Tourism and Transport Forum (TTF) is a national member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism & infrastructure sectors.

Tourism & Transport Forum

Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services

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TTF AUSTRALIA Tourism & Transport Forum

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INTRODUCTION

The Tourism & Transport Forum (TTF) is the peak industry group for the Australian tourism, transport, aviation and investment sectors. A national, member-funded CEO forum, TTF advocates the public policy interests of the 200 most prestigious corporations and institutions in these sectors.

TTF's membership comprises the most significant players within the aviation, transport and tourism sectors. It includes representatives from:

Accommodation & Gaming
- Resorts & Hotel Chains
- Owners & Investors
- Timeshare
- Serviced Apartments
- Casinos

Tourism Infrastructure
- Precinct Managers
- Institutional Investors
- Infrastructure Owners
- Ports
- Airports

Transport & Aviation
- Airlines
- Rental Cars
- Buses and Coaches
- Passenger Rail
- Ferries
- Cruise Lines

Marketing & Attractions
- Theme Parks
- Cultural Attractions
- National & Marine Parks
- Tourism Marketing Organisations

Major Events, Retail & Hospitality
- Convention & Exhibition Centres
- Restaurants & Wineries
- Travel & Tourism Retailers
- Venues

Professional Services
- Legal & Accounting
- Advertising & Public Relations
- Research & Education
- Technology & Solutions

TTF welcomes the opportunity to contribute to the Productivity Commission's *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*.

Inefficient and conflicting regulations create a significant cost burden on industry and leads to inefficient practices. This submission details the major concerns faced by TTF members in the aviation and transport industries.

For aviation, TTF believes more effective engagement with industry will provide more flexibility with regard to aviation security, while implementation of performance-based regulation in respect of safety is long overdue. Furthermore, TTF questions the need for rigid monitoring of Australian airports by the Australian Consumer and Competition Commission and calls for a more pragmatic approach to curfews at Sydney Airport.

For land and maritime transport, TTF believes the fragmented model of regulation currently employed has resulted in inconsistencies in accreditation, access arrangements, pricing regulation and safety protocols. The separate transport regulatory systems in each state and territory have caused undue complexity and cost for transport-related businesses seeking to provide national services.

TTF calls for the Productivity Commission (PC) to consider the following concerns.

1. AVIATION

1.1 - Aviation Security

Industry is acutely aware of the risk environment determining Australian aviation security policy, characterised by the threat of trans-national terrorism. Tourism was one of the sectors most severely affected by the repercussions of the 11 September, 2001 terrorist attacks on the United States. Since 2001, the Government has sought to reform Australia's security systems and processes, with the support and cooperation of industry.[1] It is vital for public and business confidence that the highest standards of security are in place on airlines serving Australia and at Australian airports.

Equally, it is important that Australia's aviation security system is risk-based. In the post-9/11 era, airports must be secure gateways to and from Australia's cities and regions while operating efficiently as commercial entities, at a time when growing passenger numbers are challenging passenger facilitation resources. A rigid, catch-all security regime is simply not appropriate to meet these demands.

Of particular concern are those security measures that were developed in haste following September 11 with little industry consultation and which have not achieved security outcomes. There are a number of regulatory requirements (as highlighted by Qantas – Sub. 46) which place an undue burden on the aviation and tourism sectors without any corresponding benefit to industry or the Australian public.

TTF therefore supports Draft Recommendations 6.2 and 6.3 as a means of providing flexibility for operators and more effective engagement with industry.

TTF would also like to make the following comments in relation to aviation security. These were also conveyed in TTF's response to the federal government's National Aviation Policy Green Paper.

Counter Terrorism First Response (CTFR) airports

Eleven Australian airports are designated Counter Terrorism First Response (CTFR) airports. These include capital city international airports (Sydney, Melbourne, Brisbane, Adelaide, Perth, Darwin) regional international airports (Cairns, Gold Coast), capital city domestic airports (Canberra, Hobart) and Alice Springs. The inclusion of Alice Springs on this list is an anomaly, given its low volumes of passenger traffic.

There is little justification for Alice Springs to be a designated CTFR airport.

Ultimately, its continued inclusion in the group compromises its role and importance in the Northern Territory tourism industry and economy.

