to red and green tape affecting bus operators and manufacturers.

These are:

1. Administrative burden
2. Compliance burden
3. Workplace relations
4. Jurisdictional inconsistency
5. Government procurement practices

This briefing note goes into further detail on these five items and presents examples and possible solutions identified by BIC's members.

Administrative Burden

Identified Problem: Data Management between Jurisdictions

Identified Solutions: The following Government data bases at State and National level should cross check with each other when needed (and will not affect privacy)

- a) Incident data bases
- b) Licences/accreditation and infringement data bases
- c) Schools Student records with Transport Student records
- d) Duplicated reporting
- e) Criminal checks for drivers

Identified Problem: Small business required to have same paperwork as large businesses

Identified Problem: Timing of the Compulsory ABS Quarterly Survey

Example from Operator: Because of our turnover we fall into the category of monthly BAS returns. This means that after the month or quarter ends our BAS is then due 21 days after the end of the month or quarter (for example the Dec quarter – our BAS was processed on the 20th of January ready for submission and payment the morning of the 21st of January).

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The Compulsory ABS quarterly survey was due on the 24th of January. This gave us only three days after we had closed off the quarter for our accountants to process all our quarterly adjustments (i.e depreciation, provisions for annual leave, long service leave and sick leave) before we had to report back to the ABS on what our quarterly figures were. We struggle to meet this deadline. To the point where each time I talk with the ABS I'm told "you know you can be fined for not completing our surveys."

Whilst we can appreciate that the ABS are wanting figures to complete a summary of "how the economy is travelling" to the benefit of businesses like ours we feel they probably need to allow more time between when quarterly BAS' are due and when their survey's fall due.

Solution: Data Sharing Between the ATO and the ABS

The opportunity for the ATO to share data with the ABS is a solution which could be investigated. The ATO are essentially receive income and expenditure statements from bus operators (this includes any capital expenditure) on a month by month basis if the ATO can share data with the ABS this can give the ABS an overall picture of the economy after all companies have submitted their quarterly BAS returns.

Jurisdictional Inconsistency

Identified Problem: Inconsistencies in Licensing and Driver Authorities

Although the requirements for the heavy vehicle licence and driver authority in each State share commonalities, differences do exist between different state requirements relating to driver entry training, police checks, working with children checks, medical examinations, driver record checks.

Currently drivers and operators are affected by the cost and administrative burden in meeting the differing requirements and actually applying for the second/alternative licence and authority.

Identified Solution: A National Licensing Approach that Mutually Recognises Licenses and Authorities between Jurisdictions

The commonalities could be used as a basis to streamline these requirements on a national basis to allow direct transferability if drivers wish to work in other States. The National Heavy Vehicle Regulator presents an opportunity for this process of identification and harmonisation to take place.

The BIC supports the need for a national licensing approach that mutually recognises heavy vehicle licenses and driver authorities between jurisdictions and allows easy transfer without having to undertake further driver testing or medicals etc if a driver moves from one state to another.

To date NSW and Victorian authorities have introduced a mutual recognition process which recognises a current heavy vehicle licence and drivers authority from another State. In the absence of a national licensing and driver authority system, this is viewed as a good short term measure to reduce unnecessary administrative burden.

Identified Problem: A Lack of Mutual Recognition of Vehicle Design Requirements:

The varying requirements of vehicle standards required for buses that service border communities sees operators in these communities incur in some cases twice the expense as operators in non border towns. For example, signage, exhaust systems, flashing lights and door safety systems (just to name a few) differ from state to state so operators who traverse borders need to be compliant to at least two State's requirements, which just increases operating costs and inflates the subsidy paid by the government to the operator.

Identified Solution: Allow mutual recognition of buses registered in border towns to operate in neighbouring states' under their 'home states' requirements.

Identified Problem: Inconsistencies in Operator Accreditation Requirements

Each State requires that in order to operate a "commercial passenger vehicle", the operator must be accredited. The accreditation programs vary from State to State in regard to the requirements and reporting. Accreditation is directly tied to obtaining a State Government School, Route or other passenger transport contract or operating another type of commercial passenger vehicle, e.g. charter.

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The costs of complying with the differing licence and accreditation (both driver and operator) requirements which not only impose huge costs directly upon the operators, but also indirectly because operators have to engage staff to be on top of all the differing administrative requirements associated with the different regimes.

Identified Solution: Nationally Agreed Standards and Reporting Requirements as the Basis for State Based Accreditation Programs

The BIC believes that accreditation should be national based on an agreed set of standards and reporting requirements that set a safety and operation benchmark that is mutually recognised across State borders for all registered buses. If States wish to impose conditions above the agreed benchmark that would be fine as long as mutual recognition of the base is agreed.

A broad accreditation safety net is required and this would improve the overall safety performance of the nations bus fleet, provide the opportunity to better manage security issues related to buses and terrorism (at airports for example), raise the standard of the overall fleet for passengers and tourists and remove 'fly by nighters' in the deregulated sector of the industry.

As evidence of an outstanding Victorian initiative, there has been no departmental action taken to follow up on a March 2012 VCEC Report: 'Strengthening foundations for the next decade: An enquiry into Victoria's regulatory framework'. Recommendation 8.5 of the Report detailed that the Victorian Government should initiate discussions with NSW to realise a trial that would allow buses and taxis to operate freely between Albury and Wodonga. This recommendation was supported by the Victorian Government in their response to the Report, however nothing has yet commenced.

Identified Problem: Duplication in National Parks Entry Requirements

States across Australia have different requirements to gain access to National Parks. This creates duplication, excessive paperwork and administrative costs. This duplication and lack of a national approach is impacting on the viability of some coach operations to undertake National Park tours. This is compounded by the multitude of park guide training requirements to gain access to National Parks or the other alternative of paying the cost of a local guide to gain access.

Identified Solution: We seek the development of a single, national permit system for access to all National Parks and calls for the current system to be reviewed under the regulatory reform and harmonisation process being undertaken as part of the National Long Term Tourism Strategy.

The return from achieving consistency both in Accreditation Requirements and in National Parks Entry Requirements would be extremely significant to all bus operators in terms of reducing their direct and indirect costs, but it will be particularly beneficial to the long distance tour/charter sector and their customers/passengers through more competitive pricing. It is they, more than any other, who suffer the costs associated with all the different legislative and regulatory regimes throughout each of the States and Territories, when travelling for example, from Melbourne to Uluru, via (say) NSW and QLD.

Identified Problem: Council & State government planning and Bus Infrastructure matters (ie bus stops)

Identified Solution: Develop a national approach to land use and transport integration.

Government Procurement Practices

Identified problem: SME Participation Plan

The SME Participation Plan places preference on SMEs in Government procurement. Sounds good, but an SME is defined as having less than 200 employees.

Example: Companies, with 500 employees engaged in Australian manufacture, is not an SME under this definition. However, fully built bus importers are classed as SMEs, and employ considerably less local workers.

Identified Solution: Redefine SME Participation Plan entry requirements to include recognition of local employment value.