

Reform of Land Transport: The Australian Experience

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Abstract:

Over the past ten years, the Australian Government has undertaken a comprehensive reform of transport in Australia. These reforms have encompassed the shipping industry, waterfront, domestic aviation, Australia's international aviation carrier, rail transport and the road transport industry. For land transport, major reforms have included the establishment of the National Rail Corporation to more efficiently transport interstate freight and the creation of the national Road Transport Commission to promote nationally uniform regulation and road use charging.

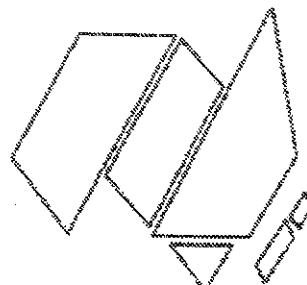
In addition, the Federal Government has embarked on reforms in road construction, road safety, urban public transport and the provision of transport services for people with disabilities. The process has encompassed environmental considerations in its attempt to provide a safer, more efficient, more reliable and environmentally sensitive integrated transport system.

The purpose of this paper is to provide an overview of land transport reform in Australia. While its focus is on the national policy framework, reference is made to reforms at the State-Territory level which complement the national focus.

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1 INTRODUCTION

During the 1970's and 1980's, Federal and State/Territory Governments saw deficit financing of transport activities for which they had responsibility increasing at an alarming rate. For example, the total national rail deficit increased in real terms from \$514 million in 1971-72 to \$1564 million in 1985-86, an increase of 204 per cent (RIC 1990).

In the provision of road infrastructure, governments, as a result of tightening budgetary constraints, were experiencing problems in balancing supply with demand. With the increasing urbanisation of manufacturing and service industries during the post war period, increased dependence was being placed on the road network. For example, in terms of tonne-kilometres, road transport's share of the domestic freight task increased from 22.8 per cent in 1978-79 to 34.2 per cent in 1987-88.

Because of the increasing level of inefficiency characterising the provision of government based transport services, domestic industry saw the transport services component of total costs increase relative to other factor inputs. With greater competition being faced on international markets by the resource-based industries (agriculture and mining), the impact of an increasingly inefficient transport sector was having the effect of eroding their international competitiveness. By the mid 1980's, the inefficiencies of the transport system were becoming abundantly clear at both the modal level and at the point of modal interface (Task Force on Shore Based Shipping Costs 1986).

In recognition of these burgeoning problems, Commonwealth and State/Territory Governments embarked on an ambitious program of reform of Australia's land transport system. However, the reform process was not confined to the road, rail and road transport industries. Reform programs encompassing aviation and maritime (both shipping and waterfront) were also instigated under the auspices of developing a nationally integrated transport strategy that would deliver major reforms across and between all components of transport in this country.

It should also be pointed out that reform in these areas of transport were, of course, part of broader reforms taking place in other sectors of the portfolio and in other portfolios. For example, within the portfolio of transport and communications, major reforms have been achieved in broadcasting and telecommunications. Similarly, many of the efficiency gains being realised in transport and communications were also dependent, to some degree, on reforms occurring simultaneously in other portfolios, such as industrial relations. Together, these reforms represented an integrated approach to tackling sectoral issues nationally, rather than the piecemeal approach that had characterised many previous attempts at industry reform.

The purpose of this paper is to provide a national perspective to the reform of land transport in Australia. While the focus is on land transport, passing reference is made to reforms in other sectors of transport.

Chapter 2 provides background to the reform process, while Chapters 3, 4 and 5 discuss the reform agenda as they relate to rail, road transport and roads. Chapter 6 attempts to cover longer term issues in integrating these modal reforms to achieve a more efficient transport system. Chapter 7 addresses the major conclusions that may be drawn from the reform process to date.

2 BACKGROUND

The transport and communications sector, including both passenger and freight, contributes about 8 per cent to Australia's gross domestic product (GDP) (DTC 1991), of which transport accounts for just over 50 percent. This sector employs approximately 7 per cent of labour market participants in the same year, which reflects the capital intensive nature of this activity relative to other sectors of the economy.

