

MAY 2019

# Infrastructure Victoria's response to the transport network pricing community panel

May 2019

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## Introduction

Infrastructure Victoria has been researching the potential for a change in the way Victorians pay for transport – including roads and public transport.

In our 30-year Infrastructure Strategy released in 2016, we recommended the introduction of a comprehensive transport network pricing scheme within 5-15 years to help tackle congestion and create a fairer, more efficient and sustainable way of paying for transport in Victoria. We think this type of scheme where users pay different amounts based on how, when and where they travel could deliver profound social and economic benefits for Victoria.

Changing the way Victorians pay for transport is a major reform that requires extensive planning and community input. To inform our research, we convened a community panel to get input on the things that need to be considered prior to any proposed change to the way we pay for roads and public transport.

The Panel was asked to consider the question: *Under what conditions, if any, would the community accept a change in the way Victorians pay for roads and public transport?*

## About community panels

A community panel is a deliberative engagement process that puts the community and/or stakeholders affected by a decision at the centre of the decision, and brings citizens closer to decision makers.

It is built around a number of principles. These principles include:

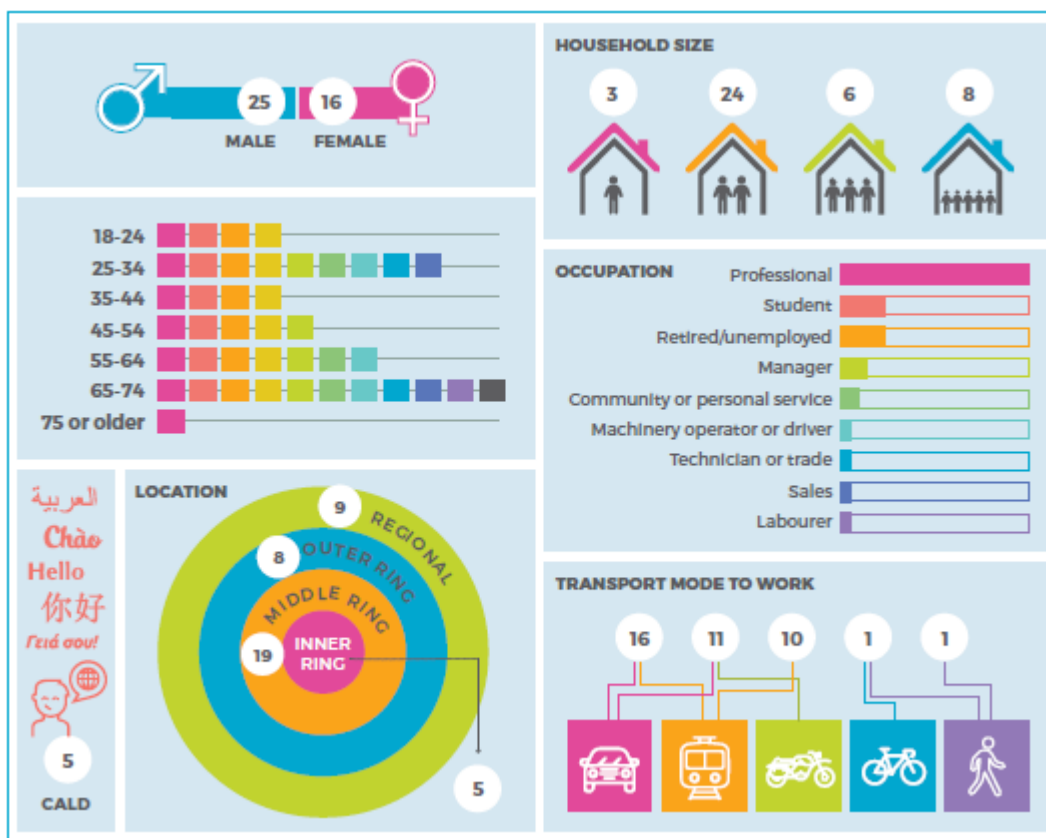
- A broad, random sample of people affected by the decision are selected to participate.
- Participants are provided with detailed, in-depth information from a range of independent experts and sources that helps them to understand the issues and options associated with the decision.
- Participants are given the time and support they need to consider and discuss information and ideas, weigh up issues and options and agree on recommendations.
- Participants write their own report and their report is presented directly to decision makers. The recommendations in their report have an influence over outcomes or decisions.
- The group usually meets over several days, and their discussions are supported by professional facilitators.

