



Inquiry into Managing Transport Congestion

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23 January 2006

Mr Graham Evans AO
Chairman
Victorian Competition and Efficiency Commission
GPO Box 4379
MELBOURNE VIC 3002

Dear Mr Evans

Re: Inquiry Into Options for Managing Transport Congestion in Melbourne and the Major Regional Cities

VECCI welcomes the opportunity to make a submission to the Victorian Competition and Efficiency Commission (VCEC) Inquiry into options for managing transport congestion in Melbourne and the major regional cities.

VECCI has for some time been a strong supporter of efforts to improve transport flows and ease transport and distribution costs for business. As such, we support the State Government's recent decision to rule out a congestion tax for Melbourne.

Based on the experiences of London's congestion tax, we consider that the introduction of a similar tax in Melbourne would have a significant detrimental impact on a broad range of businesses, particularly those operating in the retail, tourism, recreation and sport, restaurant and cafe, and entertainment industries.

1. Congestion taxes overseas have hurt the retail sector.

Supporters of a London style congestion tax point to the modest reductions in travel time and congestion as reasons why a similar scheme should be introduced in Melbourne. However, these supporters often fail to mention the significant impact the tax has had on businesses operating within its boundary.

The London Chamber of Commerce and Industry (LCCI) undertook a study to examine what impact the London congestion tax had on businesses operating within the congestion zone. The findings¹ provide a clear indication of the numerous adverse consequences of such a measure:

- 80% of business reported a reduction in turnover with more than 50% citing the congestion charge as the sole cause or main cause for the decline.
- 14% of companies reported a reduction in profits of between 1 to 5%, just over half said profits had fallen by between 5 to 15%, while a quarter of firms said profits had slumped by between 15 to 30%.

¹ London Chamber of Commerce and Industry, Fighting for Private Businesses and The Association of British Drivers.

- 25% of business laid off staff.
- Over 75% of businesses said that the congestion charge had not improved their productivity.
- 27% of retailers considered relocating outside the zone.
- 78% of restaurants reported that customer numbers had fallen compared with the start date of the congestion charge.

2. A congestion tax conflicts with the State Government’s policy to boost the CBD’s retail presence.

VECCI considers that any move to introduce a congestion tax in Melbourne would conflict with State Government and City of Melbourne’s policy objectives to strengthen central Melbourne’s role as the primary business, retail, sport, recreation and entertainment hub of Victoria.² As the results of Table 1 indicate, recent promotional campaigns have been very successful with the retail, food, entertainment and hotel industries within the City of Melbourne experiencing a prolonged period of economic growth in recent years.

Table 1 Successful Promotion of Melbourne as Victoria’s Retail, Recreation, Tourism and Entertainment Hub

City of Melbourne – Sales Figures								
(\$ million)	1997	1998	1999	2000	2001	2002	2003	2004
Sales - Retail Goods	\$1,978	\$2,109	\$2,179	\$2,227	\$2,393	\$2,397	\$2,404	\$2,573
Sales - Restaurants & Entertainment	\$2,108	\$2,461	\$2,443	\$2,588	\$2,675	\$2,779	\$2,891	\$3,144
Sales - Accommodation	\$323	\$341	\$375	\$389	\$408	\$396	\$409	\$453
Total Sales	\$4,409	\$4,912	\$4,998	\$5,204	\$5,476	\$5,571	\$5,704	\$6,171
Change in Total Sales		11.4%	1.7%	4.1%	5.2%	1.7%	2.4%	8.2%

A congestion charge zone would punish the business community and ‘penalise’ some businesses for being on the wrong side of the zone, distorting competition in terms of altering the costs of running a business and attracting custom. A congestion tax would erode the gains that the Government and City of Melbourne have helped create to date.

