

# Future Transport 2056

NSW Business Chamber and Sydney Business Chamber - Joint Submission to the Draft Future Transport Strategy

December 2017

## **Introduction and overview**

The NSW Business Chamber (NSWBC) welcomes the opportunity to comment on the draft *Future Transport 2056 Strategy* ('the Strategy').

The NSWBC is one of Australia's largest business support groups, with a direct membership of more than 20,000 businesses and providing services to over 30,000 businesses each year. The NSWBC works with businesses spanning all industry sectors including small, medium and large enterprises. Operating throughout a network in metropolitan and regional NSW, the Chamber represents the needs of business at a local, State and Federal level.

Critical to the NSWBC's engagement on issues impacting on the urban environment, the Sydney Business Chamber (SBC) is a division of the NSWBC and represents Sydney's leading corporations, advocating for Sydney to be a competitive and sustainable global city.

The SBC strives to identify, develop and promote the major issues that contribute to economic activity and growth in Australia's only global city, Sydney. This is achieved on behalf of business by representation and collaboration with governments at the local, State and Federal level.

While both organisations endorse the contents of this submission, emphasis has been provided by referring to them in sections specifically. Where they are jointly endorsing a position we have referred to them as the "Chambers". We also note that the NSW Business Chambers Tourism Industry Division has provided a submission specifically on the Tourism Transport Strategy. We support the initiatives and recommendations identified by the Division.

The Chambers welcome the release of the Strategy and its commitment to place transport planning to a 40 year time horizon.

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## **Role of Government**

Critically, to effectively plan for transport over the next 40 years, the Strategy needs to confirm and clarify what roles both Government and the private sector will play in the investment, delivery and operation of transport assets.

While the Strategy does make reference to Government being an enabler of transport, it also infers a large role for direct Government investment in transport, and the need for Government to give consideration to whole of life costs.

It is not clear from statements within the Strategy whether this will include Government ownership of this infrastructure; it has been consistently demonstrated that the private sector is more efficient than Government in both investing in, and operating public infrastructure. A future transport outcome, where the Government's asset base grows significantly beyond 2017 levels, would be far less than optimal. In the Chambers' view, Government should be reducing, in real terms, its current asset base as has been done successfully with the full and part leasing of the energy networks.

The Strategy does however acknowledge the need to strike the right balance when sharing costs between investors and users and indicates a commitment to investigate different funding arrangements. This is something that needs to be committed to over time but the position on Government ownership should be spelt out and Government's role expressed as an enabler in all but limited circumstances.

**Recommendation:** The Government should make clear that it does not envisage having a role as a large scale transport asset owner/operator. Any Government investment in transport infrastructure projects from the balance sheet should be positioned to be sold once the investment has been returned.

The Government is encouraged to make a commitment to reduce its asset base in real terms during the timeframe of the Strategy.

The Chambers also support the Government's recent announcement to partner with organisations like CSIRO's Data61 to develop sophisticated transport data analytics tools. The Government should make access to its data available to a broad variety of stakeholders including potential private sector infrastructure investors. The Government will also need to work with the private sector on future workforce requirements to deliver the strategy, noting the potential skills shortfall of engineers and professionals over the planning horizon.

## **A customer focus**

The Chambers support the concept of 'Mobility as a service' where transport needs will be met by private sector operators (businesses) dealing directly with customers (including other businesses). This would represent a positive customer outcome.

In this way, the Strategy correctly assigns the role of Government as an enabler of technology rather than a provider of technology; Governments should not be in the business of picking technology winners, as it often results in suboptimal outcomes, the National Broadband Network (NBN) being a prime example.

However, in being an enabler of technology, Government plays a key role in providing a framework which supports innovation and investment. In some cases this will involve amendments to legislation, for example the Strategy makes reference to legislation introduced to *allow* the introduction of autonomous vehicles (AV) on a trial basis.

The Chambers submit the Government should be focussed on removing regulation (as per its red tape reduction program); regulation stifles innovation and ultimately ends up delaying or constraining the end customer experience. Beyond a principle within the Strategy to reduce regulation, one option would be for the Government to work with the NSW Law Reform Commission to undertake an audit of transport legislation and repeal laws that are obsolete or unnecessary for today's community, and the use of technology.

