SUBMISSION TO THE PRODUCTIVITY COMMISSION RE REVIEW OF NATIONAL COMPETITION POLICY ARRANGEMENTS

Dr Philip Laird, University of Wollongong October 2004

Introduction

1. This submission will draw on research conducted at the University of Wollongong and supported, in part, by the Rail CRC. However, it does not necessarily reflect the views of either organisation.

The submission will mainly explore how National Competition Policy (NCP) and its application by the Federal and some State Governments is not delivering good Triple Bottom Line (TBL) outcomes in land freight transport.

It also draws on earlier submissions to the Federal Government, a book *Back on Track: Rethinking Transport Policy in Australia and New Zealand* (Laird, Newman, Bachels and Kenworthy 2001 UNSW Press) and two papers *Interstate rail track upgrading options to 2014* (Laird and Michell, 2004) Australasian Transport Research Forum, Adelaide and *Australian land transport - is it sustainable ?* (Laird, Adorni-Braccesi and Collett, 2004) to a Towards Sustainable Land Transport Conference, Wellington, New Zealand.

2. Attention is drawn to the year 2000 report 'Riding the winds of change' of the Senate Select Committee on the Socio-Economic Consequences of the National Competition Policy. This report (p130) had recommendations including that: transport should be a matter for priority consideration by the CoAG; and the National Competition Council should address the issue of road - rail competition for freight as a matter of urgency.

Although these two Committee recommendations were not then acceptable to Government, there has since been some change. This includes the release of the AusLink White Paper in June 2004. The reference for the current inquiry by the Commission is a further indication of the recognition of the need for change.

Land Freight Transport

3. The application to date of NCP can be viewed as having both positive and negative outcomes for sustainable land freight transport. The more positive outcomes include lowering of rail freight rates. However, the negative outcomes to date include a lack of investment into rail track, and the delays in addressing road-rail competition for land freight.

4. In regard to lower rail freight rates, some comment was noted in the Senate Select Committee on the Socio-Economic Consequences of the National Competition Policy August 1999 Interim Report (Table 2 page 80). This Table was from an unknown Productivity Commission report, and notes three instances of falling rail freight rates:

a. Down 40 per cent on the Melbourne to Perth corridor from 1991-92 to 1996-97
b. Down 16 per cent for National Rail from 1991-92 to 1996-97

c. Down 17 per cent for Hunter Valley coal

5. In respect of low Melbourne to Perth rail freight rates, how much of a 40 per cent cut is due to competition in general and NCP in particular is a good question. In brief, it is suggested that the major factor in this reduction was Adelaide - Melbourne gauge standardisation completed in 1995 which removed the need for a bogie exchange in Adelaide for Melbourne - Perth freight trains, followed by improved National Rail performance with new locomotives and a better wagon fleet. It should also be noted that without Adelaide - Melbourne gauge standardisation, the likelihood of rail competition on the Melbourne - Perth would have been remote, also, sea also provides some competition on this corridor.

Other factors on the Adelaide - Perth corridor include easy ruling grades, good track alignment (generally straight or easy curves) and the ability to move double stacked containers or tripled decked car-carriers. The track upgrades include:

During the 1960s, with a new route (double dual gauge) between Perth and Northam, also between Southern Cross and Kalgoorlie as part of a Commonwealth supported gauge standardisation project.

During the 1970s, formation of Australian National that then supported a 25 year concrete resleepering programme, including Kalgoorlie to Adelaide.

During the 1980s, connection of standard gauge into Adelaide, with track upgrades, using loan funds raised by Australian National

During the mid 1990s, Melbourne - Adelaide gauge standardisation etc as above.

In 1999, insertion of more concrete sleepers (see below) on the Melbourne - Adelaide section by the Australian Rail Track Corporation (ARTC) that was formed in 1998.

About 2003, completion by the ARTC of the Port Augusta continuity project.

The reduction of overall National Rail freight rates by 16 per cent from 1991-92 to 1996-97 was in due to competition and other factors including a fleet of new 4000 HP locomotives and a better wagon fleet, along with the track upgrades listed above.