## About our panel members

Our community panel was made up of 38 people who were independently recruited through a process that combined random selection and stratification to ensure it is comprised of a cross section of the community. There were initially 41 people recruited, which dropped to 38 as the process progressed.

Independent recruitment specialist, Deliberately Engaging recruited participants on behalf of Infrastructure Victoria. Email invitations were distributed across metropolitan Melbourne, Geelong and Bendigo via the Vox Pop Labs (Vote Compass) database. The two regional centres were chosen to ensure regional views were represented on the panel.

The following table depicts a summary of the demographic breakdown for the initial 41 panellists recruited. The key sampling filters included gender, age, location, occupation, and transport mode.



## About the community panel process

The panel met online and face-to-face over four weeks (between February and March 2019), considered information on various topics related to transport network pricing and discussed the potential challenges and opportunities of setting new prices for all forms of transport. They also heard from the following experts to gain different views on the topic:

- **Professor Graham Currie** – Professor of Public Transport at Monash University & Director Monash Infrastructure Institute
- **Llewellyn Reynders** – Policy Manager, Victorian Council of Social Service (VCOSS)
- **Will Fooks** – Director, GTA Consultants
- **Stuart Outhred** – Senior Planner – Mobility Futures, RACV
- **Daniel Bowen** – Public Transport Users Association – Committee Member
- **Marion Terrill** – Transport Program Director, Grattan Institute
- **Denis Nelthorpe** – CEO of Westjustice and Adjunct Professor Victoria University Law School

At the conclusion of the process, the panel delivered a report consisting of eight conditions, including a description and rationale of each condition. The report also includes a series of minority reports, which did not make the final list of required conditions but the panel wanted to include.

Here is a summary of the panel sessions:

Date and time	Session	Description
Wednesday 6 February 6pm – 9pm	Meet and Greet	The panel members met for the first time, were introduced to their task and established how they would work together.
Wednesday 13 February 7.30pm – 8.30pm	Webinar #1	The panel heard from Infrastructure Victoria about transport network pricing and participated in a Q&A session to discuss the issues and concepts central to the remit.
Wednesday 20 February 7.30pm – 8.30pm	Webinar #2	Infrastructure Victoria presented a case study for a new way of paying for roads and public transport. Infrastructure Victoria and panel members also participated in a Q&A session about the case study.
Saturday 23 February 9am – 5pm	Panel meeting #1	<p>The panel members:</p> <ul style="list-style-type: none"> <li>- discussed insights from the background report, the case study and webinars</li> <li>- identified values the panel holds about how they travel around the city and the two selected regional areas</li> <li>- took time to explore the issue and research gaps of knowledge and understanding</li> <li>- heard from a selection of experts/speakers chosen by Infrastructure Victoria to represent a variety of viewpoints on the topic</li> <li>- brainstormed all their ideas for conditions based on what they had heard during the webinars, from expert speakers and their own research and experience</li> <li>- drafted initial conditions from the brainstorming activity.</li> </ul>
Saturday 2 March 9am – 5pm	Panel meeting #2	<p>The panel wrote, refined and agreed on a final response to the remit and presented their report to Infrastructure Victoria.</p> <p>To reach their conditions, as a collective group the panel voted whether they could 'live with' the condition being in their report. Conditions that received 80% or more support (live with it and above) were included in the panel's final report.</p> <p>Six of the recommendations that did not received 80% support were written up as a minority report by small groups of panel participants.</p>

## Infrastructure Victoria's response to the conditions

Infrastructure Victoria will be undertaking additional research to fully understand the implications of all eight panel recommendations to establish our ultimate recommendations to government. Future research will include transport modelling, engaging with ex-decision makers, and further research into best-practice and international experience with transport pricing reform.

This document outlines Infrastructure Victoria's initial response to these community panel conditions. It provides insight into how we will incorporate these conditions into later stages of our research on transport network pricing.

