

SUBMISSION NATIONAL LAND FREIGHT STRATEGY DISCUSSION PAPER
MAY 2011



1. Australian Trucking Association

The Australian Trucking Association (ATA) is the peak body that represents the trucking industry. It's members include the state and sector based trucking associations, the Transport Workers Union and some of the nation's largest transport companies as well as small fleet owners and owner drivers.

Heavy vehicle road freight services all communities in Australia and is an essential input into domestic productivity and international competitiveness. The ATA welcomes the opportunity to provide comment on the National Land Freight Strategy Discussion Paper.

2. National Land Freight Strategy Discussion Paper

The Australian Trucking Association (ATA) supports a planned approach to infrastructure provision that includes economic analysis and appropriate treatment of different transport modes. To foster economic growth and international competitiveness infrastructure that efficiency moves road and rail freight is necessary; seeking productivity gains should be a goal of any freight strategy.

The ATA is broadly supportive of a National Land Freight Strategy (NLFS), although raises some caution with the discussion in the draft strategy and proposed actions. The current situation and existing constraints across modes is not explained accurately; which will lead to ineffective policy development. How a NLFS will actually improve infrastructure provision needs to be clearly outlined, seeking other side benefits are secondary.

Potential strategies are not well defined, for example with the last mile issue, PBS and capacity constraints in rail freight. There are a number of misleading or assumptive statements, including heavy vehicle charging reform. A number of large projects are mentioned, including a national road improvement regime and a proposed inland rail network, but without any detail. Information around projects must be included before it can be considered an integral part of a NLFS.

3. Recommendations

The simplistic desire for a national land freight strategy must be justified by clearly improved outcomes. A strategy must be cognisant of the limitations of a defined freight network, intrastate freight and local issues, and the need for meaningful industry consultation.

A NLFS should not rely on charging reform or anticipate increases in heavy vehicle charging revenue. Currently, heavy vehicle road freight completely cost recovers relevant road expenditure, and the focus should be on revenue distribution and investment. Any strategy must be created within a realistic financing framework.

It is not clear an improved access arrangement will exist under a NLFS, and improving these arrangements should be a higher priority in a NLFS. Current arrangements restrict freight movement today and a future freight network cannot be progressed with addressing this problem.

PBS and last mile issues are mentioned in the discussion paper, although there is no detail around actual solutions. Government attention to these issues is long overdue, if considered in a NLFS the remedying actions should be rigorous and achievable.

The ATA is supportive of pursuing optimal efficiency in all freight modes – individually. A NLFS needs to address the limitations inherent in different modes of transport.

The ATA is cautious of another level of bureaucracy that could be a single national freight body. Rather than creating a new body, the effectiveness of current responsible parties and communication methods should be reviewed.

Infrastructure Australia was established in 2008 and before considering capacity or role changes, an external review should be undertaken to ensure promote the effectiveness of the advisory body.

4. The concept of a National Land Freight Strategy

There is a strong motivation in the paper for a national network, although the details around a network and actual benefits are somewhat lacking. Any freight projections undertaken to determine future network needs should be done by the Bureau of Infrastructure, Transport and Regional Economics (BITRE). The limitations relating to future projections need to be well understood and stakeholder consultation should continue to be important in this work.

The ATA supports informed infrastructure planning, which is more realistic and achievable than coordinated infrastructure planning. This includes improved communication between different planning levels and national freight plans being cognisant of jurisdictional level freight plans, as suggested in the NLFS discussion paper.

Coordinated demand forecasting and infrastructure planning does have some merit, especially on a national level, but is supported too strongly as a fix all concept. National planning and regulatory regimes are important, but a significant proportion of freight is intrastate and the needs of that freight should be considered. Bundling it as part of the national process may not be the best way to address this. A number of issues require local analysis and solutions – urban congestion in Melbourne, port access in Sydney or the use of high productivity vehicles in the green triangle. Freight generating hubs may be best addressed with local knowledge.

By creating a single network that focuses on major routes, there is a risk of isolating essential areas that fall outside of the designated 'network'. If excluded it may be difficult to facilitate freight traffic or appropriate route upgrades. Freight happens everywhere, marginal routes cannot be ignored. Focusing on a select network will not be enough, especially for infrastructure planning and access issues.