Coal on rail

6. In regards to the rail haulage of coal in Queensland and the Hunter Valley coal, the 'conventional wisdom' is that rail systems should not make too much money from the haulage of profitable traffics such as coal. But how much is too much ?

It is submitted that the benefits of the improvements in coal rail freight productivity should be able to be shared by the rail systems (private plus Queensland Rail) and the State and Federal Governments who own the track, as well as the mining industry. These gains may be applied to investment in coal lines, cross - subsidisation of less than profitable coal traffic (which may well include haulage to Port Kembla over steep grades and through the rail congestion of Sydney with much higher unit costs than Hunter Valley rail coal haulage) or other traffic into coal mining areas (which may well be profitable if heavy trucks met all their road system costs), or, track upgrading into coal mining areas.

7. The Queensland MainLine Upgrade (MLU) of the Brisbane - Cairns occurred as a result of a five year project approved by the Queensland Government in 1992 at a cost of about $590 million. The main features included:

A. Supply of 40 new generation 3000 hp locomotives and 250 new container wagons,
B. Upgrading of hundreds of bridges for heavier axle loads.
C About 120 km of high quality deviations to improve the track alignment.

This work allowed for longer and heavier freight trains, and underpinned the Brisbane -Rockhampton electric tilt trains that started revenue service in November 1998. This work may, or may not, have been possible as a result of revenue to Queensland Rail/Government from export coal haulage prior to the introduction of NCP. Many people would say that MLU (and the mainline electrification that was undertaken in the late 1980s) was only made possible because of the good revenue from the rail haulage of coal.

Should we now deny further such track upgrades, simply so rail coal freight rates can be kept low? Three examples follow:

A. Central Queensland coal train operations using electric traction at 25 000 volts AC over good quality track, now hauling over 120 million tonnes per annum, are at or near world best practice. There is scope for further track upgrading to ease the ruling gradients from about 1 in 80 to 1 in 100 in the Blackwater System, to allow for use of the heavier trains that are currently in use in the Goonyella System.

B. A recent $240 million Rockhampton - Townsville concrete resleepering project did not include, with the exception of a former NCL site at Aminungo, improved realignment of many sections of track with tight curves. Yet a road engineer resurfacing the Bruce Highway who failed to straighten out bad curves would probably be sacked.

C. The single track between Caboolture and Landsborough has been subject to recent studies by Arup for Queensland Transport. From a Working Paper summary released 2003, full line duplication would achieve a more reliable service, with some quicker services. It was also recommended that upgrade options outside the existing rail corridor be investigated, with a recommendation for an Option 2. However, this was put on hold in January 2004 for various reasons. Meantime, this section of track is probably the most congested single line section of track in Australia.

8. Many advocates of pure competition theory would tend to suggest that such infrastructure enhancements should only proceeded if they meet market requirements. However, with extensive 'highway subsidisation' (see later), this means the track upgrades are effectively denied (or delayed for years) or become a charge on Government with its many other projects and services to fund. Although such an approach will reduce coal rail freight rates in the short term, it is not assisting infrastructure development.

49. In NSW Hunter Valley diesel electric rail operations, now hauling over 60 million tonnes per annum, operate at good efficiency. There is scope to ease the ruling gradients at Whittingham bank from about 1 in 80 to 1 in 100 to further improve operating efficiencies, but again, it is not happening. In a similar way, there is ample scope to include the track between Sydney and Newcastle and the Hunter Valley, which would improve the quality of life of those supporting the coal exporting business. Again, although the work was proposed some years ago by the NSW Government (as part of a 1998 plan called Action

for Transport 2010 as opposed to the AusLink White Paper), it is not as yet happening. This includes a Hornsby - Warnervale $700m track upgrade promised in 1998 for completion by 2007. As a result, it is clear that NSW is at least a decade behind Queensland in straightening out mainline track to improve train performance.