**Recommendation: As part of the Strategy the Government should detail how it intends to implement its own 'NSW Guide to Better Regulation 2016' for future transport initiatives. In particular, work with the NSW Law Reform Commission to undertake an audit of transport legislation and repeal laws that are obsolete or unnecessary for today's community, and the use of technology.**

Other ways the Government can adopt a customer focus for transport is to work with industry on innovative solutions for customers. For example, when *paying* for transport transactions across different forms of transport, the Government will need to support, and advocate for, universal payment methods, such as that proposed by the National Payments Platform (NPP) and/or expansion of the *Contactless Transport Payments* trials being conducted by Transport for NSW. As outlined in the Draft Regional NSW Services and Infrastructure Plan (Regional Plan), there may be an opportunity to pursue price parity for public transport between metropolitan and regional areas given transport will become a fully interconnected system.

Measures can also be adopted to complement transport infrastructure. For example, in other countries, free wireless internet access is widely available on public transport and signage is provided in multiple languages to assist tourists and those from culturally and linguistically diverse (CALD) backgrounds. NSW should commit to implement these measures in the early stages of the Strategy.

## Supporting successful places

The Strategy makes reference to technology and communications driving economic and housing growth and in turn activating regional and metropolitan centres. Accordingly, we are pleased the Strategy will focus on connecting regional cities and centres (via a hub and spoke approach to transport). In addition to reliable and frequent regional services to support successful places, we see a role for transport at the end of the spoke, to connect people to local town centres.

Accordingly, there should be increased emphasis on last mile transport involving, a mix of small AVs, electric vehicles or other small scale technology, active transport, bike sharing and walking - where local landmarks parks, squares, and historical buildings (that form part of the street fabric and local character) remain unencumbered and accessible to tourists and local shoppers/residents, the way town-centres were historically designed.

This is an urban issue as well. We understand the Government is trialling an on-demand shuttle at a number of locations which will allow customers to book transport home from a local transport hub. The trial will be used to inform future transport improvements. This sort of innovation should be encouraged to reduce the number of single person vehicles on the road making last mile short journeys home.

In conjunction with this trial, the Government should undertake a detailed study of options to encourage innovation in last mile freight delivery. The rise of internet shopping has increased vehicles servicing the delivery needs customers. The emergence of multiple small scale suppliers means the centralisation and coordination of last mile freight has reduced whilst the number of vehicles carrying small loads has increased. As part of the study, it would be prudent to consider how last mile freight coordination could be improved, particularly but not exclusively in the Sydney CBD which could include but not be limited to, centralised small scale freight depots on the edge of cities.

**Recommendation: The Government should undertake a detailed study of options to encourage innovation in last mile freight transport.**

While the focus of the regional Strategy is on intra-regional hub connectivity, connection of regional areas to Sydney remains important. In this regard, we note the recent Federal Government calls for proposals for high-speed rail services under its Faster Rail prospectus. Faster (high speed) Rail could increase access to, and from, Sydney to these key regional areas and relieve housing costs and shortages in Sydney by encouraging businesses to relocate to these areas, thereby spreading employment opportunities across NSW. There is also an opportunity to explore upgrading existing rail connectivity such as the South West Illawarra Rail Link (SWIRL), a proposal to connect the Illawarra region (both freight and passengers) to south west Sydney.

In relation to the proposed Greater Sydney – Draft Services and Infrastructure Plan, the SBC submits that the 30-minute city is an optimistic but necessary target to enhance the productivity and liveability of Sydney. It captures the essence of the changing mood of Governments, business and investors in the way we plan and operate our cities. It will require a strong relationship between transport, residential density and job location therefore further necessitating coordination in planning and investing in infrastructure.

The Strategy correctly acknowledges that Federal, State and Local Councils (and local communities) will need to work together to develop and implement these future transport plans. Memorandums of Understanding (MOUs) or other arrangements will need to formalise agreements to develop and implement transport plans collaboratively between Government and local councils in particular.