# Response to conditions



# Condition 1:

## Locality must not be a disadvantage

### Description:

- *An increase in public transport and road costs must not cluster disadvantaged people based on where they live.*
- *We must ensure public transport and road costs are fair for those who live in the middle, outer suburbs and regional areas, not just those in the inner suburbs.*
- *Any improvements to the system must be done state-wide (not concentrated in the inner city)*
- *There should be a cap on charges for vehicle use and public transport use.*

### Rationale:

- *A cap on costs will protect outer urban and regional users from being disadvantaged.*
- *People in outer urban and regional areas have limited choice of transport options, so it would be unfair to significantly increase their cost through distance based charges.*
- *Addresses the fear of a Melbourne-centric system being imposed on and paid for by outer urban and regional areas.*

## Infrastructure Victoria's response

### Our understanding:

Changes in transport costs should be fair and not create disadvantage, irrespective of where people live, especially considering those in areas with poor accessibility to public transport. Transport network pricing should also be part of a package of improvements that are wide-spread across the state and not just concentrated in the inner city, perhaps assessed on a needsbasis. The community believes a price cap on both public transport fares and charges for vehicle use will help ensure that certain localities are not disadvantaged under transport network pricing.

### What we will do:

- We will run a transport model to test transport network pricing and analyse the cost impacts on people, especially in the lowest wage brackets, carefully considering the localities in which they live and work, perhaps by local government area.
- We will research both how and where other cities have upgraded their transport networks, who these upgrades have been targeted for and how upgrades have been conducted in advance of changes to transport costs.
- We will research how other cities have implemented distance-based charges, without unfairly disadvantaging those with limited choice and lower accessibility.
- We will test the concept of providing capped transport fares and charges using our transport model and analyse the benefits and assistance this provides to those who need it most, such as the elderly and low-income earners.

## Condition 2: Network pricing needs to come with service improvements

### *Description:*

*If we were to accept an increase in the amount we are charged for transport usage, we would need to see a corresponding improvement in the network (road or PT).*

### *Rationale:*

- *Any improvements made to an area need to be decided on a needs basis.*
- *Timing of implementation: when a price change is proposed, the commitment to change/improvement needs to be stated as an upfront commitment to the beneficial changes coming*
- *Helps to build trust in the community which underpins public acceptance of change*

## Infrastructure Victoria's response

### Our understanding:

Transport network pricing will change the way users pay to access the transport system. Those who experience an increased cost due to the change expect a subsequent improvement in service. This could include the quality of service, frequency or speed of their journey. It may also include the expectation of having a choice of alternative transport options provided to them that they once did not have.

### What we will do:

- We will research different ways that other cities have provided an upgraded service. This could include new investments in transport infrastructure to offset increased costs and reward those who may be paying more or switching from other modes of transport, like personal motor vehicles.
- We will research the timing of how other cities have provided upgraded services, looking at the commitment to change and improvement provided to the community prior to transport pricing reform.
- We will investigate the practicality of ensuring transport-related revenue is reinvested into transport improvements to help build trust through the community knowing that the fares and charges they pay to the transport network will benefit them in the form of service improvements.
- We will investigate the potential role that a pricing regulatory body could have in reporting responsibilities, including potential expenditure planning i.e. how any transport-related revenue could be re-invested into the transport system in the future.
- We will research further alternative implementation and improvement measures in transport delivery that will help to build trust with the community.

# Condition 3: Transparency of both revenue and expenditure

## *Description:*

*Transport should be both:*

- 1. Adequately and transparently funded*
- 2. Priced in an appropriate and transparent way.*

*The public should know both how much is being spent and how much is being raised.*

*The view of the panel is that the manner in which funds are currently collected and spent is not clear. It is recommended that any change to the pricing model for the transport network should be accompanied by increased transparency of transport revenue and expenditure.*

*The total amount collected and the total amount spent should both be clear. E.g. \$2 million was collected, \$5 million was spent. ATO tax distribution infographic as an example.*

*This may mean that revenue from transport is directly spent on transport.*

## *Rationale:*

- Allocation of public funds should be clear and well understood to increase public confidence with the new pricing model.*
- Ensure continuous investment in the transport network with a more appropriate funding base.*
- Ensure accountability of government through transparency of revenue collected from transport network, and where funding is allocated.*

## **Infrastructure Victoria's response**

### **Our understanding:**

Under transport network pricing, the government must ensure the revenue it collects from the transport system, from both private vehicles and public transport, is clearly stated. The community also needs transparency around where the revenue is being spent to maintain trust and ensure government accountability of all spending and investment. While this could mean that money collected from transport is spent directly back on transport, it is the act of being transparent with both revenue and expenditure that is the key message in this condition.

