

Business
Council of
Australia



Business Council of Australia

Submission to the Productivity Commission

on

Road and Rail Freight Infrastructure Pricing

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1. Introduction

The Business Council of Australia (BCA) welcomes the opportunity to present its views to the Productivity Council with regard to road and freight infrastructure pricing.

The BCA is an association of Chief Executives of leading Australian corporations with a combined national work force of almost one million people. It was established in 1983 to provide a forum for Australian business leadership to contribute directly to public policy debates in order to build a better and more prosperous Australian society.

The BCA believes that if Australia is to grow as an internationally competitive nation there is a need for a comprehensive infrastructure reform agenda coupled with effective processes and structures which ensure greater accountability and more effective infrastructure planning and the removal of impediments to investment.

The BCA *Infrastructure Action Plan for Future Prosperity* which is attached provides a detailed review and set of recommendations related to infrastructure reform. It has specifically considered the nature of the different pricing policy frameworks as they pertain to road and rail and the impact this has on effective infrastructure development.

2. The Case for Infrastructure Reform

The *BCA's Infrastructure Action Plan* found serious bottlenecks in key areas of the economy that, unless addressed, would pose major constraints to future growth.

The BCA assessed the current state of a selection of Australia's economic infrastructure assets with the release of its *Infrastructure Action Plan* in March 2005. It found that as a result of poor institutional arrangements and policy choices, Australia's infrastructure is in urgent need of expansion, reform and repair.

It found serious bottlenecks in key areas of the economy that, unless addressed, would pose major constraints on future growth.

The *Infrastructure Action Plan* concluded that the development of quality infrastructure is essential to alleviate capacity constraints within the economy and ensure Australia's continued international competitiveness.

However, the *Action Plan* noted that funding was not the primary issue. Rather, the major barrier to better infrastructure to support future growth has been a lack of proper strategic planning by and between Governments. The *Action Plan* stated that a sustainable system of infrastructure cannot be achieved without structural and systematic change in the governance and planning of infrastructure policy in Australia.

3. An Efficient Inter-Capital Freight System

The *Action Plan* and related research undertaken by Rod Sims of Port Jackson Partners Ltd highlighted the importance of an efficient inter – capital freight system (pages 30-46) in light of the growth in such freight movements and the significant potential for infrastructure constraints given the current infrastructure in place and this rate of growth.

It highlighted three public policy challenges that need to be addressed to ensure efficient inter-capital freight movement:

- long haul truck movements and setting appropriate pricing;
- different models being used to set prices for road and rail usage;
and
- different assessment criteria for rail and road infrastructure.

The current approaches to each of these policy areas lead to distortions in pricing and investment decisions. Road and rail pricing policy differences mean the underlying cost differences are not reflected in the

pricing of the alternative modes. In turn investment in road or rail infrastructure choices are not based on a consistent approach to costs and capacity to achieve returns on investment.

Establishing competitive neutrality in road and rail pricing is an essential first step in facilitating an efficient inter-capital freight system.

4. Conclusion

The BCA welcomes this opportunity to provide input into ongoing policy discussion and development with a view to enhancing Australia's infrastructure planning and the removal of impediments to infrastructure investment.