To make matters worse, and again in the best spirit of NCP, the NSW Independent Pricing and Regulatory Tribunal in the late 1990s reportedly lowered the ceiling on the rate of return for commercial rail assets from 14 per cent to about 7 per cent. The net effect of such a decision is to effectively discourage or at least delay further rail track infrastructure upgrading.

Intercity land freight

10. As noted above, the Adelaide - Perth track is currently 'fit for purpose' and supports rail-rail competition. Moreover, as recently reported by the ARTC, rail now wins over 80 per cent of interstate land freight moving in and out of Perth.

However, rail struggles to maintain a modest 10-15 per cent of land freight on each of the Melbourne - Sydney and Sydney - Brisbane corridors. On 7 June 2004, the AusLink White Paper announced a $1.8 billion rail upgrading programme. This includes an initial $872 million track upgrade over five years as part of the ARTC – NSW lease agreement; and, a special allocation of $450 million in the 2004 Federal budget to upgrade the Sydney - Brisbane line with some track straightening. There is also interest in developing an Melbourne - Parkes- Brisbane 'inland route'.

The main aims of the 2004-09 track upgrade are to improve transit times for freight train operations along with increased capacity and reduced maintenance costs. An agreed Melbourne - Sydney rail freight objective is to reduce Superfreighter transit time from 13.5 to 10.5 hours. However, completion of this scope of work will only partly remedy severe speed restrictions imposed by substandard alignment.

Here, 25 per cent of the Melbourne - Sydney and 40 per cent of Sydney - Brisbane track has either steep grades (steeper than 1 in 66) and/or tight curves (less than 800 m radius) whilst only 4 per cent of Melbourne - Perth track has substandard alignment.

11. In the 25 years from 1974 to 1999, in 1999 values, the Federal Government allocated $17.9 billion (bn) to the National Highway System, with $42.8 bn on all roads (Laird et al 2001); also a net allocation (excluding equity in National Rail) of $1.2 bn was made to rail capital works, and about $1.5 bn to urban public transport. Federal allocations in the five years to 2004, in 2004 values (being 1.1526 times 1999 values), were about $4.0 bn to the National Highway System, $8.8 bn to all roads, $0.9 to rail capital works, and virtually nothing to urban public transport.

Accordingly, in the 30 years from 1974 to 2004, in 2004 values the Federal Government allocated $24.6 bn to the National Highway System with $58.0 bn on all roads, $2.2 bn to rail capital works, and about $1.8 bn to urban public transport.

12. Further analysis shows that in the 30 years from 1974 to 2004, in 2004 values the Federal Government allocated about $5 bn to the Hume Highway. The result has been that

during this 30 year period, over 85 per cent of this highway in New South Wales and Victoria has been reconstructed from a basic and deficient two lane highway to four or more lanes with bypassing of many towns along with improved grades and curvature.

13. By way of contrast, the Sydney - Melbourne railway with its early 20th Century alignment between Menangle and Junee has excessive curvature and other deficiencies. Together with the Sydney-Brisbane line, the Sydney - Melbourne railway has received a poor “F” rating in successive Infrastructure Report Cards of Engineers Australia.

14. The ARTC (2001) Track Audit identified three major rail deviations on the NSW Main South Line. They were the Wentworth deviation between Glenlee and Mittagong, the Centennial deviation between Goulburn and Yass, and the Hoare deviation between Bowning and Frampton. The combined length of the potential new track was about 230 km, and it would replace about 277 km of poorly aligned track with excessive tight radius curvature, leading to transit time savings of about 90 minutes. Their estimated cost was about $770 million.

15. Each of these three rail deviations could well be replaced by shorter deviations that achieve substantially the same benefits for freight train operations, at appreciably less construction cost. In this analysis, the Wentworth deviation is replaced by one from near Menangle to Aylmerton; and, the Centennial Deviation which takes high ground south of Gunning is replaced by a shorter and more direct route from Breadalbane to Coolalie. As well, Bowning – Frampton has been changed to Bowning to Cootamundra, in recognition of the role Cootamundra has as a key junction location (and the fact that most Sydney-Perth freight trains move via Cootamundra).