The Wheeler Review of aviation security, recognising the cost impacts and changing nature of aviation security, recommended that the Government review airports' CTFR designation on a regular basis.[2] To date, this recommendation has not been implemented as there has

[1] National Aviation Policy Green Paper, p.73.
[2] Northern Territory Airports, Submission to the *Towards a National Aviation Policy Statement* Issues Paper, p.23.

been no review of CTRF designation - yet there is evidently cause for such a review, with Alice Springs being the clearest example of where the cost of CTFR obligations may not be appropriate.

Policy settings for passenger screening
TTF supports a passenger screening system targeted at persons and items posing a genuine security risk.

The Government's commitment in the Aviation Green Paper to reform the Prohibited Items regime, and consider "especially the removal of low-risk items not contributing to the security outcome", is welcome.[3] Screening policy must reflect improvements to aircraft security made in recent years, in particular the strengthening of flight-deck doors. These improvements warrant the removal from the list of items that might cause minor harm to passengers but would be unlikely to threaten the security of the aircraft (for example, tweezers and nail clippers).

In addition, the ban on metal cutlery on airlines serving Australia should be removed. Australia is one of the few jurisdictions to maintain this requirement, and it makes little sense given the increased sophistication of aircraft security. A passenger travelling across the Pacific from Australia to the US, then transiting to a US domestic service, will be given plastic knives on the international flight and metal knives on the domestic flight – an inconsistent and, ultimately, ineffective security policy.

Taking a more risk-based approach would enable a more focused approach to passenger screening, rather than a blanket, 'catch-all' system, improving not only security outcomes but also overall passenger facilitation. It would bring Australia into step with international standards, streamlining cross-border harmonisation and coordination policies.

These reforms should be implemented alongside any larger reforms proposed by the ongoing Review of Aviation Security Screening, in line with the work being done in this area by the International Civil Aviation Organisation (ICAO).

The cost of passenger screening
While TTF appreciates that the Commission's Draft Report states that security costs at regional airports are a matter for government and are beyond the scope of the review, it is nonetheless a significant regulatory issue for industry.

The Aviation Green Paper accurately identifies the issues facing regional airports as a result of increased security obligations and costs, which restrict airports' capacity to develop new business and maintain existing services.[4] It canvasses the possibility of Government action to mitigate the cost impacts of security screening.

The pattern of development in Australia's aviation market in recent years – seen particularly in the growth of low-cost carriers – has been overwhelmingly positive for tourism in regional Australia, fostering the sector's role as an employer and driver of economic activity. Regional airports must have the financial capacity to maintain and grow their aviation

[3] National Aviation Policy Green Paper, p.86.
[4] National Aviation Policy Green Paper, p.88.

services, so that they can continue to deliver on federal and state tourism and regional development strategies. The ongoing discussion about the correct balance of aviation security charges should be placed in this context.

Should government seek to change the structure of security pricing, it has two clear options. The first is to introduce some form of network pricing, whereby a uniform per-passenger screening charge applies across all designated airports. The second option is direct government support to those airports bearing inordinate security costs.

TTF does not support network security pricing, as it would result in inefficient outcomes whereby airports with large passenger throughput would be subsidising smaller airports with lower passenger volumes. Rather, on balance, TTF believes the Government should investigate the adoption of a direct support scheme, to apply in cases where security costs are impeding airports as facilitators of regional development.

Direct government support is a targeted policy response, reflecting the fact that aviation security is indivisible from national security - which is a government responsibility. As a result, there needs to be sufficient government funding in appropriate circumstances. This would be consistent with the Government's established role in enabling and supporting economic development in regional Australia, both in policy and funding terms.

TTF's preferred model would be a "cap scheme", establishing a benchmark per passenger cost. Airports incurring average per passenger costs above this benchmark would qualify for full government funding of all costs above the cap. This model would have the advantage of addressing specific cost pressures at individual airports without affecting price signals and efficiency across the rest of the network. It would recognise that certain regional airports are capable of absorbing security costs up to a point, beyond which those costs begin to exert unreasonable pressure on their capacity to compete effectively for cost-responsive airlines and price-sensitive passengers and, as a result, on their capacity to facilitate tourism and regional development.