It needs to be clearly outlined how a comprehensive planning approach will improve investment decisions, and the subsequent overall operation of freight. A strategy should identify bottlenecks and real barriers to productivity. This explanation must also explain how local issues will not be lost in the high-level national planning process.

Finally, in discussions of the planned strategy process, there is no mention of meaningful industry participation in the decision making process. This is a significant issue that will limit the effectiveness of any freight planning mechanisms. At every level it is imperative that freight plans are developed through meaningful consultation with industry and relevant stakeholders, as these are the current and future the users of the freight network.

The simplistic desire for a national land freight strategy must be justified by clearly improved outcomes. A strategy must be cognisant of the limitations of a defined freight network, intrastate freight and local issues, and the need for meaningful industry consultation.

5. Infrastructure funding and private investment

Funding is an extremely important part of infrastructure planning and investment, and unfortunately is not treated appropriately in the NLFS discussion paper. Discussions in the paper misrepresent the current situation and the funding requirements for a future strategy.

The NLFS paper raises issues in relation to current charging arrangements and future possibilities, although these seem to be developed without involvement of the relevant informed Government body; the National Transport Commission (NTC), the BITRE or the COAG Road Reform Plan (CRRP) Project Secretariat.

The NLFS lacks strong pricing principals, instead makes indirect comments about the funding responsibility and how it should be shifted away from governments. There is no reference to the agreed ATC pricing principals.

The ATA supports charging principles that maintain cost recovery, provide clear and realistic signals for use, and potentially facilitate investment where there is sufficient demand.

5.1. Current charging arrangements

Throughout the strategy there is no reference to the current charges heavy vehicles pay: “like heavy vehicles, cars generally do not make direct payments for their use of road infrastructure” (page 38). Without prior knowledge, reading the discussion paper would imply that heavy vehicles pay nothing for their road use and there is no proper access regime for heavy vehicles.

This is not the reality. Currently road freight charges are set under the PAYGO model, to completely recover the road expenditure attributable to heavy vehicles. This amount is updated annual and paid by different vehicle classes through registration charges and the road user charge component of fuel excise. Light vehicles are also subject to a form of road user charges, including a significant fuel excise.

5.2. Charging reform

There is a reoccurring notion in the paper that a shift to direct charges will improve the quantum of heavy vehicle charging revenue and the capacity to use the revenue.

This suggestion is unsubstantiated, as these aims were not primary motivators for investigating reform, and, more importantly, the CRRP have not published it’s findings. Any reform that follows will take a considerable amount of time to implement. Further, COAG has not undertaken this investigation to increase the pool of heavy vehicle charging revenue, the investigation is to determine better ways to collect and distribute revenue. As has been identified by CRRP, most of the benefits of reform will come from improved road funding and investment arrangements. It is important to note that a number of these benefits might be available under current charging arrangements with only policy changes to funding and investment decision making arrangements. This complex economic and political issue is treated too simply in the NLFS discussion paper.

Currently, there is no direct connection between heavy vehicle road user charges and road provision, and this is often claimed as the core of the problem in relation to access. It has been suggested that modifying current arrangements could provide an incentive for road access and be used to directly compensate road managers for heavy vehicle use.

However, even if achieved, redirecting funding will not be a complete solution. The ATA believes more transparent decision making is key to better management and use of the road asset, combined with appropriate distribution of heavy vehicle charges.

The dependence placed upon funding reform in the NLFS paper overemphasizes a new regime and does not adequately explain how reform will improve road funding situations.

A NLFS should not rely on charging reform or anticipate increases in heavy vehicle charging revenue. Currently, heavy vehicle road freight completely cost recovers relevant road expenditure, and the focus should be on revenue distribution and investment. Any strategy must be created within a realistic financing framework.

6. Access arrangements

6.1. Freight only corridors

The NLFS paper consistently brings up freight-only corridors, for road and rail freight. The monopoly asset arrangement and potentially improved community amenity reasons are understandable, but the solution is provided without any economic or demand analysis. The paper lacks any potential Australian examples and cites no international success stories. Adequately financing freight only corridors for all modes is dubious.

6.2. Access

The NLFS paper highlights access issues for heavy vehicles, including last mile access. The paper reports rail access arrangements as being superior, stating that road freight has no proper access arrangement. As road freight is subject to registration, inspection and individual route or vehicle approval in some cases, it can be seen that there is an access arrangement for use of the road system.

