

Business
Council of
Australia



Business Council of Australia

Submission to the

**National Transport Commission Review Steering
Committee**

on the

Operations of the National Transport Commission

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EXECUTIVE SUMMARY

The BCA's vision is for Australia to be the best place in the world in which to live, learn, work and do business and for it to become and remain a top-five economy among OECD countries by 2012. The overriding objective is to enhance prosperity in Australia.

The BCA makes this submission giving consideration to Australia's long-term economic prosperity, as it is the strength of Australia's economy and viability of Australia's businesses that will ensure we are able to respond to economic, social and environmental challenges.

This submission to the National Transport Commission Review Steering Committee outlines the key foundation strategies which should underpin infrastructure reform including reforms in the transport system in Australia and discusses how the National Transport Commission could play a key role in supporting these strategies.

The development of Australia's future infrastructure including transport infrastructure should be underpinned by the following foundation strategies:

1. Effective national (not state-based) infrastructure markets, including national or uniform regulation.
2. Market-based prices that send the appropriate signals to consumers and suppliers (cover long-run marginal costs, reflect time of use).
3. Public investment processes that are integrated across governments, forward looking, based on consideration of all options and favour projects with the highest (and published) benefit–cost ratios.
4. Effective competition in all contestable (non-network) market segments.
5. Private ownership as the preferred model in all contestable market segments.
6. Regulation of infrastructure that does not discourage investment seeking to meet expected demand.

The NTC can play a critical role in ensuring these strategies underpin the next phase of transport reform. In particular it has the capacity to provide the overarching integrated long-term planning frameworks for transport and as a result of this, through the Australian Transport Council (ATC) implement the necessary policies and provide advice and recommendations to the Council of Australian Governments (COAG) where appropriate.

The NTC can play a critical role in championing effective transport system planning, national transport markets, uniform regulation, market-based pricing, effective financing options and effective competition.

However successful transport system reforms require a well-functioning federal system. There is an opportunity for all governments to develop and adopt a more comprehensive and ambitious reform agenda for transport and make improvements to the effectiveness of supporting bureaucratic structures.

An effective working relationship between our three levels of government and a commitment to decision making that serves the national interest is therefore critical to success.

INTRODUCTION

The Business Council of Australia (BCA) represents the chief executives of over 100 of Australia's leading companies. The BCA develops and advocates, on behalf of its members, public policy reform that positions Australia as a strong and vibrant economy and society. The businesses that the BCA members represent are among Australia's largest employers and represent a substantial share of Australia's domestic and export activity. Therefore they have a significant interest in the scope and direction of economic reform.

The BCA's vision is for Australia to be the best place in the world in which to live, learn, work and do business and for it to become and remain a top-five economy among OECD countries by 2012. The overriding objective is to enhance prosperity in Australia.

The BCA welcomes this review of the operations of the National Transport Commission (NTC) by the Review Steering Committee established by the Australian Transport Council (ATC). This review is occurring at a critical time in the development of Australia's infrastructure including transport infrastructure.

Infrastructure quality and capacity play a critical role in determining the structure and strength of economic growth and activity as well as standards of living.

Growth in the Australian economy and population over the past decade has outpaced the capacity of core infrastructure to support that growth. We now have a significant amount of catching up to do to invest in the infrastructure capacity that will support growth in the future.

Global economic uncertainty notwithstanding, Australia must plan for continued economic growth and invest in its infrastructure capacity accordingly.

The transport system including all modes of transportation and their interlinkages is a critical element of economic growth. Specific challenges in transport include those related to urban congestion, freight movement, intermodal connections and the operation of our ports. The BCA has explored these matters in a range of publications and submissions over the past five years. (Copies are available at www.bca.com.au)

A national, long term, strategic and planned approach to transport policy and infrastructure provision which uses market structures and appropriate pricing policies has the capacity to enhance productivity and improve standards of living as well as respond to environmental challenges.

As discussed in the BCA publication *A New Contract for Federal-State Relations*, the National Transport Commission (NTC) plays a key role in ensuring regulatory reform to underpin nationally consistent road, rail and intermodal transport policies. The importance of such a role should not be underestimated and the current review of the NTC provides an opportunity to consider how to ensure the NTC can play its role successfully in the future.

THE IMPORTANCE OF INFRASTRUCTURE REFORM

The BCA was among the first to identify the infrastructure constraints facing the economy in 2005 with the release of its report *Infrastructure Action Plan for Future Prosperity*. Subsequently we released the report *Infrastructure: Roadmap for Reform*, which set out a broad reform agenda that could deliver an increase to GDP of around 2 per cent or \$20 billion, a year.¹

Australia's infrastructure, including ports, road and rail transport systems, water, energy and accessible and fast broadband, are the building blocks for future growth. But our economy has expanded beyond the capacity of key infrastructure.

