

**The Western Australian Government Planning and Infrastructure Portfolio
Response to the *Productivity Commission 2004, Review of National
Competition Policy Reforms, Discussion Draft*, January 2005**

The Department for Planning and Infrastructure (DPI) is responding on behalf of the Western Australian Government's 16 Planning and Infrastructure Portfolio agencies, which are collectively responsible for the co-ordination of land use and transport planning and related service delivery throughout Western Australia. All future uses of "DPI" in the comments to follow should be taken to have this wider meaning.

Comments on the reflective review

These comments deal only with the accuracy of the progress report in the Discussion Draft on the reforms undertaken to date in Western Australia which relate to transport matters, and not to the Productivity Commission's assessment of their impact.

All reports of Western Australia's progress on the reforms undertaken to date are acceptable, to the extent that the Discussion Draft includes specific reference to Western Australia on:

- governance arrangements for rail and ports (part of the structural reforms to public monopolies which jurisdictions were free to choose if and how they undertook this);
- third party access to essential infrastructure, including rail;
- the review of anti-competitive regulation for transport services; and
- the agreed national road transport reforms.

Comments on the proposals for a possible future National Competition Policy agenda

Competition policy is accepted as one means of achieving economic performance, and that there probably is more that can be done in this area. However, DPI questions whether competition policy is the best vehicle for some of the transport and land use areas that the Productivity Commission has raised as potential components of a future national competition policy agenda.

Although competition principles can bring benefits, the way in which these are implemented may be harmful within specific jurisdictions. The diversity across the nation and specifically across the transport sector must be carefully considered during the development of a future national competition policy agenda. A national competition policy should be beneficial nationally as well as beneficial for the individual States, Territories and regions that comprise the nation of Australia.

A number of the review recommendations may not be beneficial to Western Australia due to the different operating environment in this State. The size of Western Australia, the relatively small population, and the extremely uneven

geographical distribution of that population results in unusual transport problems. Providing effective transport in Western Australia at an acceptable cost is a major challenge for both Government and industry. Differences in infrastructure provision and operating arrangements, public benefit, transport access and development of local industry are of particular importance within jurisdictions. Socio-economic issues and connectivity of settlements to support industry and service delivery within the State are significant concerns for the State.

It is also critical that the context within which the review recommendations are delivered takes account of wider economic issues including productivity gains, allocative efficiency, wealth generation, investment capacity, technology, skills, and security. Furthermore, skills, technology, congestion, etc, are also serious impediments to efficiency.

For completeness, the recommendations should consider the significant issues of sustainability, environmental impact and regional development within the different jurisdictions.

Recommendation: Review of Cabotage Legislation

DPI believes that cabotage encourages the development of a strong and diverse national shipping industry by reserving domestic trade for national rather than foreign-flagged shipping. This restriction of unfettered access of foreign-flagged shipping to coastal shipping services in no way introduces anti-competitive issues.

However, DPI supports a public review of cabotage legislation, subject to:

- the review being conducted by an independent body;
- consideration being given to the differences between cabotage and licensing, where the latter is necessary for managing the use of foreign-flagged shipping when there is no alternative to its use;
- recognition of the positive impacts cabotage has on other than competition aspects, such as, maritime security, the maintenance of a national skills base, defence logistics, maritime-related service industries and modal choice; and
- consideration of:
 - all impacts of the issue, strategic as well as economic;
 - the comparative position of land-based modes;
 - relevant overseas experience; and
 - the administration of the legislation.

Recommendation: CoAG to sponsor a mode-neutral national freight system

DPI understands and supports the ideal of an integrated, mode-neutral, freight transport system where the natural strengths of each mode will lead to an

optimum solution for individual freight tasks. However, it is also aware that the achievement of such an ideal is always going to be modified by the reality of the Australian situation and the prerogative of individual Governments to use policy levers to favour one mode over another to achieve other economic, social or environmental goals.

