
COAG Road Reform Plan (CRRP):- Messages for the Forum

1. What's in it for us? To make this work, convince industry to be your allies

Government keeps telling us that this is all about road departments becoming more 'customer-focused'.

If government wants to be customer-focused, how come we're hearing so much about how this will make it easier for government to manage roads?

That's government's job, not ours. Government needs to really focus on answering the question 'What's in it for us?'

And, don't forget that the customer is always right. We like the idea of paying through the fuel tax. Why is that such a bad idea?

2. Prices must be fair – prices should reflect the *quality of road we get*

Last year (August 2010), the NTC released a paper that said 'trucks that are heaviest, travel the longest distances, and drive on the weakest strength roads, will pay the most'.

The NTC wanted the people who get the worst quality service to pay the most

Rural transporters need to see this *CRRP Report* reject what the NTC proposed.

In the private sector, you can charge more if you provide an excellent quality of service.

If this reform is all about being 'customer-focused', what transport operators pay should be linked to the quality of road that government gives us.

Rural operators shouldn't pay top dollar for the worst roads in the country.

3. Prices must not punish the Bush and harm exports

The NTC's idea of making the people who get the worst quality service pay the most was unfair.

It was also unaffordable. Rural transporters run on tiny margins, and our customers are farmers who are selling into the international export market. Rural transporters can't pass on a big increase in costs without damaging exports.



4. Prices must be stable and predictable

The current charging system run by the NTC makes the fuel tax credit go down every year and it sends registration charges through the roof every time they are updated.

Roads are built to last for one hundred years. But the NTC's charging system makes us pay back our share in just seven years.

Every time governments spend *more* on the roads, we get hit the next year with 1/7 of that improvement as an increase to registration, and a cut to fuel tax credits.

To make industry's life better, a new system has to produce prices that are much more stable and predictable.

5. We need this to fix access.

Governments are keen to make sure that 'the money follows the truck' – so that road managers get paid for the trucks that travel on their specific roads.

This is basically a good idea. It means Councils and Shires will have 'more incentive' to give us access to their roads.

'More incentive' isn't enough. Industry deserves a 'customer service guarantee'.

If transport operators are going to become 'paying customers', government needs to provide a *legal guarantee* that Councils and Shires are not going to be allowed to refuse access just because they feel like it. And they cannot be allowed to deny us access to the road network after we've paid for it!

Background: Customer service guarantees are found in other major network businesses that make our nation work. The telephone companies and other utilities have *legislated* 'customer service guarantees'.

6. We need this to be about nation building: regional development is not 'a subsidy'

Government is now telling us that one way to keep costs down for rural transporters will be to pay 'a subsidy' for regional roads. They would like to use taxpayers funds for this. This approach is called a 'Community Service Obligation'.

This is the wrong answer. A subsidy for the Bush will just get clawed back. Rural roads will end up like rural rail lines: they'll be closed down!

A better approach is to make the whole road system pay for itself. Run the road network as an integrated business. Tell the road managers that part of their job is to promote regional development.

This means that the 'profitable' parts of the road network will pay a dividend that goes towards the regional roads where economic development is needed. As the nation grows, some of those roads will gradually become profitable too.



Background: Economists call this approach a 'Universal Service Obligation'.

Prime Minister Howard legislated for Telstra to have a 'Universal Service Obligation' to make the phone system affordable across the country. Gillard is going to do the same thing for her Broadband Network, so this isn't an idea she's opposed to.

Australia's electricity, sewerage and water industries also have 'USOs' built into their legislation, their pricing and their funding – every house where its reasonably practical is required to be connected to these services.

Australia has always had 'USOs' in key utilities that are funded by 'prices' paid by consumers. So do other countries. As the road network starts to look more like a business, it would be normal to apply the same approach.

7. Council roads are not a 'loss maker'. They are the streams that feed the river.

Keeping Council roads alive is not 'a subsidy' – it's a legitimate and essential cost of keeping the whole road network going.

The NTC and others keep referring to Council roads as 'non-commercial'. They argue that because these roads can't be made to be 'profitable', they have to be regarded as 'non-viable'.

Once again, that's the wrong approach. It's how the railways were treated and it's why country grain lines keep getting closed down.

Thinking that some big highways are 'profitable' and all the little roads are 'not profitable' is short-sighted.

The government should be asking 'how do all those trucks get onto the big highways?' They don't just appear out of thin air.

Council and Shire roads are primarily a *feeder network*. A lot of what they do is collect traffic and channel it onto the highways.

Council and Shire roads are like the streams that feed a river. The streams are not big, but if you block them off, you'll soon find there's not much in the river.

Rather than regarding Council roads as 'non-profitable', they should be recognised as the source of the traffic that will make the Highways profitable.

Rather than regarding financial support for Council roads as 'a subsidy', governments should regard it as the cost-of-business for earning higher revenue on the Highways.

Background: Economists have a name for a situation where one 'end' of a business should make a loss or be priced differently in order to grow the total economic value of the whole business. They call this a 'two sided network'.

There are entire books about this approach (it's called 'network economics', unsurprisingly).



8. Why should industry jump through all these hoops? Isn't this just a problem inside government?

A lot of what government is trying to do here is really about: measuring what traffic is on the road network; measuring what condition the road network is in; and finding ways to get money to particular parts of the road network.

Why does industry need to get involved in a major new pricing scheme in order to help government do all of that?

Government already has lots of technology to measure the network. Why can't (more of) that be used to solve their problem?

9. How do we know that the money will be spent efficiently?

Industry all ready has a lot of concerns about how impossible it is to find out what governments spend on roads, how efficiently they spend, why costs differ so much from one part of the country to the other, and why the costs of building roads keeps going up.

All of that information needs to become publicly available.

And the method for making that information available needs to be in place and operating to industry's satisfaction, before government tries to implement any big changes to the charging system.

10. To make this work, you'll need to hire a lot of completely new people to work in your department

If government is serious about trying to make road departments become more 'customer-focused', they'll need to find a lot of new people.

An engineering business does not have the skills and culture to be a good customer-focused business.

Look at how many years it has taken Telstra to start to learn to be customer friendly.

11. You seem pretty keen on having GPS in trucks. Who's going to pay? Who's going to fix it when it breaks?

If this new system will require GPS units in every truck, who will pay the up-front cost of that? This technology should be installed by government free-of-charge to operators (of course they'll claw-back those costs, but let industry shouldn't have to pay up-front).

Who's going to fix it if it breaks? Will operators be allowed to drive and do their job while the government-approved repairman is coming out to fix it?



12. You seem pretty keen on having GPS in trucks. Won't that be used for speed monitoring and fatigue monitoring?

If this new system will require GPS units in every truck, what's going to stop it being used for speed and fatigue enforcement?

Current laws – especially the work diary – don't reflect what really happens on the road.

Government will shut down the entire transport industry if you start issuing a fine every time someone goes 1km too fast, or 1min too long – but the law actually says that even the tiniest mistake is illegal and can be fined.

Government will need to write some laws that remove this threat is removed.

The NTC hasn't done a very good job with fixing up the laws for the National Regulator. Who says they'll do a better job next time?

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