1.2 - Aviation Safety

TTF is disappointed with the PC's response to aviation safety regulation. While TTF appreciates that CASA is undertaking a regulatory reform program, this process has been ongoing for the past two decades. Despite many years of review and reform, the implementation of performance-based regulation is still incomplete.

The reality is that aviation safety and operational regulations are rigid, overly prescriptive and lagging behind new technology and international best practice, resulting in a significant cost burden on industry.

Moreover, there are also conflicts between environmental and safety legislation. For example, where there are endangered bird species near airports[5] it is an offence to disturb their environment (such as food sources), harass or destroy the bird under environmental

[5] For example the Carnaby's Black Cockatoo near Perth Airport.

legislation. However, some or all of these actions are required from an aviation safety point of view to reduce the risk of bird strike.

1.3 - Quality of Service Monitoring at Airports

The quality of service at Australia's major airports has been monitored by the Australian Competition and Consumer Commission (ACCC) as part of the pricing oversight arrangements put in place post privatisation.

In 2002, following its inquiry into airport price regulation, the PC recommended that price and quality of service monitoring be applied only to seven airports considered to have moderate-to-substantial market power - Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney. Effective 1 July 2007 (as a result of the second PC inquiry into price regulation), the ACCC continues to monitor Adelaide, Brisbane, Melbourne, Perth and Sydney.

As part of the aviation white paper process the federal government is currently reviewing the quality of service monitoring framework with the aim of improving its effectiveness for both industry and consumers.

TTF appreciates the value in monitoring the quality of services at airports. However, it could be conducted in a manner which more accurately reflects the passenger experience rather than in a rigid regime that reports against arbitrary and artificial benchmarks, as is the case with the current ACCC framework.

While the principle behind Quality of Service Monitoring (QSM) is important in the sense that it can be a tool to inform and guide performance improvement, the current system is ineffective and does not translate into tangible outcomes for airports, airlines or passengers.

It should be recognised that every Australian airport is different, with different leasing arrangements that result in a variety of responsibilities. Using a set of uniform benchmarks to monitor, report and then rank Australia's top five airports, which is not focused on the passenger and does not account for the different circumstances at each airport, is therefore problematic and does not provide a true and accurate indication of the passenger experience.

It is also important to recognise that there are a vast number of stakeholders who play an important role in providing a high quality passenger experience at airports. These include airport operators, airlines, government agencies, rental car operators, transport providers, security contractors, ground handling agents and off airport service providers such as state and local governments. As there is no single party responsible for the whole-of-airport passenger experience it is inappropriate for service providers to be judged against the quality of services for which they have no direct, or limited control.

Furthermore, airports have undergone, are undergoing or have planned investment in upgrading and improving passenger terminals and facilities – investment which will boost the passenger experience. TTF's response to the National Aviation Policy Green Paper highlighted the level of current investment in aeronautical infrastructure at Australia's major airports, including:

- Adelaide Airport – $300 million over the next five years on a terminal expansion and associated infrastructure.
- Brisbane Airport – $2.2 billion on a new parallel runway, international and domestic terminal redevelopments and a northern access road.
- Cairns Airport – $200 million on a new domestic terminal.
- Canberra Airport – $350 million terminal redevelopment and expansion.
- Darwin Airport – $60 million terminal upgrade and expansion to accommodate Jetstar's Southeast Asian hub.
- Gold Coast Airport – $100 million redevelopment as part of its Low Cost Carrier Terminal project.
- Melbourne Airport – $330 million redevelopment of the international terminal (T2).
- Perth Airport – $1 billion on consolidating the domestic and international terminals. Stage one includes a $120 million construction of Terminal WA.
- Sydney Airport – $500 million redevelopment of the international terminal (T1).

TTF therefore questions the need for a rigid monitoring regime given that the nature of Australian airports and the amount of investment in airport infrastructure around the country will ultimately ensure that service standards and facilities are of the highest quality.

