

PROGRESS IN RAIL REFORM
Inquiry by the Productivity Commission
AAA Submission

The AAA represents over 6 million members through its constituent State and Territory motoring organisations. AAA's focus is traditionally on road issues but it is cognisant of the fact that Australia must recognise the importance of having an efficient land transport system with consistency across modes, and not concentrate unduly upon the individual modes.

THE RELATIVE ROLE OF TRANSPORT MODES

Road transport is by an order of magnitude the dominant transport mode in Australia. The broad estimate indicated in Figure 1 below, shows that the resources consumed annually in the road transport system are probably in the order of \$80 billion. Sea, air and rail transport modes probably consume in the order of \$5 to \$15 billion year. Roads are distinctive in that they are multipurpose, open access, widely available to all users and flexible in their use. The role of rail is more specialised. Urban train services serve the need for mass transport to and from workplaces generally in central business districts of cities. Freight rail has a comparative advantage in moving bulk commodities or time insensitive freight over long distances (AAA/Allen Consulting Group, 1993).

FIGURE 1

THE IMPORTANCE OF AN INTEGRATED APPROACH TO TRANSPORT

The integration of road, rail, maritime, aviation and public transport infrastructure, together with modal interchanges, is important if each mode is to maximise its technological capability in a multi-modal transport system which provides a seamless service to customers.

The efficiency of the transport system will only be maximised through an approach which allows the specialised benefits offered by particular modes to be realised. Transport policy should seek to promote an environment which provides for all modes to be used freely in the optimal combination for the movement of people and freight without restriction or distortion of choice.

An integrated approach to transport is important because investments in one mode will effect the freight mode choice. The Allen Consulting Group's study about the contribution of investment in land infrastructure to the Australian economy, commissioned by the AAA in 1993, found that road investment leads to a substitution away from other forms of transport, in favour of road transport and largely at the expense of rail transport (AAA/Allen Consulting Group, 1993, p 72). However, importantly the analysis concluded that road freight savings improve the competitiveness of the economy leading to an expansion in the demand for **all** modes of transport.

INFRASTRUCTURE INVESTMENT

It is clearly in the national interest that Australia has modern, reliable infrastructure, including transport infrastructure. The rail network is an important part of national transport infrastructure. The competitiveness of Australian industry in both overseas and domestic markets is dependent upon rapid and dependable multi-modal transport systems. In many cases passenger and freight movements occur via rail, and thus good rail networks and efficient interfaces with other modes are vital for business, tourism and private use.

Australia has not achieved the highest returns that are possible from investment in land transport infrastructure. Inefficiency in the level and allocation of road and rail investment affects national prosperity and the rate of productivity and economic growth. Future government policy should aim to develop an economically efficient, integrated and internationally competitive approach to reforming Australia's transport system. Such an approach should recognise the role played by transport infrastructure in reducing industry costs and boosting private productivity (AAA/Allen Consulting Group, 1993).

There is ample evidence that the level and direction of investment in Australia's transport infrastructure in recent years has been inadequate. There is therefore an urgent need to assess the adequacy of Australia's road and rail transport infrastructure, and hence determine the appropriate level and direction of investment which is needed to maintain our international competitiveness and meet social and environmental objectives. Investment in Australia's transport infrastructure needs to be based on transparent benefit-cost analysis.

The Allen study commissioned by the AAA found that economic evaluation information about investment in rail infrastructure is limited. Information about the benefit of investments in rail were not available in sufficient detail to allow modelling of the effects of further marginal investment to be carried out (AAA/Allen Consulting Group, 1993).

CHARGING

In its submission to the 1997 Inquiry into Federal Road Funding undertaken by the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform, the AAA advocated the need for a direct relationship between road users and road providers. In recent years, political imperatives related to road investment decisions have meant that the nation has not got the best return from its road investments. A system must be developed which ensures that investment flows to projects which maximise returns to the community, and which establishes an explicit link between costs of road use, revenue collected from road users, and investment in roads. It is proposed that this be done by creating a corporatised road authority.

This authority should charge road users directly for the fixed and variable costs of road provision, management and maintenance. AAA proposes that fuel tax on petrol and diesel should be abolished and replaced by a road user charge which would be paid directly to the road provider, and a level of taxation (which may or may not be a GST), which is the same rate that applies to other goods and services. A road user charge should encompass two components - one part to fund an expanded and redefined national road network and another to 'compensate' for the external costs of road use (eg. accidents, noise and air pollution)

The AAA would also advocate that charges for the use of the rail network reflect the fixed and variable costs of provision, so that the competitive neutrality between road and rail exists.

REFERENCES

Australian Automobile Association/Allen Consulting Group (1993) *Land Transport Infrastructure - Maximising the Contribution to Economic Growth*.

Australian Automobile Association (1997), *Submission to the Inquiry into Federal Road Funding by the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform*.