

Monday, 1 August 2011

Gary Banks AO, Chairman  
Productivity Commission  
PO Box 1428  
Canberra City, ACT 2601

Dear Mr Banks, *Gary,*

### Identifying and Evaluating Regulation Reforms

The National Transport Commission commends the Productivity Commission for initiating a public study of frameworks to identify and prioritise the regulatory reform efforts of governments. An effective framework is essential to ensure significant policy challenges are appropriately identified and addressed.

Our contribution to this work outlined in this letter is motivated by the desire to:

- share learning from the perspective of regulatory and operational reform in land transport; and
- improve the effectiveness of NTC's own evolving planning and evaluation framework for national transport reform.

In summary, NTC believes – based on its experience so far – strategic planning, with strong and open stakeholder participation, is an effective tool in setting reform priorities; however it also requires a holistic, long-term outcomes-focus to genuinely address complex and difficult national policy challenges.

### Background

As an independent statutory body, NTC develops and submits national reform recommendations to the Standing Council of Transport and Infrastructure for approval. NTC also plays a role in facilitating and monitoring implementation of approved reforms.

NTC has the ability to influence national reform priorities through its strategic planning process; underpinned by stakeholder consultation. A strategic plan, three year work program and budget are presented to Ministers each year for approval.

### Results-Based Management

In accordance with the NTC Act, the Commission is reviewed every six years. The findings and recommendations of the latest review, endorsed by the Council of Australian Governments in December 2009, included a greater focus on achieving reform outcomes to address nationally significant reform priorities.

NTC's productivity, safety and environmental objectives are articulated in its current Intergovernmental Agreement (IGA). The review concluded NTC's performance "must ultimately be assessed in terms of its impact against these indicators."

The intent of the *Review of NTC 2009* recommendation for outcomes-based performance reporting was to encourage learning-based improvement and adaptive management through a “feedback loop to guide prioritisation and resourcing of the reform agenda and associated work program.”

Ministers subsequently endorsed an outcomes-based performance management framework for transport reform in May 2011; however a recommendation to amend the IGA and require governments to provide information on those outcomes was not agreed.

### **Setting regulatory reform priorities**

In principle, clarifying the organisation’s mission and values, developing a vision of the future, analysing external challenges and opportunities, assessing internal strengths and weaknesses, developing strategic goals and objectives, identifying strategic issues, developing and evaluating alternative strategies, and developing action plans is a good model for addressing reform priorities.

The challenges NTC faces in strategic planning for reform include:

- reform cycles generally extend well beyond three years. A short-term planning cycle naturally focuses governments and stakeholders on what’s urgent rather than what’s important; and
- NTC has a specific mandate for regulatory reform in road, rail and intermodal transport. Policy challenges are, however, complex and require the alignment of other non-regulatory policy levers to deliver outcomes successfully.

### **External Factors**

As the *Review of NTC 2009* observed, “The next phase of transport reform will be challenging as the focus shifts from improving individual modes to lifting the performance of the national transport system as a whole. Reform development needs to holistically consider impacts on productivity, safety, pricing, network access and land-use planning and investment.”

NTC attempts to influence and facilitate (non-regulatory policy) “external factors” to deliver improved reform outcomes. For example, the impact of CoAG reforms for higher productivity vehicles (eg: Performance Based Standards and B-triples) could be maximised through complementary pricing reform and infrastructure planning and investment.