1.4 - Airport Curfew Policy

TTF does not oppose the Government's curfew policy and arrangements at Sydney, Adelaide, Gold Coast and Essendon airports. However, we do believe that there is room for a more pragmatic approach to (a) curfew dispensations and (b) the operation of the 0500-0600 shoulder period at Sydney Airport.

a) Government curfew policy should recognise the noise implications of diverting aircraft that are on final approach. Refusing dispensation in these circumstances not only increases aircraft noise and carbon emissions – perverse policy outcomes on both accounts – but is also a significant commercial imposition on airlines.

   When assessing requests for curfew dispensation, TTF believes the circumstances and the type of aircraft should be taken into consideration. TTF believes that curfew policy as it currently stands needs some degree of flexibility, to avoid unnecessary impositions on both the community and airlines.

b) TTF believes the Federal Government should also align the current regulations with the Sydney Airport Curfew Act in relation to the 0500-0600 curfew shoulder period. Under the Act a maximum of 35 aircraft arrivals over Botany Bay per week are allowed between 0500 and 0600, while the regulations only allow for a maximum of 24.

   Bringing the regulations into line with the Act would involve no more than an extra 1.5 flights per day. All landings would be over Botany Bay, thus minimising any noise impacts. To further reduce noise, the flights could be reserved for quieter aircraft like the A380 and the soon to fly B787 and A350.

Such a change is modest, sensible and in line with the existing legislation. It would benefit Sydney by making the city more accessible for long haul airlines and the international visitors they bring to Sydney.

1.5 - Passenger Movement Charge (PMC)

While TTF appreciates that the Commission's Draft Report states that the PMC is beyond the scope of the review, it is a very significant issue for industry, as highlighted by the Northern Territory Government (Sub. 45).

Industry is united in the belief that the PMC is a flawed and ill-defined tax, having a negative impact on tourism demand with little clear relationship to any defined outcomes in relation to its stated purpose.

The debate about the level and purpose of the PMC – or departure tax – was given impetus by last year's Commonwealth Budget, which increased the charge from $38 to $47 (almost 25 per cent). TTF immediately raised industry concerns about the potential impacts of the increase and the lack of transparency around the PMC's cost recovery role, and also addressed the issue in a submission and evidence to a Senate inquiry.

Despite these representations, the Government has not engaged with industry on the PMC. In fact, the prospect of a further increase to the charge has been floated, with the Beale Review recommending it be adjusted to underpin a $260 million per annum addition to biosecurity funding. The Government has suggested that it is considering this proposal.

In particular, TTF is very concerned about the language used by Beale in relation to the PMC:

> *"In efficiency terms, cost recovery ensures that consumers of a product being regulated face what is referred to as its "full social cost". This enables consumers to make informed decisions about whether to consume more or less of the product in comparison with other products which may have lower biosecurity risks and hence lower associated regulatory expenditure."*[6]

In TTF's view this suggests that the PMC's explicit goal should be to discourage inbound tourism: an unacceptable position.

TTF is unequivocally opposed to any further increase in the PMC. Considering that the primary beneficiary of biosecurity at Australian airports is the agriculture sector, it would seem perverse to subsidise improvements in quarantine measures by increasing a charge that directly affects the tourism sector.

There is no doubt that biosecurity reform is long overdue, and TTF has been a strong advocate for an improved quarantine service, but international visitors to Australia should not be required to fund it any more than they already do.

[6] One Biosecurity: A Working Partnership, The Independent Review of Australia's Quarantine and Biosecurity Arrangements, Report to the Australian Government, pg 195.

Tourism is already heavily taxed relative to its economic contribution. It is the only sector subject to GST on its exports, and net taxes on tourism products in 2006-07 amounted to $6.6 billion, against total tourism consumption of $85 billion. Conversely, tourism attracts very little direct government support. As a long-haul destination, it is vital that Australian tourism remains price-competitive in global markets, not least given the downside effects of the global financial crisis. Inelastic taxes such as the GST and PMC hinder the industry's efforts to respond flexibly and effectively to current market conditions.

TTF's own research, and that conducted by our members, demonstrates that the PMC has a disproportionate impact on inbound tourism demand (that is, it is a bigger factor in international travellers' decisions to visit Australian than in Australians' decisions to travel overseas). Furthermore, it is plain that the PMC discriminates on the basis of distance: it has a greater impact on the cost of travel for visitors from markets within a medium-haul flight of Australia. These include New Zealand – Australia's largest tourism market – China – our fifth largest and a key growth market – and other key markets in South and South-East Asia.

