

Transport Reform Agenda

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I am not sure about the pedigree stuff, there are a few people in New South Wales that don't agree. Thank you for the opportunity to come today. I acknowledge the Deputy Prime Minister. The first time I met Mark was during the Olympics and we had a substantial trade problem and we thought we better go and see the trade minister and we were a bit unsure as to how he would respond, given the political nature of these things. He said this is for the country to be fixed this afternoon. A tremendous example of how our governments should work in my view and a credit to him as a person.

I want to talk a little bit about the things that the Deputy Prime Minister has spoken about with a slightly different twist. Is Australia at risk of developing a cargo cult? As you know, cargo cults were originally developed during the war with the worship of aeroplanes which would writhe out of the sky, filled with food and goods. After the war ended the locals wanted the fires to continue. They lit fires along the sides of the runway. An air traffic controller, would sit in a wood and sticks as headphones and bamboo antennas on his head, waiting for the plane to land. They were doing everything right and it all looked exactly the same as it did before, but the planes didn't land, something essential was missing.

In 2006 the Council of Australian Governments agreed to an ambitious transport reform agenda, for moving cargo around more safely and proactively. The National Transport Commission worked closely with industry and government, to develop the national reforms just outlined. Quad axle group, B triples and smart trucks. All the things we should do were put in place. Everything looks the same, but there is little sign of any productive trucks coming, something essential is missing. The strong commitments from government to map a road network for those trucks to run on.

Today I want to talk a little bit about the National Transport Commission and its cooperative reform model and the challenges of productivity, safety and pricing reform.

The National Transport Commission was formed in the 1990's and one of the architects is sitting here today. It was Nick Griener and Bob Hawke, who said that the problems on the road and the differential pricing structures needed to change. The two of them led the reform for many of the things that have been achieved over the last ten years and more. At that time, interstate trucking faced different road rules, driver licence categories, registration classifications, charges, mass, dimension, driving hours, everything was different. You could be flouting the law, just by crossing the border. The changes brought in by Nick Griener and Bob Hawke, saw the creation of the

National Road Transport Commission to coordinate this regulatory environment and a mandate which was later extended to rail and inter modal.

Reforms are developed by trying to work closely with industry and governments. The Business Council of Australia's report and a new contract for federal/state relations, identified the National Transport Commission and the model of cooperative federalism as a success. The said, the NTC has successfully lead reform in a range of areas, including the transportation of dangerous good, uniform registration, licensing, driving hours for heavy vehicles and Australian road rules. At that report from the Building Council, also highlighted some limitations.

And the things, on the second occasion that I met [Mr Veil] * 3:34, was when he came back as chair of the Australian Transport Council and said, gee things haven't moved a lot. Chief amongst limitations, said the VCA, is that the National Transport Commission has no power to require consistency from governments for the implementation of agreed reforms. Individual jurisdictions may choose to diverge from the reform program or can considerably delay implementation of agreed reforms. Naturally this is a huge source of frustration for the industry and the commission and has a direct economic impact on our country.

Evolution of transport reform, we have seen runs on the board. The national reform program so far has help to avoid a freight crisis and a cost blow out, but this effort needs to redouble in the future, if Australia is to remain globally competitive. You can see there with the tyranny of distance, the things that you are all familiar with and that an efficient transport system underpins our economy. Transport and storage sector contributes to 4.54% of GDP in Australia. It employs some 460,000 people and moved 2.4 billion tonnes of freight per year.

Recently the National Transport Commission released a report, twice the task. The challenge to ensure that Australia's transport system remains globally competitive as the transport task doubles by 2020. If we do nothing, the report says, another 50,000 trucks on the road will clog urban arterial roads and bottleneck with further impede access to freight terminals and ports. Australia needs and integrated long term reform agenda, to manage the growing freight tasks safely. Only if all those policy levers from productivity, safety, compliance etcetera are working together, can we have our cake and eat it. This is move more freight, more safety at less costs.

This is a change to the traditional reform model for transport. We use to fix what was broken. Then we became a bit more sophisticated by packaging up reforms, such as trading axel mass and length for improved vehicle safety and less engine emissions. Only now in Australia as an integrated freight economics model for reform are emerging. For example, we are unlikely to get B triples running on the inter capital routes, without the planning, investment and road network, addressing the safety and compliance risk of longer trucks and setting an economic price for road wear.

The industry though is willing to pay a fair road use cost to get B triples on roads like the Hume Highway. In fact one major national transport operator, gave me his company credit card to get this reform moving. He said, I don't care what it costs, just get me the B triples from Melbourne to Sydney. I have taken and inprint and gave the card back. I will come to truck charges shortly.