### **What we will do:**

- We will consider how a pricing regulatory body can make transport revenue and expenditure more transparent for the community. This could also include the types of responsibilities that would ensure a regulatory body acts to balance both the interests of the community and transport network efficiency.**
- We will further investigate the practicality of revenue from transport being directly spent back on transport, both from international experience and what would be most suitable in the Victorian context and possible improvements to the existing funding structure.**

# Condition 4: Pricing must be transparent, simple, and provide options

## *Description:*

*There should be a predictability of pricing for users so that they are informed in their mode of transport decision-making process. The system must be simple enough for all users to understand. It should give people choice based on their ability to pay, time of travel, and the transport options available.*

## *Rationale:*

- *Give people a sense of ownership over their transport decisions/options.*
- *Customers know ahead of time how much they will be charged.*
- *Trust that the system is working correctly and is fair.*

## **Infrastructure Victoria's response**

### **Our understanding:**

Transport network pricing must be clear and easy to use for all Victorians. The system must be simple enough for users to be able to make informed decisions based on the cost of the different options and must be able to predict with confidence how much they will pay. With clarity around the different options available to them, the community can make transport choices based on their personal preferences regarding the trade-offs related to time and cost savings. Through this understanding of a transparent pricing system, users will develop a sense of ownership over their transport decisions, feel in control and trust that the system is working correctly and fairly.

### **What we will do:**

- We will continue to research different types of pricing models, especially around road pricing and develop an understanding of how best to implement the most effective pricing model for Victoria. Pricing model selection criteria could incorporate factors such as ease of use, flexibility and suitability to a Victorian context.
- We will research the role of trials and their effectiveness in testing consumer satisfaction towards a new system. This may also include consideration of how a trial may be conducted in Victoria, utilising existing technology and considering the functionality of any new pricing system.
- We will consider the concept of phasing-in transport pricing reform, allowing users to get comfortable in changing the way they pay for transport, building a sense of trust, ownership and a well-informed understanding of how the system operates.

# Condition 5: Open and transparent change

## *Description:*

- *Members of the public must have appropriate access to the mechanisms of change of payment for road and public transport.*
- *People are wary of change that affects their day-to-day lives.*
- *Poorly presented change is likely to be resisted.*

## *Rationale:*

- *Suspicion inhibits change.*
- *The public need confidence in the process.*
- *The public needs ownership.*

## **Infrastructure Victoria's response**

### *Our understanding:*

This condition is related more broadly to the general process of implementing pricing reform, rather than just focusing on the technical, social, environmental or economic impacts of the pricing model itself. For a successful implementation, the community must have appropriate chances to voice their concerns and provide input to shape transport pricing reform. The openness and transparency of the decision-making process is critical in making sure the public has confidence and general ownership of the reform. We understand that full clarity on any government proposal is necessary to minimise public scepticism of any changes and that poor public understanding will lead to community resistance.

### *What we will do:*

- We will research how other cities have integrated community input and utilised the role of public communication and education campaigns to build confidence and trust in developing and introducing a new transport pricing system.
- We will research the merits of a public implementation plan as well as potentially looking at the best-practice methods of when to involve the community in the reform process to efficiently create an effective and well-supported pricing model.

# Condition 6: Trial introduction

## Description:

- *“Try before you buy” approach*
- *Gain community feedback and confidence to ensure they feel heard*
- *Reason→ If the community feels heard, they could be more open to change and not feel abandoned if their ideas can't be implemented. This means any changes should also be justified.*
- *Real world trial is more accurate than simple models or predictions and may reveal factors that said models didn't take into account*
- *Given it is such a huge undertaking, there definitely does need to be a trial with the community first (should be within multiple communities eg rural, metro, demographics)*
- *Provides some opportunities to show whether the change works or not*
- *Cost effective as a small trial that proves the concept wouldn't work saves more money than a broad implementation*
- *Identify enablers/barriers which would inform future, broader implementation*

## Rationale:

- *Evidence-based.*
- *Community confidence/empowerment.*
- *Scope (change scope to opportunity) for improvement of concept.*

## Infrastructure Victoria's response

### Our understanding:

It is clear that there is strong support from the community panel for undertaking a real-world trial of transport network pricing. The community panel believes that a trial is a valuable opportunity to test and experience a new pricing model, but also provide valuable feedback and help to influence the design of the final pricing model. Undertaking a trial creates a real-life demonstration of the impacts of pricing reform, rather than computer-based modelling and analysis. The concept of a trial also assists with risk management of wider and permanent transport network pricing as it identifies unforeseen barriers and challenges that could impact broader implementation.