The PMC also has a greater impact on leisure travel than business travel, which is less price-sensitive. The combination of these factors means that airports and tourism regions dependent on short-to-medium haul leisure visitors, such as North Queensland and the Northern Territory, are especially disadvantaged by the PMC.

With economic conditions putting heavy downward pressure on tourism demand, the marginal impact of the PMC on airfares becomes even more pronounced as consumers make hard travel decisions based on cost.

Finally, it is widely understood that the PMC over-collects relative to the costs it is purported to recover, although this is difficult to verify because its receipts are not hypothecated or pegged against any specific, costed Government activities (as the Green Paper points out). To the extent that the PMC does over-collect, the case for its reform is strengthened. However, as long as the PMC is retained at its current level, it would also be reasonable to consider whether any over-collection could be reinvested into the sectors primarily affected by the charge.

Industry is concerned that the PMC has been subject to a process of creeping augmentation, with limited consultation, and with an incremental effect on tourism demand that is likely to intensify in light of the global economic situation.

TTF is calling on the Government to establish a review of the PMC, including key industry and Government stakeholders, to examine its purpose, application and impact on tourism demand. The PC's analysis on the impact of the PMC on industry would be welcome in this regard.

A report prepared by Geoff Carmody & Associates for TTF, *Australian Tourism: How Deep the Recession?,* which examines the impact of the global recession and that recommends what governments should and shouldn't do in response, is attached for the PC's information. The PMC and Beale review are discussed in this context.

1.6 - Disability Discrimination Legislation

As the Draft Report highlights, there are a number of instances where conflict arises between aviation regulation and disability discrimination legislation. TTF's airline and airport members have indicated that they cannot comply with both requirements, creating a situation where airlines and airports could be in breach of DDA regulations in order to comply with aviation regulations.

In this context TTF strongly endorses Qantas' recommendation (sub. 46) that the *Disability Standards for Accessible Public Transport 2002* contain a clear exemption in relation to compliance with civil aviation safety, transport security and OHS legislation.

2. TRANSPORT

Many of the constraints on the current transport system are the legacy of different jurisdictional approaches to transport regulation. As local economies have become increasingly intertwined the need to harmonise the regulations associated with the movement of people and goods between these economies has become a matter of necessity. A consistent set of transport regulations makes sense to avoid ongoing inefficiencies and unnecessary costs.

The problems outlined in the draft research report are consistent with those identified by TTF members. The task now is for the Australian Transport Council (ATC) and the National Transport Commission (NTC) to set a policy and reform agenda that removes complexity and bureaucratic duplication for transport operators and users.

TTF fully supports the notion of establishing a unified national transport system. The fragmented model currently employed has resulted in inconsistencies in accreditation, access arrangements, pricing regulation and safety protocols across jurisdictions. The separate transport regulatory systems in each state and territory have caused undue complexity and costs for transport-related businesses seeking to provide national and interstate services.

Harmonising regulation is important however it is recognised there are some instances where it is not appropriate. For instance, the pricing of public transport use for state owned transport agencies has commercial considerations that render national regulation inappropriate. TTF believes that the harmonisation of regulation should:

- Reduce the regulatory burden;
- Facilitate transparency and clarity;
- Reduce the cost of compliance through improvements in processing;
- Improve the regulatory frameworks in jurisdictions that have fewer resources to realise optimal benefits;
- Remove the need for cross jurisdictional arrangements;
- Remove regulatory duplication;
- Improve decision-making times; and
- Centralise data collection.

Moreover, harmonisation should only be considered when it optimises the efficiency and performance of regulators and transport providers.

Below are some specific instances of over regulation of particular concern to the transport industry, relating to pricing, road registration and licensing, access, environmental regulation, land use, rail safety and maritime transport.

2.1 - Pricing

Industry remains concerned at the inconsistencies in the pricing of transport access and usage. The regulation of pricing must send users and operators signals that encourage efficiency and stimulate investment. However, with at least seven state and federal regulatory regimes to comply with, the over-regulation of the transport sector has created confusion and duplication.

