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Dear Mr Rowe

*Inquiry into Microeconomic Reform in Western Australia – Draft Report*

Thank you for the opportunity to provide a submission relating to matters contained in the ERA's Draft Report. I will comment on two areas: *congestion charging* and *electricity tariffs*.

**Congestion Charging**

I note that the ERA received three initial submissions on congestion charging.

The following issues need proper investigation when considering a new congestion tax on motorists;

- There already exists a Perth Parking Levy (PPL). The *Perth Parking Management Act 1999* requires that all non-residential parking bays within the Perth Parking Management Area be licensed with a fee paid where liable. This tax already provides some disincentive for commuters to bring their vehicles into the Perth city precinct, (although it does not address the time of use issue) so any congestion charge should only be implemented with a review of the PPL, perhaps in conjunction with incentives such as more 'early bird' parking bays.
- In the short term, the demand for driving to and from work in peak times is quite inelastic. Many workers have little alternative but to front up to work at 8am and leave no earlier than 5pm. Given that public transport is already at or near capacity during these times, it would be difficult to get a significant shift from roads to the public transport network in the short term. A wider approach, encompassing industrial relations and flexible workplace planning, may be part of the solution.
- The WA Local Government Association (WALGA) has rightly pointed out that tolling major routes would inevitably shift traffic volumes on to local roads with associated amenity and safety issues. In this regard, an *area charge* is more effective than a *cordon charge*.
- The Metropolitan Regional Scheme needs to incorporate congestion as a central plank of town planning. This will require a focus on distributed town centers, large scale parking areas at the city borders which link into public transport, and dedicated transit lanes not only for public transport and taxis but also for commercial vehicles such as delivery trucks, couriers, and municipal services.
- The cost of public transport can be quite draining on the State Budget. At present, around

one third of the cost of operating the public transport system in Western Australia is recovered from fares. (It was recently reported that the WA Government was seeking to increase this to around 50%). Modelling of the impacts of any congestion tax should include the extra cost to the State for providing adequate public transport infrastructure.

- We should be wary of comparing Perth with other jurisdictions such as London, where only 60% of households have a private car, and less than 10% of commuter trips into central London are by car.
- We should also be careful that we are not confusing congestion on our freeways and major highways with CBD congestion. Due to the sprawling nature of the Perth city, it could be that many freeway commuters are not in fact destined for the CBD.
- The impact of extra taxes on transport operators should be carefully considered. The transport industry is very competitive and a congestion charge on delivery trucks and couriers would be punitive and in many cases may be unable to be passed on to customers. (This would, of course, be balanced against the extra efficiency gained by transport operators from reduced congestion). A congestion tax package should consider incentives to businesses for receiving off-peak deliveries in order to reduce the volume of commercial vehicles on major transport routes during peak times.

#### **Cost reflective time of use electricity charges**

Cost reflective electricity tariffs, as rightly submitted by the CCI and the ESAA, will lead to greater competition, better price signalling to consumers, and less requirement for government subsidies. *Balanced with this will need to be an increase in targeted subsidies to those on low incomes who can ill afford cost of living increases for essential services, and that adequate consumer protection measures are in place for vulnerable customers.*

Whilst pricing on the SWIS is relatively straightforward, pricing in regional areas currently serviced by Horizon Power is more problematic due to the cost differences in servicing each town/area. If government policy is to continue to ensure tariff equalisation across Western Australia, then a subsidy to Horizon Power (or its competitors, or customers) will be required into the future.

Although it is essential that energy retailers pay to their suppliers fully cost reflective wholesale charges, (including time of use network pricing and energy charges, and ancillary costs), it does not necessarily follow that time of use pricing be mandated at the consumer level. With the proper metering infrastructure in place, it should be largely left to competitive retailers to price their customer portfolios and their retail product offerings.

Regards,

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