However, DPI gives in-principle support to the removal of distinctions or apparent advantages between and within transport sectors, and for consistency in pricing. But these are complex to achieve and before any strategy development is undertaken, a methodology needs to be designed to assess such critical considerations as:

- The diversity of the situation across the country and across the individual modal sectors;
- The potential for net benefit, not just nationally, but at the State, Territory and regional levels as well;
- Whether adverse consequences may occur to a particular sector, group or area;
- Whether competition reform is the best means for achieving the desired benefits; and
- The need to incorporate social and environmental as well as economic issues.

A national framework for the identification and development of transport reform is already in place in the form of the Australian Transport Council (ATC), the Council of Commonwealth, State and Territory Ministers with responsibility for transport. The work of the ATC is supported by standing and other committees of officials and the National Transport Commission whose mandate is to progress regulatory and operational reform for road, rail and intermodal transport in order to deliver and sustain uniform or nationally consistent outcomes. In addition, the ATC is currently developing an agenda and mechanisms to address such key issues as pricing principles.

The ATC would be the appropriate body to implement any decision CoAG may make about investigating the feasibility of a mode-neutral national freight system.

Recommendation: CoAG to sponsor a national reform agenda for the rail sector

The assumption underlying this recommendation that this will bring benefits is not proven. DPI acknowledges that some parts of the national network and beyond need help. However, solving this with a regime designed to address these individual problem areas is both inequitable to jurisdictions such as Western Australia, as well as failing to consider the adverse impact that such solutions may have on the situation in Western Australia. The current lease to the private operator in Western Australia will very likely be threatened by the

type of open competition envisaged, to the extent of reducing the viability of services and raising the costs to users.

However, DPI gives in-principle support to the first part of the recommendation to integrate current work, but support for the remainder of the recommendation is conditional upon the benefits being identified at both the national and State, Territory and regional levels.

Recommendation: CoAG to commission a review / stocktake of the passenger transport sector

DPI agrees there is an urgent need to take acknowledgment that passenger transport has a key role in delivering other national and state policy objectives such as public health, city congestion, equity of access, etc, to the next level. That is, to identify, and work to remove, the policy, taxation, and other barriers to achieving this role, including clearly establishing the policy, financial and other responsibilities of governments at all levels and the private sector.

DPI therefore gives in-principle support for a review, but believes that, because of the current arrangements for the development of vehicle standards, these are not a matter for competition policy, and that the review should not be constrained to the list of issues suggested as this runs the risk of excluding relevant issues.

Recommendation: CoAG to initiate a review of other areas of natural resource management, including land use planning, new urban developments and transport planning

There already exists a national framework for the identification and development of land use planning reform in the form of the Local Government and Planning Ministers Council (LGPMC), which is supported by standing and other committees of officials, as well as a *National Charter of Integrated Land Use and Transport Planning*, endorsed by the LGPMC and the ATC in 2003.

"The lack of holistic land use planning, particularly along the eastern seaboard, where ninety percent of Australians live" is cited as an area of concern.

In Western Australia a centralised planning system operates that provides a State Authority (the Western Australian Planning Commission) to oversee and co-ordinate land use planning across the State. Perth's planning is guided by a metropolitan planning scheme, which allocates land for a range of development purposes and reserves land for (conservation) parks and recreation. The scheme is a dynamic instrument informed and directed by policies of the Commission and Government to take into account issues such as the integration of transport and land use planning, protection of the natural environment and wise use of our natural resources. It is difficult to envisage significant benefits for Western Australia from a nationally co-ordinated approach to natural resource management through land use planning.

The inclusion of land use planning and new urban developments is not supported as it is beyond Commonwealth jurisdiction.

The LGPMC would be the appropriate body to implement any decision CoAG may make about investigating any further national reform into land use and transport planning.

Recommendation: Exclude international aviation services from the proposed reform agenda

DPI agrees as this is an area for consideration and management by the Commonwealth Government.