Rail Pricing

Australia's rail challenges are multi-faceted and complex. The large number of operators now working in multiple jurisdictions, each with their own compliance regime, is creating an unnecessary burden on these operators and is costly for taxpayers. The multi-jurisdictional regulatory burden requires a vast amount of resources to be directed to compliance and negatively impacts the interstate and international competitiveness of our rail operators.

There are five regulatory regimes overseen by five regulators, with two inter-state rail networks with separate regulatory regimes overseen by the ACCC and a state-based regulator and a number of other major corridors regulated by multiple regimes. This has created an undue burden on operators. The inconsistent application of infrastructure pricing has also created a comparative disadvantage for rail operators by means of the requirement to own and operate the infrastructure.

Such inconsistency has disadvantaged the rail industry, as the road industry makes contributions to infrastructure and maintenance through taxes and charges such as registration fees. Despite the considerable recent government investment in rail infrastructure, the road industry continues to receive a significantly larger proportion of funding, thus disadvantaging the use of rail for long haul freight. This runs contrary to government policy, which aims to move a greater share of freight on to rail.

Australia does not have a single rail infrastructure pricing system. In 2006, the Bureau of Transport and Regional Economics stated that:

> *"Each jurisdiction also has its own access regulation and different access charging principles that are used by the respective infrastructure managers....Different pricing systems may reflect different train and infrastructure characteristics on a network. However, where differences are not optimal, they add transaction costs to train operators to use the network and send conflicting signals in how the track should be used and invested in."*[7]

A single system that takes into account the disadvantages of infrastructure investment would greatly benefit the rail industry and provide clarity and consistency for operators.

Pricing that distorts commuting behaviour

A number of regulatory regimes offer various incentives and disincentives that encourage inefficient commuting behaviour and perpetuate reliance on certain transport modes, regardless of whether these modes are best suited for a given situation. Invariably, the full cost of transport is not appreciated by the end user due to the heavy subsidisation of certain modes in favour of others. This has lead to market distortion and wasteful and unproductive market practices. While taking into account the need for intrastate pricing structures, at a national level both the tax system and Carbon Pollution Reduction Scheme (CPRS) impact commuting choices in this way.

[7] Bureau of Transport and Regional Economics (BTRE), *Optimising Harmonisation in the Australian Railway Industry 2006,* p33.

The current tax system provides benefits to employees who drive salary-packaged cars. The application of the statutory formula to car fringe benefits cost the Federal Government approximately $1.5 billion in 2006-07 and is one of the largest government tax expenditures.[8] The level of this benefit actually increases with the number of kilometres the employee drives – thus providing a financial incentive to drive more. No such benefit is available to people who use public transport or bicycles – resulting in a market distortion which encourages people to drive to work and increases the level of traffic congestion on urban roads. TTF believes the Federal tax system should be amended to end horizontal inequity between private and public transport.

Similarly the Federal Government's CPRS will distort the market for urban transport by introducing an extra cost for public transport users (higher energy costs), while protecting motorists from increasing costs through cuts to petrol excise. This is despite the CPRS Green Paper identifying that sustained price increases lead to reductions in car fuel consumption.[9] This government-imposed market distortion will make public transport less competitive against car use, and will therefore lead to increased traffic congestion and increased transport-related greenhouse gas pollution. The excise reduction for petrol will compromise the integrity of the market mechanism at the heart of the emissions trading scheme. TTF proposes the CPRS be amended to provide a level playing field for passenger transport.

2.2 - Road Registration and Licensing

TTF is a strong advocate of a uniform national registration system for all vehicles. The standardisation of road licensing and registrations would centralise road use throughout the country, reducing administration costs in the long term, providing a free flow of information between agencies and facilitating efficiency for national road based industries, such as the rental vehicle sector and long distance bus travel.

The National Exchange of Vehicle and Driver Information System (NEVDIS) has already overcome many of the issues associated with information flows between state agencies and facilitated increased cooperation between jurisdictions with regard to uniform national policies and procedures. Furthermore, state and territory governments have taken a step in the right direction by committing to unify registration and licensing regimes in the road freight sector. While yet to be implemented, this is a necessary first step that will provide a model for other road-reliant industries before eventual standardisation for all road users.