### What we will do:

- We will research the role of trials as part of transport network pricing. Case studies of trials from overseas will be a particular focus and will be assessed in their effectiveness and their role in facilitating reform. What we learn from these trials could shape our recommendation on a potential trial for Victoria.

# Condition 7:

## Equity and social inclusion

### Description:

*People in Victoria have the right, no matter their social circumstances, to an accessible and affordable transport system. In establishing a potential change to network pricing, the Government should act in a manner that ensures vulnerable members of the community are protected. This includes the provision of a comprehensive safety net that protects existing concession holders, people from low socio-economic backgrounds and people living in regional and rural areas. A change to the system should ensure that individual circumstances are taken into consideration to evaluate all transport pricing, resulting in a system that is nuanced and specific, rather than the existing pricing system, which acts as a catch-all and does not reflect the needs of the Victorian community.*

*In proposing a change to transport network pricing, we strongly feel that rates of payment should be reviewed to more equitably reflect the true circumstances of individuals. This includes people experiencing homelessness, people dealing with long-term medical conditions, various concession holders as well as individuals who are not eligible for concession.*

### Rationale:

- *Paying for transport should never become a barrier to accessing services such as education, medical services, employment, social support services, etc.*
- *Restructuring the existing transport payment system to ensure accessibility for all members of the Victorian community is an essential public service.*
- *Changes to the transport pricing structure should be enacted to protect members of the community who are disproportionately affected by the existing pricing structure.*

## Infrastructure Victoria's response

### Our understanding:

In the interest of equity and social inclusion, any change to transport pricing must ensure that vulnerable members of the community are protected while also delivering an accessible and affordable transport system for all Victorians. We understand that the community panel wants to see the provision of a comprehensive safety net that protects Victorians based on factors such as their age, income and where they live and travel to. The concept of having a well-integrated system, flexible enough to account for individual needs and individual circumstances, also had strong support from the community panel. The community panel had concerns with the existing concession system and voiced its concern of the current rates of payment, requesting a review to reflect a more equitable pricing model.

### What we will do:

- To test and best understand the different ways of enabling equity and social inclusion, we will consider doing various transport modelling runs that capture the distribution effects of what a transport network pricing system could achieve. This could include doing tests with and without a safety net concept, as well as analysing the effects of setting different maximum payment limits for people in different situations (e.g. concession holders).
- Through our transport modelling, we will analyse how a new transport pricing system could offer increased flexibility so that users have more options, especially if they want to reduce their cost of travel.
- We will consider 'flexibility' and 'equity' as criteria when assessing different pricing structures.
- We will investigate the role of concessions in achieving equity under potential transport network pricing scenarios.

# Condition 8: Establish an Independent Regulator for Pricing

## *Description:*

- *Transparency: Modifications to pricing should be reviewed by an expert independent body to represent public transport and road users interests to ensure a fair and equitable system.*
- *Accountability: Changes to pricing systems are able to be challenged and justified and accepted.*
- *Auditing: Auditing will allow for pricing verification and reporting.*
- *Public Consultation & Resolution: Provides a platform which allows input from transport users to be part of the discussion and resolution process.*

## *Rationale:*

- *It ensures that any government body cannot make changes without independent review.*
- *Allows public input.*
- *Provides a system where pricing structures can be shown to be fair and equitable for all users.*

## **Infrastructure Victoria's response**

### **Our understanding:**

The community places great value in the creation of an expert independent body in ensuring government accountability, transparency and adequate community consultation when proposing a change to transport pricing. They see the role of an independent regulator being a key part of public consultation and resolution processes while ensuring trustworthy pricing verification and reporting.

### **What we will do:**

- We will research the feasibility and benefits of an independent regulator for transport price setting. This may draw upon experience from other cities, working out their timelines and how each city approached operation of new transport pricing systems.
- We will research the potential responsibilities of an independent regulator, considering different forms of price setting, reviews of prices, reviews of investment decisions and the role of the community in influencing decision-making.



# About us

Infrastructure Victoria is an independent advisory body with three main functions:

- preparing a 30-year infrastructure strategy for Victoria, which is refreshed every three to five years
- providing written advice to government on specific infrastructure matters
- publishing original research on infrastructure-related issues

Infrastructure Victoria also supports the development of sectoral infrastructure plans by government departments and agencies.

Infrastructure Victoria does not directly oversee or fund infrastructure projects.

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Printed by Infrastructure Victoria

May 2019

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