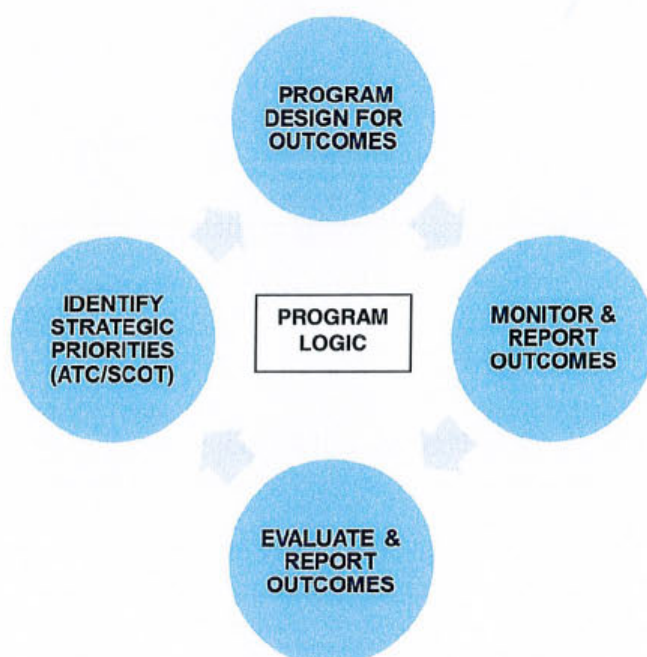
Effective strategic planning would bring together regulatory policy, planning, finance, investment and implementation issues into a cohesive national reform agenda. In order to support a more holistic approach to policy reform, NTC has recently been asked to assist and advise Infrastructure Australia on the development of national strategies in the areas of ports and land freight reform.



### Frameworks used to identify areas for regulatory reform?

In transitioning to a more outcomes-based approach to reform, NTC has adopted Program Logic methodology (Figure 1). Program Logic expresses how change is expected to occur by linking activities, outputs and assumptions to deliver an outcome and sets objectively verifiable performance indicators.

Figure 1: Transport Reform Outcomes Framework



As a strategic planning tool, Program Logic can help consider how agreed outcomes can best be achieved and the case for government intervention.

In 2010, NTC ran a series of strategic planning workshops with stakeholders across Australia. The methodology required 'backward mapping' – that is starting with the intended goals and mapping downwards the preconditions to achieve each outcome.

This process acknowledges existing work by governments; however gaps were identified where NTC and others may need to play a role (eg: infrastructure pricing reform).

### Measuring performance at the goal, program and reform levels

NTC has traditionally reported on transport reform outputs – primarily reform approval by Ministers and implementation status – to CoAG through the Ministerial Council.

According to a UK report, *The Role of Indicators, Targets and Monitoring in Decision-Support for Transport* (Marsden and Snell 2009), mapping progress against objectives through outcome indicators is central to decision support within transport. The report concludes,

“given the increasingly fragmented delivery structures within which transport policy operates, this approach seems likely to grow in importance over time.”

In planning NTC’s work program, a distinction is now made between broad shared goals (eg: NTC’s IGA objective of “safe systems”), intermediate outcomes (eg: safer drivers) and reform outcomes (eg: fewer fatigued drivers). In this way, a clear line-of-sight exists between projects, the work program and national goals.

An initial transport reform performance report focused on reform impacts will be presented to Ministers in November 2011. Its purpose is not a “report card”, but the basis for engaging stakeholders on strategic planning and adaptive management strategies.

### **Monitoring and timing of evaluations**

NTC’s previous monitoring and evaluation framework for reform triggered new projects “by the clock” – typically, implementation reviews within 18 months and effectiveness reviews at five and 10 year intervals. A monitoring and evaluation framework for transport reform outcomes provides greater flexibility to allocate resource where it’s most needed; for example earlier intervention if reform implementation has demonstrably failed.

NTC is also subject to regular statutory reviews, which have proved successful in maintaining the organisation’s relevance and effectiveness. As a result, the commission’s mandate has evolved over time from road to rail and intermodal reform.

Following the establishment of national regulators to administer heavy vehicle and rail safety law in 2013, NTC and other government-funded bodies will be subject to a further review.

### **Conclusion**

Given the observations about the growing scope and complexity of transport policy challenges, the Productivity Commission’s study may help inform further improvements to support the national transport reform agenda.

Thank you for the opportunity to present our submission.

 Nick Dimopoulos,  
Chief Executive