As mentioned above, local government access arrangements are the most significant issue to be addressed in a NLFS, it is a restrictive problem today that must be addressed before moving forward. As suggested above, transparent decision making arrangements and reformed infrastructure funding could be an initial first step. A NLFS should investigate and remedy the disconnection between local governments land planning powers and road management responsibilities.

It is not clear an improved access arrangement will exist under a NLFS, although improving these arrangements should be a higher priority in a NLFS. Current arrangements restrict freight movement today and a future freight network cannot be progressed with addressing this problem.

6.3. Targeted solutions – PBS and last mile issues

While the NLFS paper mentions the underperformance of PBS and the last mile issue, there is no real discussion about potential solutions. It is unfortunate that PBS has not fulfilled its potential and this issue should be addressed now, and not be delayed for assessment under a NLFS.

Other limitations lie the last mile issue and the “inability to use the most productivity freight vehicles” as identified in the paper (p39). This is a governance issue that is tightly bound in education and funding arrangements. Further problems exist with variability in route approval, transparency of decision making and appeal processes. The National Heavy Vehicle Regulator is currently investigating this issue.

PBS and last mile issues are mentioned in the NLFS discussion paper, although there is no detail around actual solutions. Government attention to these issues is long overdue, if considered in a NLFS the remedying actions should be rigorous and achievable.

7. Improving freight efficiency across different modes

The ATA supports policy that promotes improvements in efficiency and productivity within individual freight modes. All freight modes will need to continue to make these improvements to carry the growing freight task. The ATA notes some caution with the statements in the paper regarding rail freight. Some comments are made on the future capacity constraints and interaction with passenger trains, but a number of issues that exist in reality are not

discussed. These could include infrastructure capacity constraints or other issues as identified in the NTC's 2009 Freight Rail Productivity Review paper.

There is also an inaccurate account of rail freight charges and cost recovery requirements. This discussion has been had in various forums and the appropriate material should be referred to (Productivity Commission Inquiry into Road and Rail Freight, 2006). It is well accepted that there is limited contestable freight between road and rail, and aggregate rail freight demand is independent of changes in road freight rates (BITRE, 2009). This should negate the need for any policy relating to modal distribution.

The re-distribution of heavy vehicle charging revenue across modes is also touched on, but it is not appropriate for this discussion. The economic benefit in subsidising a transport mode at the cost of another mode is unsubstantiated in the paper.

The two modes operate in vastly different regulatory and business environments, and the simplistic comments in the paper do not accurately represent the current situation, nor what is practically possible in the future.

The ATA is supportive of pursuing optimal efficiency in all freight modes – individually. A NLFS needs to address the limitations inherent in different modes of transport.

8. Single National Freight Body

The sentiments about overlapping regulation and inefficient policy making raised in the paper are indeed true, although the solution of a single national freight body is not an easily achievable or straightforward solution.

The current processes to nationally harmonise heavy vehicle regulations and rail safety standards have been difficult tasks to undertake and the long term success of the projects is still to be determined. Even with these decision making bodies in place, there will still be areas of regulation that naturally sit outside of the regulators' domain. A single national freight body will also face similar constraints, where significant areas of regulation or planning will exist outside its remit, and adding another layer of bureaucracy needs to be seriously considered. Improving the management of current regulatory bodies could be an initial first step.

The ATA is cautious of another level of bureaucracy that could be a single national freight body. Rather than creating a new body, the effectiveness of current responsible parties and communication methods should be reviewed.

9. Infrastructure Australia

The ATA has been supportive of the Infrastructure Australia's past work and the advisory role that it plays. At this time of juncture, where a new direction for the advisory body may be considered, it is appropriate for a public review of Infrastructure Australia, its role and processes. This is a sound approach to ensure regulatory bodies are optimally effective, resourced and empowered.

Infrastructure Australia was established in 2008 and before considering capacity or role changes, an external review should be undertaken to ensure promote the effectiveness of the advisory body.

10. References

BITRE 2009, *Road and rail freight: competitors or complements?*, Information paper 34, BITRE, Canberra.

BITRE 1999 *Competitive Neutrality Between Road And Rail*, Working Paper 40, BITRE, Canberra.

National Transport Commission 2009, *Freight Rail Productivity Review Final Position Paper*, August 2009. NTC, Melbourne.

Productivity Commission 2006, *Road and Rail Freight Infrastructure Pricing*, Report 41, PC Canberra.