



# Department of Transport

PO Box 2797  
Melbourne, Victoria 3001  
Telephone: (03) 9655 6666  
Facsimile: (03) 9095 4096  
www.transport.vic.gov.au  
DX 210410

Our Ref: **DOC/10/267338**

The Director  
Prices Development, Economic Analysis and Reporting Branch  
Australian Bureau of Statistics  
PO Box 10  
**BELCONNEN ACT 2616**

## **16<sup>TH</sup> SERIES CONSUMER PRICE INDEX (CPI) REVIEW: TRANSPORT ISSUES**

The Department of Transport appreciated the opportunity to speak to your Melbourne public hearings on the CPI review on Monday 22 February 2010.

The following written submission has been requested by you to help the transparency of your public consultation.

### **Weighting and Frequency of CPI**

Transport's weighting in the CPI should rank second or equal second to Food and Drink; ahead or alongside of Housing as in the latest ABS Household Expenditure Survey (2003-04), catalogue number 6530.0 (HES) re-issued on 15 February 2006.

	HES			CPI, 8 Capital Cities 15 <sup>th</sup> Series
	Melbourne	Balance of Victoria	Victoria	
	%	%	%	%
Food and non alcoholic beverages	17.2	17.6	17.3	15.44
Transport	15.0	16.7	15.4	13.11
Current housing costs (selected dwellings)	15.2	13.2	14.7	19.53

Quarterly compilation of the CPI is adequate to index the Department's many contracts.

Six yearly re-weightings may not be sufficiently frequent to keep up with rapid major structural change in Transport. Between 2004-05 and 2008-09, Melbourne's public transport (train, tram and bus) patronage grew by 29%.

## **Components of CPI**

Car parking costs are becoming more significant across Australia, especially in those capital cities where urban traffic congestion is increasing, and road space is needed for higher priority tasks. Many workers pay indirectly for car parking at their workplace as part of a salary package which is subject to Fringe Benefits Tax (FBT). The ABS may learn more about this high-priced area of household expenditure from the Australian Taxation Office (ATO). Other workers pay full after-tax parking costs directly.

Breaking Automotive Fuel for Melbourne (Series ID A2328601K) into Petroleum as well as other fuels would aid analysis of the overall CPI, providing the sample size was sufficiently large to give statistical confidence.

Motor Vehicle Repairs and Servicing (Series ID A2328736V) should be redesigned to clearly differentiate costs associated with the mechanical repair and upkeep of the vehicle from those associated with crash repairs.

The current composition of Other Motoring Charges (Series ID 2328646R) would be enhanced by more concisely identifying the costs of meeting statutory imposts required to own and use a motor vehicle (Registration Insurance and Licensing Costs); and costs associated with actual motor vehicle use such as tollway charges and parking fees.

Tolls paid to private road operators have also become more significant since the last review 6 years ago. New toll roads have opened, patronage has increased, and the tolls may be higher.

## **Other matters**

The split of road traffic, including on toll roads, into business and private use has been made more challenging by the growth of salary packaging involving leased motor vehicles for private use, and the suspension of the ABS Survey of Motor Vehicle Usage (SMVU) in some years. The ATO may be well placed to help the ABS supplement the SMVU, particularly, as it receives the information on vehicle km travelled from millions of tax-payers associated with FBT. The DOT would support ongoing collection of the SMVU.

CPI analytical series could be considered to measure the wider costs of car as driver transport. The car driver uses labour to drive the vehicle. Mainstream transport economists currently use about \$12.50 an hour to represent the value of travel time for non-work purposes; but emerging research could increase this towards average weekly earnings. Transport economists calculate generalised transport costs for motor vehicles as the sum of vehicle operating costs and travel time. As Australian cities become more congested, vehicle speeds on road will slow, leading to higher hours spent travelling and a decline in living standards, broadly measured.

The Department will lodge a separate submission on possible Transport Satellite accounts to the Australian National Accounts. The Department sees a need over coming decades to measure the value of travel time, especially the implied work of drivers of owner-occupied cars. This could be measured in a Transport Satellite account to the National Accounts, as an analytical series for the CPI, or both. Increasing urban congestion should be measured to understand its impact on Australia's households and businesses.

The principal purpose of the CPI is beyond the scope of this submission, but consideration should be given to the treatment of owner-driver motor vehicles, which share many characteristics of owner-occupied housing in that they both yield a flow of services over the years.

Please do not hesitate to contact Philip Norman, Senior Economist on telephone (03) 9655 3347 with any queries.

Yours sincerely,



**Michael Hopkins**  
**Executive Director**  
**Policy and Communications Division**

Date: 18/3/2010