The next step is to consider a unified system for the rental vehicle sector. As in the road freight sector, the cost burden associated with managing fleets in different jurisdictions is unnecessary and does not provide any benefit to road users, businesses or taxpayers. Because the rental vehicle sector is reliant on tourists, the location of where vehicles are dropped-off is often different from where it was picked up. Currently, national rental vehicle organisations have to truck cars between states so that fleets meet registration requirements in particular jurisdictions. This situation is cumbersome and costly for businesses and a good example of the inefficiency of multiple road legislations.

[8] Treasury, *Architecture of Australia's tax and transfer system*, August 2008 p33
[9] Department of Climate Change, *Carbon Pollution Reduction Scheme: Green paper*, July 2008, p101

A single national road registration system would overcome many of these issues. While discussions are ongoing between relevant state and territory agencies, a clear road map to delivery is required that addresses the many challenges to implementation, such as costs and funding arrangements between the states. This would best be served by the appointment of a person to oversee the transition by the National Transport Commission.

In addition, the potential reform of road pricing, including new ways of charging for registration, should also be investigated. For instance, new technologies such as radio frequency identification (RFID) could be used in a vehicle kilometers traveled (VKT) system. The establishment of a national system should be endorsed as medium-term goal.

2.3 - Rail Access

TTF is concerned by the magnitude of access fees paid by long distance passenger rail providers, particularly the fixed flag-fall component of charges. The size of such charges threatens the long-run viability of long distance passenger rail services which make a significant contribution to regional Australia, particularly regional tourism, and facilitate the Commonwealth Government's objective of promoting regional dispersal.

Passenger services generate less revenue than freight per dollar paid in access charges[10]. They, therefore, have a lower capacity to pay relative to freight trains. Yet access charges currently impose freight train prices on passenger trains.

Rail pricing systems must be reviewed to address price discrepancies between passenger and freight services. Currently, passenger rail is priced at a rate comparatively higher than freight rail, despite fundamental differences that exist between the two in terms of (to name a few) speed, infrastructure wear and tear and weight. Alleviating this discrepancy would deliver a considerable boost to regional tourism. The failure of rail infrastructure operators to differentiate between freight and passenger services in their pricing structures is a significant impediment to the viability of long distance passenger operations.

A supply chain of passenger transport infrastructure from airports to urban and regional road and rail networks is vital. Investment in passenger transport infrastructure provides visitor access and patronage for private tourism investment. Just as addressing freight related infrastructure deficits is critical to primary industry export earnings, developing passenger transport networks is critical to the competitiveness of Australia's tourism exports.

2.4 - Environmental Regulation

The Cooperative Research Centre for Rail Innovation identified 151 pieces of environmental legislation relevant to the rail industry.[11] This plethora of regulation is cumbersome and extremely difficult to comply with. TTF supports a framework which takes a co-ordinated national approach to environmental regulation. By ensuring expectations are aligned, transport operators and regulators are better placed to facilitate compliance and transparency.

[10] Great Southern Railway (2006) *Submission to the Productivity Commission Road and Rail Freight Infrastructure Pricing* pg.21
[11] Cooperative Research Centre for Rail Innovation, *An Inventory of Environmental Regulation Pertaining to Rail in Australia,* 2008, p32.

With the introduction of a national emissions trading scheme, it is imperative that consistency is applied to other associated environmental legislation to facilitate a better understanding of the impact of transport operations on the environment. The transport sector contributes around 14 per cent of Australia's total greenhouse gas emissions, and this contribution is expected to grow in the future.[12] The sector must play its part in tackling Australia's greenhouse challenge – but a true partnership between industry and government is needed. Australian governments can assist by developing a policy framework that encourages modal shift to public transport, greater take-up of low-emission vehicles and greater use of renewable energy and alternative fuels in the transport sector.

Environmental regulation must be consistent with broader government policy objectives and with growing environmental awareness. There is an opportunity to align environmental objectives with other legislation. As an example, the ACT Government recently commenced the *"Green Vehicles Duty Scheme"*, whereby all new light vehicles are given a Green Vehicle Rating on which stamp duty rates are applied. Essentially, the better the rating the less stamp duty is paid. The scheme is based on a combination of the greenhouse rating and the air pollution rating from the Commonwealth Green Vehicle Guide.

