

Peter Achterstraat AM  
NSW Productivity Commissioner

Professor Rico Merkert  
Professor and Chair in Transport and Supply Chain Management  
Deputy Director, Institute of Transport and Logistics Studies  
The University of Sydney Business School

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## **NSW Productivity Commission Discussion Paper - Kickstarting the productivity conversation**

Dear Peter Achterstraat AM,

Thank you for inviting me to provide feedback through a submission to the above discussion paper. I have very much enjoyed providing numerous and detailed comments on your discussion paper during the NSW Productivity Commission Transport Infrastructure Roundtable in Sydney on 6 December 2019. The aim of this submission is to summarise and briefly highlight again the three top transport and logistics areas that I see as the ones with the largest potential for improving the productivity of NSW, all of which should be added to the “Smart ways to get more from our infrastructure” section of your discussion paper.

### **Productivity through integration**

Firstly, our research at the Institute of Transport and Logistics Studies has shown that integration of transportation (e.g. network, pricing, timetabling, marketing) has a significant impact on the productivity of the surrounding economy. That integration should include all modes of transport and should integrate metropolitan with regional transport offerings (e.g. metropolitan bus services with long distance very fast train services and then again with regional feeder services) as well as interstate/national offerings, including in particular better connections for those regions that are more proximate to other state capitals (e.g. the Riverina to Melbourne and the North Coast to Brisbane) and have natural economic connections with these areas.

The integration should further use digitization, automation and IT infrastructure as enablers of true mobility as a service (for both passengers and freight, e.g. through intermodal terminals) and should be supported through integrated policies that have been designed and negotiated at all levels of government decision making. Some



initial steps towards such a system have been taken by Transport for NSW through the Opal Connect platform and we are interested in investigating the progress of this system as it develops, and in particular the role that the private sector may play given the ability to more efficiently and effectively collaborate with other operators instead of operate in silos.

### **Productivity through connection**

Secondly, investment into faster public ground transport infrastructure to connect places more effectively. While the best strategy is usually to further sweat existing assets (e.g. through smarter, IT supported and more efficient ways of using them), physical investment can also be productivity enhancing. With somewhat of an overlap with the above, building better connections is about the more effective physical integration of transport origins/destinations. But it is also about providing options that facilitate productivity, where it is known that rail and to a lesser degree bus options can have increased productivity benefits compared to road options given the ability of passengers to do things other than driving in trains and buses.

The connection of all modes of transport involves of course aviation (as well as drones) and although I appreciate that airports are federal government responsibility, it is important to acknowledge the role of NSW government in providing opportunities for integrating ground (public) transport with air transport services. Effectively linking the new Western Sydney International airport with both the Sydney CBD and existing Kingsford Smith Airport (as well as the new and developing Parramatta CBD) could be a game changer in boosting the productivity of Western Sydney, Greater Sydney and Australia as a whole (through reducing congestion and carbon footprint). In addition, better public transport linkages to the current airport, for example more and possibly dedicated bus services to the airport from a range of locations, may increase productivity through reducing the need for increased road investments and improved access to jobs.

Fast rail (and not necessarily high-speed rail) for regional and intercity connections is also an example for potential significant productivity gains of new infrastructure. Improving connections between regional centres and Sydney with more productive infrastructure such as fast rail solutions warrants productivity consideration. This especially includes Canberra where significant business and government traffic exists. As also alluded to above, improving regional network connections to other state cities (e.g. the Riverina to Melbourne and northern NSW to Brisbane) where there are clear economic links between these areas will aid NSW productivity in these regions.



### **Productivity through pricing**

Thirdly, economic theory and international best practice and experience suggest that the productivity of the transportation and logistics assets in NSW could be improved by sending price signals to all transport system consumers in the form of user charges. In many places, user charges for transportation systems are not reflective of their cost of delivery.

At the forefront of current debate, it is known that reform is needed in road user charging. Road users do not pay a per kilometre charge for the use of roads, instead they pay motor vehicle taxes, fuel taxes (excise) and other levies which are not at all well connected to usage of roads. Reform in this area is necessary, where a user charge would be applied on a per kilometre basis (to both conventional and electric cars) and the funds generated used to fund road provision. This is somewhat similar to the GST rollout, where a simpler charge replaced a number of more complicated ones. The Victorian Government is investigating such a scheme for electric vehicles, recognising their impact on the roads that is presently unfunded, and as is being discussed at the Federal Level. In our view, the latter of these is perhaps the most appropriate level of government that should be coordinating road user charging in Australia given the road network is a national one, however if they do not, states should advance with reforms. Such a scheme should be as transparent and equitable as possible with funds used hypothecated to road projects, initially on a not-for profit basis to ensure that equity effects are addressed. In time and when more is understood about the cost of congestion on road networks and how it is generated, congestion charges could be considered and revenue from these charges used to fund congestion reducing projects such as enhancements to public transport.

Similarly, full user charges are not paid by users of public transport systems which often run with significant subsidy from the NSW Government. Better understanding and linkage of this subsidy value to externality benefits provided by public transport may assist in the development of better and more targeted public transport options. Should this be coupled with changes in management of these services, for example changed expectations with regards to surpluses/profit (e.g. through expecting existing transport agencies to operate on a more commercial basis or even franchising/privatisation), using the self-interest of these entities to develop better transport options (however we acknowledge persistent political pressures around public transport provision). Using productivity measures such as improved passenger loadings across the network to assess these changes (for example focussing on actual passenger kilometres versus provided passenger kilometres in the bus network) would go some way to provide political cover where changes can clearly be demonstrated to be beneficial. In some cases, there may even



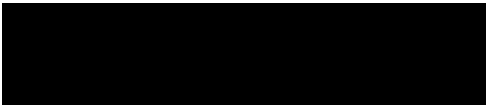
be justification for increases in public transport fares where there is a deficit in the subsidy but a willingness to pay by passengers, but at a minimum the difference between the appropriate subsidy level and the actual subsidy level should be identified.

The use of market-based charges/prices as suggested above will aid productivity by improving the efficiency of transport provision and consumption, using market-based signals to inform investment decisions instead of departmental or political signals, and will make transport operations more accountable for their performance.

Finally, and perhaps most importantly, the current draft of the discussion paper has no mention of the *impacts of global warming and climate change*. I would strongly recommend the addition of a discussion around this as warmer temperatures and more severe weather events are not only predicted to disrupt future global and local transportation and supply chains but have a negative impact on NSW productivity today (e.g. drought in regional NSW, bushfires etc.).

Please feel free to contact me if you have any further questions concerning this important subject area.

Best regards,



Professor Rico Merkert

Professor and Chair in Transport and Supply Chain Management  
Deputy Director, Institute of Transport and Logistics Studies (ITLS),  
The University of Sydney Business School