The evolution of transport systems in response to changing urban and non-urban development needs requires government policies that are sufficiently flexible in their approach to accommodate dynamic adjustment paths. Failure to develop transport services in response to changing market patterns, or to provide a regulatory framework which facilitates such adjustments to occur, will inevitably reduce efficiency of resource use with subsequent costs to the economy. The estimated total savings to the Australian economy from transport reform are of the order of \$6.8 billion, which would represent a 25 per cent reduction in current spending on transport (BCA 1992).

Transport, like any other sector of the economy, competes for resources within competitive capital and labour markets. Failure to achieve efficiency gains in one sector has serious implications for resource use in other sectors of the economy, and for overall economic performance. It is for these reasons that reform of land transport should be regarded by the community as a dynamic rather than a static process. Hence, rationalisation of road and rail transport is an important element in the continuing processes of economic reform in the broader community.

In meeting current and projected transport tasks, Federal and State Governments have a responsibility to provide those services, which, on the ground of market failure, are not provided by the private sector. In transport markets, the high costs of 'bulky' infrastructure investment projects mean that capacity utilisation is an important factor in Government involvement.

The past inability of the transport industry to be self-regulating in the areas of load limits, design standards, and safety provisions provides an economic and social rationale for governments assuming responsibility for certain aspects of transport. However, the responsibility for much of the management of transport activities resides with State governments. The Federal Government has become increasingly concerned by costs resulting from transport inefficiencies to induce the States to assume a more integrated approach to transport and to direct transport programs more generally toward satisfying national economic objectives.

This process of economic reform places additional pressure on the transport sector as a service industry responsible for the movement of freight and people across sectors of the Australian economy. Hence, the Federal Government recognises that the transport sector not only needs to improve its own efficiency of resource use, but gains realised by this sector have important implications for efficiency gains by other sectors of the economy.

The Federal Government's role in improving efficiency may be considered in terms of three levels: first, in the adoption of economic criteria by Government to determine priorities for the allocation of funds to competing transport projects; second, development of an economic framework which allows private and public sector enterprises to operate efficiently; and third, development of a regulatory framework to achieve efficient market structures (i.e. appropriate blend of private and public sector involvement) and acceptable conduct of market participants (i.e. recognition of social costs associated with accidents, emission levels, etc).

The reform program of the Federal Government has had as a guiding aim of supporting the restructuring and growth of the Australian economy by accelerating change towards a transport and communications sector which is competitive, innovative and efficient (DTC 1988, 1992). The Government also has a long term objective of recovering from users the full attributable cost of new or ongoing Federally funded transport infrastructure, subject to identifying and making provision for community service obligations.

3 RAIL

The Need for Change

The importance of improving the efficiency of Australia's railways was highlighted by the Industry Commission (IC) in its Report on Rail Transport (IC 1991). The IC identified a potential gain of over \$5 billion per annum in GDP from rail reform and presented a blueprint to encourage and facilitate the micro-reform of the rail industry.

The Industry Commission highlighted productivity and pricing as two of the major problems affecting rail. Of the potential gain of over \$5 billion in GDP every year identified by the Commission, 70 per cent (some \$3.8 billion) would result from improved work practices by using cost savings to reduce rail deficits. The other 30 per cent of the potential gain (some \$1.6 billion) would come from pricing reforms to achieve full cost recovery. These gains would result in improvement in the efficiency of resource allocation, with subsequent flow-on effects throughout the economy.

Railway efficiency has national, as well as State, implications. All public railway systems are operating in deficit, with the States using rail subsidies to cover the costs of urban and country passenger services and, to a lesser extent, the unprofitable areas among

freight activities. The IC has estimated that rail deficits in Australia currently total some \$4 billion a year. Because most of the deficits are incurred by urban passenger rail operations, they can be reduced but not eliminated.

