

Speech

ALC Forum 2014

Thursday 20 March 1:30pm

Royal Randwick, Sydney

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Slide 1 – Title Slide

Good afternoon.

I began as CEO of the NTC in July 2013. Before that, I had 7 years' experience as a regulator in the aviation and maritime sectors and spent 34 years in the military.

A large part of my career in the Defence Force was focused on the efficiency and safety of the transport and logistics system.

Although of course transport in the army is quite different in some respects, the principles remain the same. You need to ensure that you have the supply

chain working as efficiently as possible to maximise outcomes.

I hope this may give you some comfort that I am aware of the many challenges facing logistics and transport businesses and I am a passionate supporter of improving freight transport outcomes in this country.

In my view there are six challenges that we need to address if we are to improve the performance of Australian land freight transport.

These include:

Slide 2 – Land Freight Challenges

1. Ensuring long term and integrated plans are in place for freight
2. Investing in the right infrastructure at the right time
3. Better access, investment and charging for heavy vehicles
4. Creating better, more consistent regulation

5. Enhancing our understanding of the freight task and associated challenges

6. Building community understanding and support for the role of freight in society

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Today I am going to elaborate briefly on what each of these challenges means, but in particular I will focus on the challenges relating to better access, investment and charging and better regulation, as these relate most closely to the NTC's work.

Slide 3 – Ensure long term and integrated plans are in place for freight

The short term nature of infrastructure and urban planning and investment (either because of constrained budgets or political cycles), together with a lack of integration with other land use, transport and strategic planning frameworks has traditionally led to challenges for some states and territories, particularly

where land freight movement has interacted with the urban environment.

First and last mile issues, protecting freight corridors and precincts, and adequate consideration of the impacts of freight movements on adjoining communities have not always been adequately addressed.

There is a clear need for better integrated and longer term planning and to identify and protect freight precincts and associated corridors from encroachment.

Slide 4 – Invest in the right infrastructure at the right time

Effective whole of supply chain investment mechanisms along freight routes in Australia have often proved elusive.

“Operational conditions” for investment in freight infrastructure are seen as sub-optimal by many

commercial operators within the land freight environment.

Unfortunately, this situation is likely to continue as constrained budgets mean public funds are spent on other sectors such as health and education, and we need to look for alternative sources of capital funding.

In my view there is a need for a more holistic (multi modal) approach to both planning and investment in Australia's freight related infrastructure, and a move to a more optimal and transparent user charges system.

Existing infrastructure and networks used to support the freight task have been hampered by the fact that many of these networks, particularly in our cities, are underutilised at certain times of day and exceed capacity during peak periods. We also need to look at how we optimise the use of existing networks and infrastructure at the same time as we invest and plan for new infrastructure.

Slide 5 – Better access, investment and charging for heavy vehicles

While major airports in the aviation sector have been privatised as part of micro-economic reform in the late 1990s and many seaports have been corporatized and/or privatised by state and territory governments in the past decade, more remains to be done in the rail and road sectors.

While the rail sector has been corporatised and access regimes put in place to regulate access for third parties for rail infrastructure, many of these rail networks still require support from Governments to remain operational and decisions over the circumstances where governments should invest in freight rail networks remain unclear.

Road networks have not been subject to such fundamental changes and remain the next potential area for major reform. The 2006 Productivity Commission Report into Road and Rail Freight

Infrastructure Pricing found the current road pricing system had many shortcomings and recommended investigation of a more commercially oriented road infrastructure provision. COAG endorsed this approach and the current work being undertaken by the HVCI Project is a reflection of COAG's decision.

Last week's draft Productivity Commission report (600 pages of light reading) has again stressed that more direct charging of heavy vehicles should only be implemented as part of a package of complementary charging, funding and expenditure reforms.

The implementation of such a reform will necessarily involve fundamental changes to the manner in which we both charge for road use and allocate funding to road owners for road improvements and maintenance.