3. A congestion tax conflicts with the goal of promoting inner city living.

In recent times the Government and the City of Melbourne have both encouraged and supported initiatives designed to encourage residential development in the city. Significant residential development over the past decade has taken place in the CBD, Southbank and Docklands precincts. The number of people living in these 3 inner city precincts currently exceeds 21,000 and is forecast to increase by more than 150% over the next 15 years.³ A congestion tax would diminish the popularity of living in the inner city and CBD by serving to isolate these residents from the rest of

² Victorian State Government, Melbourne 2030: Planning for Sustainable Growth.

³ City of Melbourne, Melbourne City Suburbs Economics and Demographic Profile.

the metropolitan area, sending the signal that the CBD is a 'no-go' zone for shoppers, visitors and tourists.

4. Other measures may help solve the congestion problem.

Changes in travel behaviour cannot be expected to occur in the absence of efforts to improve the public and private transport infrastructure network and allied services. VECCI believes that by implementing a range of demand and supply-side measures, traffic congestion can be reduced without the need to introduce a congestion-tax.

Demand management tools have the potential to play a greater role in achieving better use of existing infrastructure. The existing TravelSmart program is a good example of efforts to encourage a discernable shift in personal travel behaviour from single-car occupant to sustainable modes of travel (public transport, walking and cycling, smarter car use), and is to be encouraged.

Where travel is concentrated in short trips, walking and cycling should be promoted. This will require further improvements in supporting facilities such as the provision of additional bicycle tracks, wider and safer footpaths, improved public lighting and dedicated storage areas to encourage an increased uptake of the 'Park and Ride' option. The Government should assess the success of the 'Park and Ride' scheme with a view to expanding it to new areas in inner, middle and outer suburbs.

On the supply-side, the implications for future public transport services are significant. As needs become increasingly complex, more and more trips will involve multi-modal transfers between rail and bus operators. This is likely to be especially the case in Melbourne's outer growth areas that, unlike the Melbourne CBD, have not traditionally been as well served by public transport.

The challenge therefore will be to enhance the frequency and capacity, reliability and speed, service span, coverage, integration and comfort of public transport to ensure there are seamless transfers across the entire transport network. Further improvements in interchange facilities will be needed to meet the demands of the multi-modal traveller. We therefore support the progression of the priority actions identified in the *Metropolitan Transport Plan* to:

- Progressively improve timetable coordination across transport modes.
- Improve facilities for real-time passenger information, eg SMS-based updates.
- Encourage new 'Park and Ride' facilities at outer railway stations.
- Improve the coordination of buses and taxis, particularly late-night services.
- Focus fare structures and incentives on discounted off-peak travel options.
- Improve the Statewide integration of fare structures, including the urban fringe, regional centres and rural Victoria.

These efforts should be supported by a number of traffic management actions including better enforcement of clearways, an increase in average tram speeds and an increase in the frequency of rail and tram trips, increased use of transit lanes, including their introduction on the Monash Freeway, and greater use of active signal

priority systems. Additionally, the elimination of major level crossing trouble spots over the next 5 years should also be a priority.

5. Priority for Freight

There is scope to complement a more integrated and coordinated public transport system with the development of a priority road system for freight entering and leaving Melbourne.

Within the existing transport framework, the types of options that need to be explored include making available priority lanes on existing roads and freeways and dedicating specific roads, or specific travel times, for freight carriage only.

As with passenger vehicle transport, gains in freight transit efficiency can also be supported through a range of traffic management measures such as intelligent traffic coordination and activation for heavy vehicles on high volume freight routes, improved incident detection and dynamic advisory signs on key arterials.

6. Conclusion

Transport congestion is a complex problem requiring sophisticated solutions. A tax-based approach would have a number of negative unintended consequences that would reduce Melbourne's vitality as a retail, tourist, sporting and entertainment hub, and undo the good work of the past 15 years. On the other hand, Melbourne's public transport and related infrastructure is not up to scratch and there are many initiatives that can be undertaken to make public transport a more attractive option for commuters.

If you would like to discuss any aspect of this submission in greater detail, please do not hesitate to contact VECCI's General Manager – Economics and Industry Policy, Mr Steven Wojtkiw, on telephone 8662-5357.

Yours sincerely

Neil Coulson
Chief Executive Officer