ENSURING INFRASTRUCTURE REFORM

At one level Australia's infrastructure problems can be seen in bottlenecks at our bulk and container ports and at our intermodal hubs, inadequate rail systems, congestion on our urban roads, struggling public transport, water shortages in our cities, over-allocated rural water systems and (an increasingly acknowledged) straining electricity network.

At a deeper level, however, we see the drivers of these problems in a lack of effective national infrastructure markets, inappropriate infrastructure pricing, often poorly

¹ BCA, *Roadmap for Reform*, 2007, p2

coordinated planning, a confusion between government roles (as policymaker, regulator and service provider), and sometimes misguided regulation.

In light of these fundamental blockages, the BCA has set out a broad agenda for infrastructure reform that calls for market-based policy settings.

This submission identifies the key foundation strategies which should underpin infrastructure reform generally and the ongoing reforms required in the transport system.

The foundation strategies are:

Effective national (not state-based) infrastructure markets, including national or uniform regulation.

1. Market-based prices that send the appropriate signals to consumers and suppliers (cover long-run marginal costs, reflect time of use).
2. Public investment processes that are integrated across governments, forward looking, based on consideration of all options and favour projects with the highest (and published) benefit–cost ratios.
3. Effective competition in all contestable (non-network) market segments.
4. Private ownership as the preferred model in all contestable market segments.
5. Regulation of infrastructure that does not discourage investment seeking to meet expected demand.

The development of effective national markets removes inefficiencies caused by the imposition of arbitrary state-based borders. Market-based pricing that takes into account long-run marginal cost and which can be set to reflect time-of-day usage encourages consumers and suppliers to make efficient decisions with regard to infrastructure use and investment.

Forward-looking public investment approaches that are integrated across governments, based on a consideration of all options, and which favour projects with the highest benefit–cost ratios will ensure our infrastructure investment schedule keeps pace with economic growth.

Active competition in all contestable market segments will provide governments and the community with the opportunity to achieve least-cost delivery and enhance service delivery.

Regulatory practices should not inhibit investment in infrastructure for future needs. An example is where regulated prices may prevent investment to meet a future need.

Poor transport planning and provision are avoidable handbrakes on economic growth. The implementation of the foundation strategies outlined above through the NTC and COAG would drive substantial reform and support economic growth.

FUTURE ROLE OF NTC IN TRANSPORT REFORM

In assessing progress on transport reform it is necessary to consider the work program of a large number of different government groups including the NTC, COAG working groups, ministerial councils and government appointed commissions, as well as government departments and agencies.

The NTC has been established to develop and coordinate regulatory reform for nationally consistent road, rail and intermodal transport. During its operation it has assisted in the progress towards the establishment of more consistent national markets for transport. There is, however, more work to do.

The NTC can play a critical role in ensuring the foundation strategies discussed above underpin the next phase of transport reform.

In particular the NTC has the capacity to provide the overarching integrated long-term planning frameworks for transport and as a result of this, through the Australian Transport Council (ATC) implement the necessary policies and provide advice and recommendations to the Council of Australian Governments (COAG) where appropriate.

To ensure Australia has the transport system it will need in the future consideration should be given to requiring the NTC undertake a broader role in transport system planning so that it addresses all aspects of the system in an integrated and long term manner.

Transparency in the progress of critical transport related policies and reforms through the various government bodies should be improved. The NTC should provide an annual report addressing timetables, progress and key outcomes of transport reforms so as to provide confidence to the public and the markets on the directions of transport system reform.

It will be important to ensure the linkages between COAG and the NTC as it is COAG which brings together the different levels of government, all of whom have responsibilities related to the transport system which on occasion can overlap and address different and inconsistent priorities.

The BCA has highlighted previously that the willingness of COAG to commit to a major infrastructure reform agenda designed to improve Australia's national productivity and standards of living is essential².

National approaches are needed and continued efforts are required to reduce poor and inconsistent regulatory practices across Australia. This remains a challenge for Australia's transport system and efforts of the NTC should continue to address this matter.

The dispersed nature of responsibility across three levels of government for different aspects of transport planning, policy and regulation, requires consideration so as to ensure effective planning and investment in Australia's future transport system

An effective working relationship between our three levels of government and a commitment to decision making that serves the national interest is critical to successful transport reform.

² BCA, *Roadmap for Reform*, 2007

Conclusion

Australia must continue to implement national infrastructure policies that will support high levels of economic growth into the future.

We need a renewed commitment to policy reforms that will deliver national, market-based reforms that will drive productive investment and efficient utilisation.

The NTC has the potential to play a key role in developing and implementing transport system reforms and providing advice to government through COAG which can drive improved productivity through these reforms.

The NTC can play a critical role in championing effective transport system planning, national transport markets, uniform regulation, market-based pricing, effective financing options and effective competition.

However successful transport system reforms require a well-functioning federal system. There is an opportunity for all governments to develop and adopt a more comprehensive and ambitious reform agenda for transport and make improvements to the effectiveness of supporting bureaucratic structures.

An effective working relationship between our three levels of government and a commitment to decision making that serves the national interest is therefore critical to success.

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