In some States, railway deficits would be larger in the absence of contributions from excess freight rates charged for some minerals traffic (most notably in Queensland and to lesser extent in New South Wales). For example, the inherently loss making passenger and services, which are regarded as socially necessary, could be provided at lower cost and with greater efficiency than at present.

However, there are major gains possible in other areas. For instance, non-urban passenger deficits can be and have been reduced through the replacement of rail services by more appropriate modes. The remainder of the non-urban deficits arises largely from inter-state freight. It is here, where rail should have a natural advantage, that rail's performance can be improved and it is here that the Commonwealth Government has played a leading role.

Possible Reforms of Rail Freight

Rail's natural advantage lies in the transport of bulk commodities, containers and other high volume freight over medium and long distances. In those cases where it is an efficient competitor with road, rail has the capacity to gain market share and do so with important spin-off benefits to the community through decreased energy consumption per tonne of cargo carried, decreased greenhouse gas emissions, and savings in terms of accidents, air and noise pollution. Road has an advantage over shorter distances and with lower volumes, and where time is a critical factor.

On a tonnage basis, about 80 per cent of all freight moved in this country travels less than 100 kilometres and this traffic will continue to be moved by truck. On a net tonne kilometre basis, Government rail's share of the total domestic freight task declined from about 22 per cent in 1961-62 to 19 per cent in about 1985-86, while road transport's share increased from about 21 per cent to 30 per cent and shipping's fell from 56 per cent to 39 per cent (RIC 1990).

About two-thirds of the rail freight task (measured in tonne kilometres) consists of bulk traffic like minerals and grain, which is very largely moved intrastate to export ports. Over medium to longer hauls, rail is efficient in the transport of these commodities and for this and other reasons such traffics are profitable for the rail systems.

Non-bulk traffic (largely containers and industrial product traffic) comprises another third and represents most of the intercapital rail freight task. Non-bulk traffic on interstate routes has been, under the past multi-system management approach, a major contributor to the rail freight deficit. In 1990-91, the five government owned rail systems in Australia lost \$321 million on interstate freight from a total revenue of \$462 million which represented only 75 per cent of operating costs (NR 1992). Its market share on these routes varies. For example, it has a considerable market share of between

70-80 per cent on the Adelaide-Perth and Adelaide-Alice Springs routes, where there are efficient rail operations and very long distances. However, in the important Sydney-Melbourne route, rail's share of the task fell from 42 per cent in 1971-72 to 23 per cent in 1989-91, with road being the dominant mode in that corridor (NR 1992).

Rail's declining market share on those routes, where it should be competitive with road, has been mainly due to the poor quality of service. Most terminals have been inadequate and reliability has needed to be greatly improved. Rail's profitability has also suffered from outdated management and work practices. Industry has said that it would make greater use of rail if quality of service and reliability were greatly improved.

Road and rail transport complement each other. The shipper and the consumer will benefit if the mode which has a comparative advantage in performing a given task is efficient in its operation. If that is the case, and correct price signals are in place, then users of freight services will ship commodities with the mode which is best suited for the task.

Establishment of the National Rail Corporation

Recognising the problems with interstate rail freight, the Commonwealth and the mainland States signed an agreement on 30 July 1991 to establish a jointly owned public company (National Rail (NR)) to bring all interstate rail freight operations under one organisation. This decision flowed from the Special Premiers' Conference process which represented an attempt by the Commonwealth and State/Territory Governments to identify and pursue agreed reforms which had a national focus and tackled the objective of improved transport efficiency.

In order to achieve a nationally integrated rail freight network the Commonwealth and the shareholding States agreed to transfer their interstate rail freight functions to NR, which is expected to break-even within five years. Where assets are also transferred, shares will be issued in the new Corporation. A key element of the NR's Shareholders' Agreement is that it provides that NR should have the capacity to contract out services, in due course, and to provide access for other operators on a commercial basis to network and terminal facilities.