The combined length of new construction is then 164 km. The benefits for a 'standard' intermodal freight train of two 4000 HP locos moving a 2600 tonne trailing load include a time saving of 84 minutes and a fuel saving of over 1000 litres of diesel. The regional benefits of track upgraded for faster and heavier freight trains may also include high-speed tilt passenger train services.

The 2004 ATRF paper *Interstate rail track upgrading options to 2014* (Laird and Michell) estimates combined benefits from the three rail deviations of about $24 million per year from reductions in train operating costs and track maintenance costs, and the potential reduction in net external costs with Sydney - Melbourne inter- city land freight.

Note that the new version of the Wentworth deviation (which was suggested by the Hon Bill Wentworth to the Industry Commission during its 1991 inquiry into rail) would tie in well with a Wilton Dombarton line as part of the Maldon Port Kembla Railway. Construction, with enabling legislation and environmental impact assessment, commenced in 1983. Work on the Maldon Port Kembla Railway stopped in 1988, by then, this project was about one half completed. Although initially designed for coal haulage, its completion would provide a valuable Illawarra Macarthur link.

16. It is of note that the present Campbelltown – Cootamundra track was constructed during the 1910s in a series of duplications and deviations. It is 376 km in length, and was built to ease steep ruling grades for northbound trains and replace about 355 km of track built during the 1870s. Trains traversing the track between Campbelltown to Cootamundra turn through the equivalent of nearly 53 complete circles of track on the existing route. The

three deviations noted above would replace about 41 of these circles, replacing them with the equivalent of about 5 circles.

17. The benefits of the three sections of new track construction would be improved by further rail deviations: selectively between Werai to Penrose, and Frampton to Bethungra. This includes bypassing the Bethungra spiral. With this option, the total length of new track is 197 km to replace 257 km of 'steam age' alignment.

The cost of constructing, to modern engineering standards, just under 200 km of track is broadly estimated at $700 million. The benefits are significant and include:

A reduction of point to point distance of 60 km, and replacement of track that turns left and right the equivalent of 51.5 circles by new track with only about 5 circles.

For freight train operators with 'standard' intermodal freight train (as above, two 4000 HP locos moving a 2600 tonne trailing load) include a time saving of 105 minutes and a fuel saving of over 1300 litres of diesel. Plus less braking effort.

For the track owner less kilometres of track to maintain, with lower cost per kilometre due to less curvature

The wider community less heavy trucks on the Hume Highway, with lower external costs. Also less need to upgrade more of each end of the Hume Highway from four to six lanes. Or to agree to proposals as per the Daily Telegraph (9 October 2004) to allow B-Triple trucks to run the entire length of the Hume Highway.

18. Proposals for a Melbourne- Parkes-Brisbane Inland Route go back to about 1986, and have received much attention in recent years. From a paper *Melbourne - Brisbane existing track and inland route simulated train performance* (Laird, Michell and Adorni-Braccesi, 2001) 13 th International Rail Track Conference, Canberra "the scale of work required for mainlines north and south of Sydney, coupled with Sydney Freight access problems (and Sydney Rail congestion) suggests that the Inland Route would have to have the edge for Melbourne - Brisbane freight. … Sydney's growing rail congestion and the probability that if Melbourne - Brisbane rail services are not substantially improved, there will be massive investment in the Newell Highway with most Melbourne - Brisbane freight going by road trains by 2010, are further factors. We are therefore inclined towards advancing an inland rail route, along with completion of a program of Melbourne - Sydney - Brisbane investment works …

To quote Mr Colin Hollis MHR (Hansard, 8 February 1999), Australia needs to *"... compare the national benefits of spending $1000 million on facilitating road trains on the Newell and Goulburn Valley Highways, or to spend about the same amount in developing a basic inland standard gauge railway from Melbourne to Brisbane via Parkes that would be capable of carrying double- stacked containers."*

In the same 1999 speech, Mr Hollis observed that *"... the current upgrading of the Pacific Highway to a near four-lane standard by 2005 may prove to be in vain if all it achieves is taking more and more freight off rail and putting it onto B-doubles."* It is pleasing to see similar views expressed by the Deputy Prime Minister Mr John Anderson in 2004 in that we need to upgrade the Sydney Brisbane railway as well as the Pacific Highway otherwise all the freight ends up on the Highway, and motorists don't like this (eg

at his launching of the Australasian Railway Association report Australian Rail Industry Report 2003 on 21 July 2004 at Sydney).