2.5 - Land use and transport planning

Transport planning is inextricably linked to urban planning and design. If major cities and urban centres are to continue growing, that growth should be planned to take place along designated transport corridors with appropriate infrastructure and services. There is considerable scope for urban renewal and greater densities along many existing corridors. Old planning paradigms of urban sprawl and retail developments based exclusively around private vehicle transport are no longer acceptable.

However, in many jurisdictions, land use and transport planning are not coordinated. The failure to integrate these functions has resulted in inefficiencies and excessive costs. Moreover, the lack of collaboration and effective communication between separate government functions has created inconsistency in the design and implementation of planning processes. This has made it difficult for transport infrastructure providers to understand legislative requirements and led to increased duplication.

A more strategic approach to managing growth and integrating urban planning with transport planning is essential. This would improve clarity and efficiency for transport infrastructure providers and assist in streamlining planning processes. As is the case in Western Australia, governments should also aim to create further collaboration between land use planning legislation and environmental approvals processes.

2.6 - Rail Safety

Australia has seven rail safety regulators, three rail safety investigators and different rules in each state. With forecast growth in demand for passenger rail, increasing demand for

[12] Department of Climate Change, *Carbon Pollution Reduction Scheme: Green Paper,* July 2008, p99.

exports and imports and the strategic goal of increasing rail's mode share of freight, it is imperative that governance structures facilitate efficiency, consistency, and transparency.

The primary goal for any reform of the safety framework is to achieve the maximum safety benefit. TTF supports the goal of a single national regulator. While additional investment will be required for start up, transition costs and ongoing educational purposes, these costs are far outweighed by the benefits.

Rail investigations are an important part of an effective rail safety framework. Similar to the single national rail regulator proposal, a single national investigation framework would bring transparency, clarity and consistency for rail operators. The safety investigation framework significantly impacts the success of the safety system as a whole, and it is important that this framework encourages compliance while identifying new areas requiring possible regulation.

2.7 - Maritime Transport

There are more than 50 pieces of legislation and legislative instruments concerning maritime safety, administered by eight independent maritime safety agencies. Moreover, states do not automatically recognise maritime qualifications granted in another state and different standards for commercial boat building apply across jurisdictions.

In regards to cruise shipping, the problems with the number of regulatory regimes and lack of co-ordination between administrating agencies was highlighted by the swine flu events on board a P&O Cruises ship earlier this year. Different health authorities, both state and federal, providing different advice and requirements led to confusion and additional costs for the operator. Only a harmonised approach to regulation will improve efficiency and allow the full economic potential of the cruise industry, which is estimated to generate about $1 billion a year in economic benefit this year, to be realised.[13]

2.8 - Other Considerations

The National Transport Commission (NTC) is the national body tasked with transport regulatory reform. However, due to a lack of resources there is an underlying bias in the work of the NTC on regulation and safety issues associated with the freight sector, with less emphasis on the necessary reform of public passenger transport. If the NTC were given more funding it would enable the organisation to focus more resources on restructuring Australia's state based passenger transport systems into a national network, bound by the national goals of the economy, the environment and social equity and inclusion. This would provide the necessary backroom support required to address many of the issues outlined above.

[13] Information supplied by Carnival Australia

CONCLUDING REMARKS

TTF welcomes the opportunity to contribute to the Productivity Commission's *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*.

With regard to aviation, TTF is aware that there are a number of Government reviews and reform programs underway that will impact aviation regulation and legislation. However, the cost of inefficient and conflicting regulations continues to place a significant cost impost on the industry. In this context, it would be prudent for the Productivity Commission to consider the concerns raised by TTF and its members in response to the draft report.

For land and maritime transport, the regulatory challenges are multi-faceted and complex. The large number of operators now working in multiple jurisdictions, each with their own compliance regimes, is creating an unnecessary burden on these operators and is costly for taxpayers. The multi-jurisdictional regulatory burden requires a vast amount of resources to be directed to compliance and negatively impacts the interstate and international competitiveness of our transport operators. A range of options are available to address these issues and leadership will be required from Government in consultation and partnership with operators and infrastructure providers.

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