Cash equity injections of \$415 million, including \$296 million from the Commonwealth, together with commercial borrowings by NR, will be directed toward infrastructure projects that have the potential to improve the operational efficiency of interstate rail, and hence, contribute to the elimination of interstate rail deficits. In addition, the Federal Government's *One Nation* rail infrastructure package provides for expenditure of around \$450 million on key sections of the interstate rail network. The aim will be to complement NR's own investment program with the result being a faster and more reliable service between capital cities, including connections to ports. These improvements will allow interstate rail freight to compete more effectively with road transport, and thereby provide users with greater choice and lower costs in transport services. NR has been set a target of becoming self supporting after five years.

Apart from the targeted investment program, an essential component of NR's success will be changes to work and management practices and a new organisational structure. During the first five years NR expects to reduce the cost of its operations by at least 45 per cent and to achieve a 10 per cent increase in market share. Management will become commercially oriented and forward looking and the establishment of NR as an incorporated company is intended to achieve this. Through such an approach, NR is aiming to increase revenues rapidly, as a result of improved service quality in such areas as transit time, reliability and reduced damage to goods transported.

The mainstay of the labour reform element is a new greenfields agreement which greatly modernises NR work practices and reduces the number of unions involved from dozens in the current rail industry to only two in NR. The Enterprise Agreement, ratified by the Australian Industrial Relations Commission on 4 March 1993 with the ACTU and rail unions, will be a major factor in increasing productivity. The question of coverage is still before the Industrial Relations Commission, as two unions, the Electrical, Electronic, Plumbing and Allied Workers Union (EPU) and the Australian Workers Union (AWU), are appealing against two union coverage. This matter is expected to be resolved in October 1993. With its strong focus on the team concept, the Enterprise Agreement represents a milestone in the establishment of the Corporation. It has reduced the number of job classifications for rail workers from over two thousand to nine. This award leads the way in implementing best practice in the Australian rail industry, and provides a clear illustration of what can be achieved.

Not surprisingly, the dramatic changes involved in establishing NR caused some initial delays. The processes have been complex, and have required the efforts and commitment of governments, unions, management and employees. The initial difficulties have been largely overcome, and the ratification of the Enterprise Agreement, together with passage of the necessary legislation by Western Australia in December 1992, allowed NR to commence operations in February. NR has already assumed control of freight terminals in all mainland capital cities except Perth and is currently taking over other functions progressively. For the first time, customers will no longer have to deal with several rail authorities to transport freight by rail across the country.

Australian National

The Australian National Railways Commission (AN), which operates passenger and freight services, has been at the forefront of rail reform in Australia. This is evidenced by the real reduction of 69 per cent in AN's 1990-91 revenue supplement when compared with the 1983 level. AN has also been to the fore in terms of productivity in the rail industry. The Bureau of Industry Economics (BIE 1992) has found that AN's labour productivity in NTK/employee was 1.6 compared with an average of 1.1 for other Australian rail systems. NR will have a significant impact on AN's operations which as a result, is being refocussed to handle regional and passenger traffic.

Passenger Rail

In 1986-87, interstate rail passenger services recorded a total system deficit of \$419 million, which amounted to 52 per cent of the total deficit of all interstate rail services (RIC 1990).

In attempting to reform long distance rail passenger services, considerable progress was made during 1992-93 putting into place single corridor management, the major single reform to increase performance.

AN successfully negotiated agreements to allow it to provide single management of the *Indian Pacific* service on the east-west corridor from 4 April 1993. Negotiations over the Sydney-Melbourne corridor are progressing with the target date for the NSW State Rail Authority to commence operation of the service being late 1993, to coincide with the commencement of the XPT trains. Negotiations are in progress between the Victorian Public Transport Corporation and AN in relation to single system management of the Melbourne - Adelaide corridor. Significant savings in operational costs and increased revenue should result from streamlining management arrangements for interstate passenger services.

Rail safety

The government owned rail systems have in the past developed their own rail safety regimes. With the formation of NR, intersystem passenger services and the imminent access to track by other public and private operators, a common rail safety regime is required. The development of a safety regulation and accident investigation mechanism where track and rolling-stock are owned by two or more players is currently being addressed in the ATAC (now Australian Transport Council {ATC}) forum.