19. Other interstate track issues include the desirability of easing grades (and curvature) on the Eastern Slopes of the Adelaide Hills for west bound freight trains.

For much of its length, the existing interstate mainline track currently has 25 tonne axle load limits for wagons moving no faster than 80 km per hour, or a 21 tonne axle load limit for wagons moving no faster than 115 km per hour. This is in contrast to US and Canadian Class I standards of 29 tonne axle loads moving at 100 km per hour. The National Transport Planning Taskforce in 1994 recognised that over the years, the rail weight of 47 kg per metre which currently extends for much of the Perth – Brisbane national track, will need to be upgraded towards the US standard of 68 kg per metre.

A further issue relates to clearances. From Adelaide or Parkes, to Perth or Darwin, double stacking of containers is possible. This assists rail to improve its efficiency and competitiveness. However, on the North South corridor, and also between Melbourne and Adelaide, overhead clearances exclude double stacking of containers. As recognized as far back in 1987 by the former Inter-State Commission, *An Investigation Into A Potential Extension of Intermodal Rail Services* (see pages 79 to 83 for photos of structures with restrictive clearances), it was recommended as well as faster transit times, that the State Rail Authority of NSW pay more attention to improving overhead clearances. There is also scope for improving overhead clearances between Melbourne and Adelaide.

Regional Rail Issues

20. Victoria's desire for Melbourne to be the Freight Logistics Centre of Australia would be assisted by conversion of all broad gauge track required for freight trains movements to standard gauge. Indeed, such conversion could be argued as long overdue, and was unduly delayed for many years when V/Line Freight was sold to Rail America.

There is also scope for residual gauge standardisation of freight lines in South Australia.

21. Attention is needed to grain lines within many mainland states. This could be the subject of a submission in its own right (eg Railway Technical Society of Australasia (RTSA) to the NSW Grains Infrastructure Advisory Council (see rtsa.com.au). In brief, grain transportation via heavy vehicles including B-Double trucks and the road network is often thought to be appreciably cheaper and more efficient. However, estimates of cost reduction when the need for rail infrastructure maintenance is removed often fail to fully take into account excessive costs that are simply transferred to the wider community.

Re vertical integration and open access

22. The question as to whether rail systems should be vertically separated and open access granted is a valid one. A further question is whether vertical separation encourages optimal track upgrades without under cost and delays (which include inserting concrete sleepers in 1999 near Maroona, Vic after they had stood by the track for FOUR YEARS, the Parkes Triangle (finally built in 1999) and now the protracted delays in replacing an

obselete safe working between Casino and Brisbane [which had featured on the ABC 7.30 Report as fact back as 6 November 1998]).

The first question was competently addressed by the Commission in its 1999 Report on Progress in Rail Reform. Elsewhere, to the Neville Committee in 1998, this writer argued the way it was working in Australia had shortcomings.

From Vol 7 of submissions, pages 1589 to 1591 - edited.

> Australia now appears, by design or accident, to be conducting two giant experiments.
>
> **A. To see if rail can successively compete for medium sized land freight tasks in the face of extensive 'highway subsidisation'.**
>
> **B. To see if vertical and horizontal disaggregation of rail systems can assist rail in winning land freight in a highly competitive environment.**
>
> On the basis of much evidence presented to the Committee, it would appear at best that these two experiments are inconclusive, and at worst, they are dismal failures. However, the situation is somewhat clouded by:
>
> i. The demonstrably poor state of much of the mainline interstate rail track, and in some cases, mainline export track.
>
> ii. The propensity of the Federal Government, and some State Governments, to encourage heavier and/or longer trucks, in a regime of low road track access pricing.
>
> Medium sized land freight tasks include interstate freight movements, and certain bulk movements, where road and rail compete for freight. These land freight tasks exclude large bulk export freight tasks such as iron ore, most coal, and some wheat that are well suited to rail, and, urban goods movements that are well suited to road.