The NTC is intimately familiar with the challenges involved with pricing reform as we are responsible for calculating heavy vehicle charges under the *Heavy*

Vehicle Charges Act and the principles set by both the Transport and Infrastructure Council and the Council of Australian Governments.

The NTC recently proposed a range of improvements to the current heavy vehicle charging system to ensure it is more practical and fair.

We released a draft RIS in November last year and following extensive consultation late last year finalised the Heavy Vehicle Charges Determination in February. Our recommendations are currently with transport ministers and we hope to have a decision by the end of March.

Slide 6 – Better Access

As you know, issues of access, investment and charging for heavy vehicles on road networks are intertwined.

Better access for heavy vehicles is a key aim of the HVCI reform. The NTC is also undertaking a range of

projects at the moment designed to safely increase access for more productive vehicle types.

While there a number of existing regimes in place designed to provide greater access to the road network such as PBS and NHVAS some road owners remain reluctant to allow high productivity vehicles access due to concerns about increases in road maintenance and vulnerable infrastructure related costs.

Road owners therefore tend to seek to protect their road networks by denying access to larger and heavier vehicles.

‘Road reform’ is a 6-10 year process. It will take combined efforts of governments and industry focussed on not just a better charging regime, but also better supply side reforms focussed on better understanding of asset condition and investment.

Slide 7 – Better Regulation

Inconsistent state and territory regulation of landside freight has imposed a considerable burden on industry and inhibited efforts to achieve better productivity and safety as well as distorting competition across jurisdictional borders.

The Productivity Commission also noted that model regulation implementation had failed to deliver the desired outcomes. In 2008, COAG agreed to implement a range of reforms which included the establishment of two new national transport regulators. The NHVR and the NRSR commenced operations in January 2013.

But there is still much progress to be made to ensure we as a nation can reap the full productivity benefits of these reforms.

Western Australia decided not to implement the Heavy Vehicle National Law, ACT have yet to pass enabling legislation and the Northern Territory has

recently indicated it will not sign a 'service level agreement' with the NHVR.

True national consistency has not been reached.

In the case of the National Rail Safety Regulator, the implementation of the national law across Australia has been patchy so far. Queensland has chosen not to refer its rail safety powers to the national regulator, while Victoria is expected to commence using the national law in mid-May 2014. The ACT has advised it expects to pass the national legislation during the first quarter of 2014.

The NTC led the development of the national laws which underpin the national regulators.

We will continue to undertake regulatory policy development and maintenance related to the new national laws to ensure they reflect best practice, while the regulators will monitor, investigate and enforce compliance with the law.

As a former regulator I can attest to the challenges associated with establishing and bedding down a new set of processes, procedures, systems and staff designed to ensure compliance with the new law.

Slide 8 – Understanding the Freight Task

Managing a business appropriately, including making appropriate and targeted investment decisions relies on having good data. It is therefore important to analyse Australia's land freight task in terms of how and where land freight is moving around the country in order to make informed decisions about when and where to invest and how best to maintain, rehabilitate and operate the current infrastructure.

However, a lack of available data has to date undermined efforts to elevate the national importance of the freight task in the wider community and undertake "facts based" community discussions around freight externalities.

Slide 9 –Building community support

There is a clear need for a more informed public discussion of the critical role played by the land freight sector in contributing to the performance of the Australian economy.

Making the case for increased freight related infrastructure and optimal freight movement is one of the key challenges facing all governments and the industry.

The effects and benefits of improved land freight movement need to be acknowledged and better managed.

Both industry and governments have a role to play in ‘debunking myths’ about heavy vehicles and promoting greater acceptance of heavy vehicles amongst the broader community – particularly in light of the growing freight task.

Slide 10 – Conclusion

The importance of land freight is clear but there are challenges for all governments, industry and communities in better understanding the need for, planning and investing in, and managing the community related consequences associated with optimising the freight task.

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