4 ROAD TRANSPORT INDUSTRY

Historical Perspective

The road transport sector accounted for approximately 94 per cent of passenger travel and 34 per cent of the freight task in 1987-88. The two main initiatives undertaken by the Federal Government to improve efficiency in the road transport industry have included review of road-funding priorities and reform of regulations and charges pertaining to road transport. However, an important concern of the Federal Government in implementing measures to improve efficiency of this sector is that of road safety.

Historically, long distance road transport operations in Australia have suffered through a lack of uniformity in technical and operating standards. Efforts to introduce uniformity across jurisdictions have relied on agreement being reached through ATAC and the implementation of these arrangements by the State and Territory Governments.

The current arrangements are manifestly inefficient, with nine disparate charging regimes. In aggregate, costs could be recovered through hypothecation of part of the fuel excise revenue, but this would not bring about an economically efficient structure of pricing. Road damage costs and congestion costs vary according to the combination of vehicle type and road quality.

With the wide array of regulations on road transport across nine jurisdictions, the Federal Government moved to achieve greater uniformity in vehicle safety standards and road transport and traffic regulations across states. The Government introduced the Motor Vehicle Standards Act in June 1989 to underpin a uniform national approach to vehicle safety standards. Steps have already been taken to more closely align Australian vehicle standards with international standards and two-thirds of Australian Design Rules now align with international (Economic Commission for Europe) rules.

Objective of the Reform Program

Until the passage of Interstate Road Transport Legislation in 1985, the Federal role in road transport was limited to coordination of policy through ATAC. This legislation established the Federal Interstate Registration Scheme (FIRS) to achieve uniform regulations and improved cost recovery for heavy vehicles engaging in interstate transport activities. There are currently 9,450 vehicles registered under FIRS, including 2,700 trailers.

In January 1989 the Federal Government directed the Inter-State Commission (ISC) to review charges for vehicles registered under the FIRS. The ISC considered that Australia could no longer afford not to have a uniform, national approach to road pricing, and recommended that FIRS be replaced by a national registration and charging scheme for all Australian road vehicles (ISC 1990).

The main components of the ISC's scheme were:

- nationally determined efficient and equitable road use charges for all vehicles;
- an independent body to supervise the scheme's operation and recommend the level of charges;
- transparency in road authority programs and operations;
- public participation in the formulation of road programs and in determining the level of charges;
- a national vehicle register formed by standardising and interconnecting the individual State and Territory registers; and
- designated routes for vehicles exceeding normal mass limits.

At the October 1990 Special Premier's Conference (SPC), agreement was reached between the Heads of Government and a representative of local government to establish a national heavy vehicle registration scheme together with uniform technical and operating regulations and nationally consistent charges. It was decided to limit the scheme to vehicles over 4.5 tonnes gross mass.

An Overarching Group of Commonwealth and State/Territory officials was set up to develop options for the implementation of these new standards and charges and on whether there should be an authority to handle heavy vehicle registration and regulation. The Overarching Group recommended in April 1991 the establishment of a commission to oversee heavy vehicle registration and regulation. At the July 1991 SPC the Heads of Government agreed to the creation of a National Road Transport Commission (NRTC) under Commonwealth legislation.

The NRTC was formally established in January 1992 with responsibility to include:

- prepare and issue guidelines for the administration of road transport legislation and oversee that administration;
- make recommendations to the Ministerial Council on road transport legislation, heavy vehicle charges and charging principles; and
- provide information on road transport legislation.

In May 1992 the NRTC's brief was extended to include the regulation of, but not the charges for, light vehicles.