This bloke here, the good looking fellow, his name is Rick Taylor. And owner driver who carries fuel to farms and businesses in central Queensland. He had a good idea for a better smart truck design and sketched it on the back of his wife's writing pad. The truck can be broken up, it is modular, the front half is used for deliveries to farms and sites where access is poor, the rear trailer can be unhooked and used as a storage tank. An extra six tonne pay load also helps Rick absorb recent costs increases and stay viable. Terrific! Very creative and innovative, what Australian's do

well. But as his new truck was rolling down the production line, he only then found out that it broke every rule in the book. It is too long, too heavy and so on. Luckily the performance based standards approach that the Deputy Prime Minister referred to, a coag reform, has allowed him to get his smart truck assessed against performance standards, to prove it is safe and break bridges. It is now up and running on a special permit.

Performance based standards, there are some examples. The truck axel truck with a particular type of axel, creates extra six pallet capacity, the car van down the bottom, 10,000 less truck trips per year and the cars are protected much more and the Pilkington Glass, special performance based vehicle, provides particular need for that client. Even with the coag ticket on performance based standards and strong productivity commission endorsement.

The National Transport Commission is concerned that some governments are still not fully committed to this major productivity and safety reform. Attempts to wind back the clock on axel mass limits are being driven by fears, about increased road wear and the impact on road budgets and there will be no meaningful road network for these smart trucks to run on, until this issue is resolved. A road which doesn't wear out is classic yes minister stuff. The hospital build staff, but you don't want any patients.

While Australia is agonising about these productivity reforms, global competitors rising from the bamboo fields of South East Asia, threaten to beat us at our own game. An international transport conference in China next month, will discuss how they apply performance based standards and the use of super B doubles, between Shenzhen port and major trade centres. We can't afford to go backwards on productivity and safety. The performance based standards reform as the Deputy Prime Minister indicated, will go to the transport minister shortly for voting.

Our challenge to the governments is to put the system in place, map a network and agree on common sense charges and work with industry, to ensure this reform evolves to reach its full potential. I have seen no practical alternative to objective performance based standards on the table for long term productivity reform. It must be given a chance to work.

Pricing. Agreeing on a way forward for heavy vehicles charges is fundamental to the broader transport reform process. There are three stages endorsed by the productivity commission enquiry, which coag has taken on board. Step one is to get the first building block in place, to ensure that heavy vehicles can pay their way, as high road spending flows through to charges and the National Transport Commission has been put in charge of managing that process.

A report recently by your own organisation, CEDA, export weakness investment strength, identifies the removal of infrastructure bottlenecks as critical for Australia's export success. Higher road spending is giving all these obvious benefits, safety, productivity, reducing wear and tear with B double access a particular beneficiary of road upgrades.

Step two, is once the billing cost of cost recovery is in place, Australia can move toward broad pricing reform. Incremental pricing trials in 2008, will see transport operators working to carry extra pay loads above the existing truck mass limit, but paying the asset owner for the extra road wear and tear.

To close a loop. If the benefits can be clearly demonstrated, mass distance location charging of heavy vehicles, will generate demand site pricing signals to encourage the use of the right truck on the right road. And supply site signals, to influence the right road investment, in the right place at the right time. For the business sector, these better price signals will encourage freight users to design their logistics networks around lower costs freight corridors. The final frontier is to close

the loop between what road users want and what the road asset owners can deliver. Linking road use to road spending, through a road fund, would require major institutional reform. We will see where we go on the that and this debate clearly brings rail into the debate.

So what's next. As part of the National Transport Commission's strategic plan, we are canvassing the views of industry and government, to ensure that Australia keeps its foot on the National Transport Reform pedal, remains globally competitive. Industry is telling us that better innovation, technology and information sharing are essential to get more productivity out of the system. That is to use spare capacity on the road and rail networks and to ensure our trucks and trains carry less fresh air and this needs to be done across road, rail, sea, ports and air, a genuine supply chain approach.

Those of you who have the opportunity to go down to Port Botany, watch empty container trucks coming out, while queues form outside the gate to pick up a load. All livestock trucks left waiting at ports with their decks full of cattle, because no one told the poor tired truckie, that the ship is delayed. Simple things. Just as the Deputy Prime Minister outlined for a place in the 1930's electronic staff technology and investing in the latest train management signalling technology, to delivery more capacity on rail, is seen as an example of what can be done.

It is simple stuff, but we are not working together and sharing information. Often, because of fierce competition, in and across the transport modes. Mention has been made of the collaborative multi modal approach and the Hunter Valley Coal train model, offering strong potential for increased productivity. But, there are deep seeded issues in that particular case to be addressed as well. With an estimated \$560 million being paid per annum in wasted *13:17 costs, I think we still have a big problem.

If we are to address these broad challenges cooperatively, Australia must leave in transport the patch protection, the silo mentality behind and agree on a national approach to move freight more safely and efficiently. From an infrastructure point of view, Auslink is making a huge contribution to the progress that is required. But ultimately it is down to you and I and the people in the industry to lift our game.

Thank you.

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