We note that as part of the 'Fit for the Future' and 'Destination 2036 Action Plan' NSW Local Government reforms, the *Local Government Amendment (Regional Joint Organisations) Bill 2017* has been passed to allow councils in regional NSW to voluntarily join joint organisations. These organisations can help form new partnerships to collaborate, plan, set priorities and deliver important projects in regional NSW that cross their traditional boundaries. Given the development of the Bill pre-dates the Strategy, the NSW Government should work with local councils to encourage joint organisations consistent with the nine regions outlined in the Strategy.

**Recommendation: the NSW Government should work with local councils to encourage joint organisations consistent with the nine regions outlined in the Strategy.**

In addition, there may be scope to build goodwill early with councils and local communities by demonstrating commitment to current regional initiatives such as the 'Fixing Country Roads' and 'Fixing Country Rail Programs' as a short to medium term priority. In this respect, we note the number of committed regional initiatives for the next 0-10 years, however some appear to be stalled, particularly as some are still awaiting business cases or are in the planning stage.

In addition, there is a misalignment between the Federal Government's infrastructure plans for intraregional rail interconnectivity and the Strategy. Goodwill and credibility will be best served by implementing committed initiatives within a 10 year timeframe if not sooner and working with the Federal Government to better align rail infrastructure plans. Ongoing industry engagement with any initiative 'under investigation' should also continue.

**Recommendation: As part of the Strategy the Government committed initiatives should be delivered, within demonstrable progress within the next two financial years reported annually. This will provide the community with clarity and confidence about the intent of Government but more particularly to provide a framework in which the NSW Government can set budget priorities to achieve the agreed strategy.**

Other governance models could also be considered, such as the creation of dedicated authorities for specific infrastructure projects.

For example, in responding to the Greater Sydney Commission's Draft District Plans, the SBC recommended the establishment of a dedicated authority with representation from the Federal, NSW and local Governments, and the private sector, to oversee the development of an aerotropolis around the proposed Western Sydney Airport. Governance models of this type could include a single authority which owns the surrounding land so that interests can be aligned and the long term value of the development maximised.

### **A Growing Economy**

The Chambers note that the Future Freight Strategy has not been released. Efficient freight services will be critical to enable a growing economy, similar to mobility as a service, freight as a service will likely be the norm; irrespective of what goods and services are produced in 2056, integrated logistics chains will be critical. NSW businesses should be able export domestically and internationally using freight accessed at competitive rates; irrespective of where the freight traverses (within or outside the State) – the revenue will ultimately return to NSW.

In this respect, while we note that the Strategy acknowledges that access to the trade gateways of Port of Newcastle and Port Kembla from inland NSW will continue to be important for the next 40 years, as will inland connectivity to the future international airport in Western Sydney, however there should also be a focus on *growing* these trade gateways.

The Strategy, in recognition of the importance of coordination of land use and transport strategy needs to give priority to the maintenance of freight corridors. For example, if not planned correctly land rezoned as mixed residential may result in unintended consequences impacting on the free movement of freight resulting in restrictions on the type of materials that can be transported at different times. Examples already exist of poor planning decisions impacting the Sydney Airport/Port Botany corridor.

Despite the Future Freight Strategy not being released, we are pleased that the draft Regional Plan maps industry sectors to potential future transport response options, and that there are examples of initiatives for investigation to support these by region. This should build on the previously announced Economic Development Strategy for Regional NSW which advocated freight infrastructure investment to drive economic growth. The Chambers would welcome the opportunity to work with the Government in further defining the transport needs for each particular sector and potential prioritisation of these for investigation.

**Recommendation: The NSW Government should partner with the Chambers to interpret, analysis and define the current and future transport needs from its diverse industry member base.**

On procurement and delivery, and given the additional regional focus of the Strategy, the Chambers believe there is scope to maximise opportunities for competitive local suppliers to participate in future transport infrastructure projects.

Applying a 'whole of life' costing approach to guide decision making rather than utilising cheapest initial purchase price would ensure that a more balanced view of the costs and benefits of using local suppliers is achieved.