After extensive consultation with all interested parties, the NRTC handed down its first determination on Heavy Vehicle Charges in June 1992 (NRTC 1992). The *Road Transport Charges (Australian Capital Territory) Bill 1992*, which will give effect to the NRTC's recommendations, was approved by Ministerial Council with all jurisdictions except NSW and WA voting in favour on 14 December 1992 (Victoria abstained). The Bill was passed by the Federal Parliament during the Autumn session of 1993 and this will allow State and Territory jurisdictions to enact enabling legislation to establish nationally consistent heavy vehicle charges from the scheduled date of 1 July 1995.

Components of Reform Charges

The proposed charges will more accurately reflect the costs heavy vehicles impose on road infrastructure. The arrangements are also designed to be revenue neutral for the Federal Government and across all jurisdictions in total.

The charges consist of two parts (NRTC 1992). The first is a notional portion of the present Federal fuel excise on diesel (18 cents per litre), which, under the NRTC's recommendations, will be deemed a designated road use charge; that is, it will be regarded as a payment made by industry to cover road use costs. The second consists of a fixed charge which will replace the current State/Territory registration fees. For example, the fixed charge for a six axle articulated vehicle would be \$4,000. Fifty-two percent of heavy vehicles will attract lower charges than they do now.

The Commonwealth believes that the current Determination is an important first step in the reform process and supports its implementation by all jurisdictions. From this step,

refinements can be made so that future Determinations reflect more accurately heavy vehicle road costs and achieve greater equity and efficiency in charging arrangements.

Uniformity of Regulations

The Federal Government's objectives for the road transport industry are to encourage increased productivity and greater efficiency by establishing a national operating environment free of unnecessary variations in regulations from one State/Territory jurisdiction to another. This will eliminate a significant cost imposed on the industry, particularly the interstate component, and the economy. The Commonwealth has worked closely with the States, Territories and the road transport industry to improve the operating environment for road users through the development of simplified and uniform administrative practices. This task is being performed by the NRTC.

In attempting to achieve a more efficient set of operating conditions for the road transport industry, the Federal Government has achieved a number of important reforms in the regulatory environment. In addition to FIRS, these reforms have so far included:

- the introduction of uniform mass limits from 1 July 1988;
- the adoption of a uniform national approach to safety standards for new vehicles through the Motor Vehicle Standards Act 1989; and
- the introduction of B-doubles, a safer and more efficient class of heavy transport vehicle, in 1991.

Through the activities of the NRTC, the Federal Government, in conjunction with State and Territory Governments, has as an objective the development of a uniform set of regulations for road users. In this, the NRTC is tackling the following issues:

- for heavy vehicles
 - design, construction and use,
 - registration,
 - driver licensing,
 - traffic rules; and
- for light vehicles
 - vehicle standards,
 - driver standards,
 - traffic rules,
 - transport of dangerous goods,
 - use of alternative fuels, and
 - performance assessment of road authorities and the road system.

The Road Transport Reform Bill, which will provide for uniform heavy vehicle regulations, has been introduced into the Federal Parliament in the 1993 Budget sittings.

Enabling legislation will then be passed by the States and Territories. The first stage of the uniform national regulations is scheduled to come into effect during March 1994.

Industry Self-Regulation

Unrest in the road transport industry and increased community concern about heavy vehicle safety over recent years has highlighted the difficult operating environment facing drivers, particularly owner-drivers. Economic pressures are forcing small operators to work long hours and freight forwarders' market strength can enable them to press for unreasonable delivery times, requiring speeds in excess of legal limits.

To address these problems, Governments have been encouraging industry to focus on improving the quality of its performance through self-regulation. A draft proposal has been put forward by the Road Transport Forum (RTF), the peak road transport industry body, which argues that there is a need for self-regulation to make the industry more responsible for its actions and avoid excessive government intervention.

Main elements of the RTF proposal include: a general code of conduct and specific codes for drivers, operators and customers; a scale of sanctions culminating in the removal of registration for severe abuses; and a National Accreditation Board (NAB) responsible for overseeing administration of the scheme. The Federal Government has contributed \$475 000 for the RTF to develop national accreditation standards and a pilot program.