23. New Zealand has had longer experience than Australia with rail privatisation, and can offer Australia some lessons. The recent formation of a New Zealand Railways Corporation to take over the track with a $NZ200 million government input could well have been a better way for the Victorian Government to go as opposed to transferring the track to Pacific National after the sale from Rail America of the former V'Line Freight. As per a statement on behalf of the RTSA (International Railway Journal, July 2004, p22) *"We would support the Victorian Government taking back its rail track and committing funds to deferred maintenance and major upgrading of that track. If we are to have an open access, then it needs to be administered by an independent body dedicated to infrastructure development and transparent dealing with those wishing access to the rail network."*

New Zealand has also had mass - distance pricing for heavy trucks in successful use since 1978. Which leads to the topic of …

Road pricing for heavy trucks

24. Attention to the issue of road pricing for heavy vehicles is long overdue, not only by the National Transport Commission (NTC) as it proceeds to its Third Determination of charges, but in a wider context.

The BTRE (2003, *Land transport infrastructure pricing: an introduction*, Working Paper 57, page 2 of summary, see also NTC, 2004, *Impediments to improving efficiency in the area of intermodal transport* draft policy paper p60) suggests that with present arrangements the heaviest vehicles achieve only 90 per cent recovery whilst there is over-recovery of costs from rigid trucks whilst *"Current heavy vehicle infrastructure pricing arrangements achieve the objective of recovery of aggregate attributed costs, including capital costs (108 per cent)."*

However, this finding is not supported by earlier work of the Bureau of Transport Economics (1988, *Review of Road Cost Recovery*) that found during 1985-86, articulated truck operations had a resultant under-recovery of road system costs of $1283 million.

25. A more balanced position was given by the BTE (1999, *Competitive Neutrality between road and rail* Working Paper No 40 page xi) as follows *"Under the current road user charging system, trucks overall are undercharged for their use of the road system. Moreover, larger more heavily laden vehicles and those travelling larger distances are charged the least (per tonne kilometre) while smaller, less heavily laden vehicles and those travelling shorter distances cross-subsidise them."*

The BTE (1999, loc.cit. p 58) also suggested that *"Mass-distance based road use charges offer greater scope to reflect the avoidable cost of heavy vehicle road use."*

26. It remains to be seen if the NTC in its third determination will use either mass differentiation or distance differentiation in its annual charges for heavy vehicles. It also remains to be seen if the new charges will include external costs. In this regard, the BTRE (2003d - page 3 of summary) notes: *"There is no charging for externalities in either mode … while externalities are lower for rail freight than for road freight, it would generally not be appropriate to charge heavy road vehicles (and/or freight trains) and exclude light vehicles (and/or passenger trains)."*

27. The Australasian Railway Association (2004) has released a new infrastructure policy that has, inter alia, called on Government to *"review infrastructure funding and access pricing methodologies to remove inequities between road and rail…"* The Australian Trucking Association (2004, p 14) maintains that *"The industry more than pays for its attributed share of road costs"* whilst the Australian Financial Review (18 August 2004) notes, inter alia, that full cost recovery from trucks *"… would probably require the commonwealth and state governments to brave a deafening blockade of their respective parliament houses."*

28. A potential 'road freight deficit' in 1997-98 of about $2 billion due to the operation of articulated trucks was identified by Laird et al (2001, loc. cit. as in Section 4 of this submission). These trucks include the Australia 'workhorse' of six axle articulated trucks, plus B-Doubles of length up to 25 metres, and road trains which are even longer, and used mostly on remote roads.

The annual $2 billion 'road freight deficit' is mostly made up of unrecovered road

system costs of about $1.3 billion that average out at 1.25 cents per net tonne km. Other costs include about $500m per year for the cost of road crashes involving articulated trucks, and environmental costs of about $280m per year.