Capable and competitive local suppliers should be encouraged to participate in tender processes, and prime contractors should be encouraged to include initiatives to boost local industry participation in their responses to tenders.

In addition, the Chambers are highly supportive of the unsolicited bid process as it offers one of the best opportunities to maximise the development of new assets; industry should be encouraged to submit ideas and innovative solutions to address NSW's future transport infrastructure needs.

The Chambers maintain that sufficient flexibility in the procurement process through mechanisms such as unsolicited bids allows good opportunities that would otherwise be missed, such as NorthConnex, to be considered and pursued.

**Recommendation: The NSW Government should apply a 'whole of life' costing approach to guide decision making rather than utilising cheapest initial purchase price. This would ensure that a more balanced view of the costs and benefits of using local suppliers is achieved.**

To enable a growing economy, future transport needs to be aligned with other policy areas, for example by having an efficient method of collecting revenue on land in and around transport connections.

While there have been various models suggested about how to capture the economic uplift from the increased value created by increasing transport connectivity to a specific area, the most straightforward method would be by introducing a broad based land tax.

The Chambers have previously released analysis on the benefits of replacing stamp duty with a broad-based land tax. The Chambers' analysis confirms it would be a more efficient way to collect revenue and would boost the economy by 1% (10,000 new jobs, \$1,400 additional household expenditure each year). This is because it costs 80 cents to collect \$1 of stamp duty compared to virtually zero for land tax.

Land tax allows businesses to buy and sell commercial property and business assets more easily; this would be the same for residential property and our analysis confirms it would contribute to economic growth.

The Strategy provides an opportunity to explore this issue, as part of the investigation of initiatives, with the potential for a phased implementation to both capture the increase value of the new infrastructure investment and allow land owners to sufficiently plan and prepare.

At a specific project initiative level, an assessment of value capture opportunities is prudent, particularly where infrastructure projects provide opportunities for urban land development and additional revenue streams from air and rail corridors that are within its boundaries.

As noted above, the Federal, State and local Governments (and local communities) will need to work together to develop these plans but the tax allocation and responsibilities remain a challenge under the Federal system.

With a vision for a 40 year strategy, this may be a time for all levels of government to consider broader constitutional reform in this area, as the circumstances of today are not directly comparable to when the Constitution was enacted, particularly in areas of transport and tourism.

**Recommendation:** The NSW Government (in its capacity as a member State of the COAG Transport and Infrastructure Council) should explore options for working with its State/Territory counterparts to use long-term transport infrastructure planning as a narrative framework for pursuing constitutional reform as it relates to tax allocation and responsibilities.

### **Safety, security and performance are interlinked**

Future technology's role in improving safety outcomes is likely to be a given. However, the Strategy does seem to presuppose that road travel will remain a dominant form of people transport in 2056.

To the extent that technology may lead to other forms of transport, including high speed rail in connected cities, a focus on roads in the longer term may not be the most relevant future strategy for people transport.

Safety, security and performance are interlinked including their costs. The current NSW Smart Shuttle Trial being conducted by Transport for NSW is a commendable initiative, with a strong focus on safety. However, where used for passenger transportation, the level of redundancy within the vehicles will need to be scoped. For example, it is the Chambers' understanding that the loss of a telecommunications signal means the vehicle will automatically stop – obviously this is an essential precaution to ensure safety but it does need to be balanced against cost for redundancy to ensure continued operation in the event of a technology issue. This will have to be priced against the safety benefit.

Another consideration, which has a direct impact on transport funding (in particular roads) is the transition or otherwise to fully autonomous vehicles.

In a scenario where there are only autonomous vehicles operating it would presumably require less sophistication in terms of safety features. This is compared to a road with human operated cars which would mean the AV would need to have the capability to account for unpredictable behaviour. For example, a driver may elect to swerve in front of a AV knowing it would be forced to stop to avoid a collision but then the AV would also have to account for the flow-on effect to other AVs and human driver operated vehicles.

The transition costs of having both AV's and human operated transport may be substantial; if certain infrastructure was designated AV-only this may be a solution – an all-in approach.