5 ROAD CONSTRUCTION AND MAINTENANCE

Background

Total national expenditure on road construction and maintenance is some \$5.8b annually. Excluding land acquisition and administration, expenditure on construction and maintenance is estimated at around \$3.8b pa, or 1.1% of GDP. This compares with 0.9% of GDP for the USA and 0.55% for Canada. Almost all roads are owned and operated by the States, Territories and local government bodies. Commonwealth involvement is mainly through providing tied grants.

Grants have been allocated to date by State and by road category, in accordance with multi-year (currently five year) road strategies developed by each State and approved by the Commonwealth in the context of fixing State shares for each year.

Objective of Road Reform

The July 1991 and May 1992 Special Premiers' Conferences agreed that the Commonwealth, States and Territories should concentrate involvement in roads program delivery by more clearly defining their responsibilities, thus enabling respective

Governments to be more accountable, financially and in public policy terms, for road decisions.

It was agreed that the Commonwealth's responsibilities should be concentrated on national highways. Consequently, the Prime Minister advised Premiers that from 1 January 1994 the Commonwealth would only have direct funding responsibility for the 'National Highway System' (NHS), which was to be expanded to include the Adelaide-Sydney and Melbourne-Brisbane direct routes (included in 1992/93), and links between the NHS termination points in major capitals. To allow States to fund the other roads to which the Commonwealth had been making a contribution, the Commonwealth agreed to pay \$350m annually of tied road grants as untied grants. Similarly, grants for local roads had been untied from 1 July 1991.

Components of Reform

The States/Territories continue to run and control access to all roads, including the NHS, and manage all road construction works. However, in the early 1980's the Commonwealth began to take a closer interest not only in the broad strategy for the National Highway but also in the way the desired outcomes were to be delivered. One important development has been the introduction of the requirement for all construction works on the National Highway to go to public tender.

The introduction of the current Federal Roads Program, the Australian Land Transport Development Program (ALTD), in 1989 saw the introduction of a number of developments that gave the Federal government greater say in the delivery of the National Highway by the State road agencies. There were three major developments that led to more direct involvement of the Federal Government:

- five year rolling plans;
- quality assurance; and
- pavement management systems.

The introduction of formalised five year rolling programs puts the management of the National Highway on a more strategic basis than is possible with annual planning cycles.

The other two requirements, quality management and pavement management, both focus on the delivery of the Federal Road Program by the State road construction agencies. Like the requirements for public tendering, both were designed to obtain better value for the Commonwealth's road dollar in both construction and maintenance activities. The requirement to implement pavement management systems was in response to the need to have more objective data on which to make investment decisions, especially on maintenance.

In June 1991 the House of Representatives Standing Committee on Transport, Communications and Infrastructure started an inquiry to examine the efficiency of road construction and maintenance industry in Australia. The Committee has yet to make its final report.

The Australian Land Transport Development Act expires on 31 December 1993. New legislation is required to enable continuation of Federal road funding. Consistent with the agreement by Heads of Government, the Federal post-1993 program will be for the NHS only, with \$820m (in 1994-95 dollars) being provided annually, for three years.

Other elements which the Commonwealth Government proposes to include in the legislation to govern the new roads program are targeting of road investments against national priorities, a rolling three year works program, strengthening of competitive tendering for requirements and developing a performance based relationship with State agencies responsible for the delivery of NHS projects.

Consultations on these new arrangements has been initiated with the States and Territories, and other interest groups (eg road associations and the road transport industry). Legislation will be introduced into the Commonwealth Parliament later this year.

6 TOWARD AN INTEGRATED (LAND) TRANSPORT SYSTEM

The Government's integrated approach to micro-economic reform is evident in its attempt to initiate major changes across all areas of the transport and communications portfolio, while simultaneously addressing the need for reform in other sectors of the economy, such as the labour market, as necessary elements to the overall reform agenda. As a first step in this integrated approach within the transport and communications portfolio, Government has sought to tackle reforms at the modal/industry level. As discussed in the preceding sections, reforms are well underway for the road transport, roads and rail sectors of the economy. These reforms, together with reforms in aviation and maritime, have resulted in substantial improvements in the efficiency of individual modes and contributed to the competitiveness of Australian industry by reducing the costs of the transport component.