29. The high unrecovered road system costs result from road user charges for heavy trucks being restricted to fuel taxes and simple annual charges for each type of truck.

The basic problem with the NRTC first generation charges of low overall recovery from heavy trucks and concessions to the heavier long distance trucks was recognised by the Industry Commission in its 1991-92 Annual Report (p197-198) as follows: *"Annual fixed charges are not efficient because costs vary with the distance travelled and the mass of the vehicle. The result is that some vehicles - the heaviest travelling long annual distances - will meet less than 20 per cent of their attributed costs. Charges for heavy vehicles that reflect costs they impose are essential to ensure best use is made of the nation's road and rail infrastructure, and that industry location decisions are appropriate in terms of minimising the overall cost of economic activity. Differences between the recommended charges and road-related costs are greatest for vehicles competing with rail. The charges, as recommended, will therefore potentially distort the long-haul freight market as rail reforms take effect."*

Ironically, NCP Tranche Payments were used to require the NSW Government to adopt the NRTC charges in 1996. This cost the NSW Government about $60 million that year, and resulted in a move away from competitive neutrality for road and rail.

General remarks

30. As observed by many writers, there is a need for a better balance between financial factors under NCP and Ecologically Sustainable Development (ESD) considerations. One example is *Changing Policy Mindsets: ESD and NCP compared* by G Curran and R Hollander in the Aust. Journal of Environmental Management, Sept 2002, p158-168, which summarised in a few words is whilst *NCP prospered, ESA stalled.*

A further example of the growing literature on this problem is that of S Dovers (*Precaution, Prediction, Proof, and Policy Assessment*, New Solutions, Vol. 12, 2002 p292*)* - in part - *"ESD policy has been poorly implemented, has not received adequate resources, lacks a whole-of-government framework, and has not been supported by institutional arrangements to move sustainability questions from the margins to the center of the policy landscape. … By way of contrast, National Competition Policy has been implemented vigorously, across all policy sectors, with significant financial incentives provided by the Commonwealth to the states and territories, and a solid legislative and institutional basis."*

31. Our economy and standard of living are now heavily dependent on transport. It needs to be made more sustainable. Up to now, National Competition Policy has had mixed impact on making land freight transport more sustainable, with some gains and some losses. An effort is now needed to ensure that both NCP Reform and Tax Reform make land freight transport more sustainable.

National Competition Policy (NCP) objectives should be redefined with more attention to ESD and to be *"consistent with our obligation to current and future generations to sustain the environment"* (as per the AusLink Green Paper on Transport).

This paper recognises that (p19) [transport] *"greenhouse gas emissions in 2010 are projected to be almost 47 per cent above 1990 levels."*

32. There is also a need to make urban transport more sustainable. As argued by the Industry Commission (IC) in its 1994 report on Urban Transport, the way people then moved themselves around Australia's larger cities was in need of reform.

Ten years later, after this definitive IC report was released in 1994, we know that passenger vehicle kilometres in our major cities have significantly increased (for example, in the order of 25 per cent in Sydney from 1991 to 2001). However, major Australian cities, (with the notable exception of Perth) have seen very modest growth in urban public transport passenger numbers.

There are many factors resulting from much increased car use and little growth in public transport usage. One factor is the introduction of the New Tax System in 2000-01 to not only place a GST on public transport, but also lead to cheaper cars and through a removal of indexation of fuel excise, cheaper petrol. A further factor is a vigorous roll out over the last 10 years of freeways and tollways in major cities, with modest and variable investment in urban rail and bus systems.

The issues of urban transport and road pricing are considered by this writer as to sufficiently important as to warrant separate inquiries by the Commission. Indeed, following release in 1994 of the Industry Commission's report on urban transport, the Government of the day agreed for a further inquiry to take place in 1997. This did not then proceed.

The Commission in its 1999 report on progress in rail reform recommended an inquiry into road provision, funding and pricing. At the time, this inquiry was not agreed to by the Government and it did not proceed.

However, the need for Government to address the issues or urban transport and road pricing remains. Hopefully the Commission can assist.