**Recommendation: The Strategy should provide commentary (or a framework) on how future state scenarios should address transitional issues associated with mixed use infrastructure – human and autonomous.**

Unless appropriately planned, the growing freight challenge will see more heavy vehicles alongside other vehicles and transport users on the road, which can increase risk for human drivers and pedestrians. We therefore support measures that can improve both safety and efficiency of freight movement by moving as much bulk/container freight off passenger road networks and onto other transport infrastructure, including rail.

With AV-only infrastructure, one would assume the maintenance of the infrastructure used by the AV, whether it be a road, or track would be self-sustaining and require minimal oversight or ongoing costs. The Strategy notes that equipment could use 'self-healing' materials such as polymers and composites. These might also contribute to a low carbon footprint and provide a positive whole-of-life cost.

We also note that AV's (and non-AV's) are likely to be electric vehicles. As fuel levies are premised on managing volatility in fuel pricing the uptake of EV's should in-turn eliminate the need for fuel levies, and ultimately lead to more efficient transport costs.

### **Accessible Services**

The 2016-17 NSW Intergenerational Report made clear that Governments need to examine innovative ways to deliver infrastructure and services, given population growth and an ageing population will require continued investment in infrastructure and more services.

The Chamber supports a transport network that is physically accessible for all members of the community. To achieve this, in some cases it will be prudent to update existing infrastructure and all new infrastructure should have accessibility and inclusion at the centre of the framework; in this respect, we note the NSW Smart Shuttle Trial does not provide accessibility for all members of the community and has some limitations with on-board baggage.

The Strategy outlines an approach to agile planning and in particular consulting outside of Government, including industry and the technology sector.

This is very important, but there is also a role for Government and Academia to provide input on demographic shifts and social/cultural trend analysis and how people may change behaviour in response to new technology (including where AVs and human operated vehicles co-exist). Analysing these trends and predicting where possible (as opposed to predicting technology) will assist in planning for outcomes, including for accessible services.

### **Sustainability**

As noted above, technology options and infrastructure that have a low carbon foot print should also imply a low maintenance future operating cost structure through self-sustaining technology.

To ensure sustainable operation, the transport network's assets will need to be built and maintained to ensure continued operation in all but the most extreme circumstances. However, as noted above, the level of redundancy versus cost and willingness to pay will need to be part of the overall design and decision making process – to avoid the 'gold-plating' problem where infrastructure is over-built, with redundancies for circumstances that may never eventuate.

The Chambers note the Strategy only gives cursory references to any demand management initiatives as part of the mix of actions to achieve future transport.

Since 2010, the Chambers have advocated for the NSW Government to develop a Demand Management Strategy to combat congestion and get more efficient use out of our infrastructure networks. The recent advent of the Travel Choices Program in the Sydney CBD is a sensible initiative to help keep the CBD moving during a significant period of construction.

However, the Chambers believe there is scope to expand the use of demand management measures across the Strategy. For example, the Government should consider how an all-of-region approach to demand management could occur and include recommendations for local planning to incorporate measures that encourage demand for travel outside of certain times.

The Strategy should provide commentary (or a framework) on how future state scenarios should address transitional issues associated with mixed use infrastructure – human and autonomous.

**Recommendation: Potential demand management initiatives be given a higher status as part of the Strategy.**

## **The importance of transport to the visitor economy**

It cannot be underestimated the importance of the role of Government as an enabler to the visitor economy. This includes the obvious of aspects of improving transport connections to tourist sites in urban and regional areas but also the complementary aspects of signage and promotion. At present the signage arrangements are sub-par for visitors and locals alike. As part of the Strategy, the Government needs to review its approach to signage which is seen as overly bureaucratic and conservative. Priority needs to be given to both modernise signage to accommodate visitors and CALD people with a diversity of language options but also to modernise the regulatory arrangements for coordinating and implementing signage. Something as simple as identifying the existence and operating hours of local attractions and national parks would be an easy target for improvement. To be a leader in the visitor economy the role of signage needs to be given a priority including a focus on a digital strategy.

**Recommendation: the role of signage needs to be given a priority including a focus on a digital strategy.**