As a second step, while further modally based reforms are necessary, increased attention is now warranted on facilitating greater modal interaction so that the full potential of modal reforms may be realised. This includes the correct identification of infrastructure investment priorities and improving the efficiency of modal interface. In attempting to achieve this objective, the Prime Minister announced in his policy statement for the 1993 Federal Election that a National Transport Planning Task Force (NPTF) would be established in order to develop a nationally integrated transport system. The NPTF would likely focus on defining priorities for investment in Australia's transport infrastructure by clearly delineating the economic principles upon which such investment decisions should be based. This would involve greater recognition of the intermodal issues, with the result that users will benefit from a better integrated and more efficient transport system.

The Federal Government has implemented a review mechanism of the major reforms. Such reviews will identify the major benefits flowing from the reform process, as well as problems encountered along the path which have mitigated against the full realisation of those potential benefits. An outcome of the review mechanism will be the continual reshaping of Australia's transport environment through the dynamic development of longer term strategies to ensure that the evolution of an efficient transport system is commensurate with the broader economic environment in which Australia trades.

As further recognition of the need to streamline the policy process, the Australian Transport Advisory Council and the Ministerial Council for Road Transport have been restructured to form the Australian Transport Council (ATC). The objective in proceeding with this reform is to provide ATC with a more effective role in addressing longer term strategic issues.

7 CONCLUSIONS

To tackle reform of major sectors of the economy necessitates an atmosphere of commitment to change on behalf of all stakeholders associated with the process. This involves clear identification of the elements that warrant review and assessment of the likely implications for those affected by the changes to be initiated.

For many of the sectors targeted by the reform process, governments were confronted by entrenched management and labour practices, and operational inefficiencies caused by outdated technology and obsolete infrastructure. As a consequence of a rapidly changing macro-economic environment, it would be reasonable to argue that there was a more widespread recognition and acceptance of a need for radical reform than what may have been the case in previous decades. Simply, the conditions that in many ways allowed the inefficiencies in Australian industries, such as transport, to fester, no longer prevailed as greater competitiveness was being encountered on international markets.

An important element of the reform process has been labour reform including rationalisation of work practices and union structures, and greater flexibility in management activities. These were vital elements to the achievement of reform objectives in shipping and the waterfront, and for rail, as evidenced in rail with the establishment of NR.

Industry support for the reform process has contributed substantially to the progress of reform, as exemplified by the case of road transport reform. The strong recognition by governments of the need to rationalise the vast array of regulations impinging on the efficient operation of the road transport industry brought with it close involvement by industry in the reform process through consultation. Early initiatives, such as FIRS, indicated to industry that major reforms were being heralded in the areas of charging and regulations. While these reforms have the potential to achieve real efficiency gains for the industry, and lower transport costs for users of their services, there was still concern within the industry that other reforms were required within the industry to 'clean up its

act' Hence, through the Road Transport Forum, and supported by the Federal Government, the industry embarked on an ambitious program of self regulation.

There has been much criticism levelled at government over the slow pace of reform. While worthwhile developments never come quickly enough, it must be realised that major changes are being achieved simultaneously across a broad range of fronts. This is a major achievement, especially when it is recognised that the economy has been experiencing a number of problems at the same time, including low growth and high levels of unemployment. Further, most of the changes entail agreement across several levels of government and industry support.

Finally, the process of reform should not be seen as a static phenomenon. In a dynamic economy, change should be a continuing process which allows an economy to adjust to broader economic influences which affect its performance. Such a longer term view will be an essential component of deliberations by the NTPTF. Although current reforms are generally settled for now, changes will continue to occur in the longer term to improve the overall efficiency of the national transportation system. It is the mechanism that evolves to facilitate the longer term adjustment that is one of the key products of the reform process.

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