# Beagles paws

*There are lessons for road reform in the current experience of energy and the former experience of railways. This article identifies some areas of interest –a later article will elaborate on these.*

These are dog days for infrastructure policy; so some reflections before the great ark of reform threatens to creep again.

Recent issues include energy and assessments of road projects. This article looks at energy and road reform

## Energy

I know naught about energy policy.

For the last 30 years energy was a glamour policy area, occupying ‘central agencies’ and what most assumed to be the top minds and best hands. Transport people earned a lot less and seemingly did much more; dealing with crises, vainly seeking to explain the risks of central agency prescriptions and attempting to clean up the mess when prescriptions were administered.

Energy gurus had great confidence in ’the model’. Transport was chastised for ‘failures’ to fully use it.

The model asked for ‘vertical separation’; different organisations for monopoly and contestable services, for example in rail a track authority and a train operator. The organisations should become corporations which while (temporarily) owned by governments would be controlled by Treasuries rather than a transport Minister who faced ‘conflicts of interest’. Government requests that were not financially viable would be made via community service obligations, with funding for these approved by Treasuries.

There were attempts to apply variants of the model in some railways for example in NSW. The talk of an energy ‘capital strike’ brings to mind claims made about railways being starved while the model operated there; large parts of the sector were reliant on government rather than just users for funds. In some cases managerial arrangements became convoluted. Subsequently there has been reversion to more traditional railway models.

I once thought the problem was due to misapplication of a good model to the wrong place; for example where government funding was needed to make the system work. However, former Prime Minister Abbott’s abolition of the carbon pricing ‘wrecking ball’ means the energy gurus have few excuses for their model producing bad results.

Bad energy results recently worried politicians and commentators to stampede and denounce parts of the model. Among the concerns are power blackouts and (alleged) coming gas shortages.

In the hubbub some aspects of the model, formerly proposed as strengths, escaped comment. One was a trade-off between price and service; for example a cut in electricity bills if more outages are accepted. Another was an apolitical environment in which investment is led by (highly paid) corporate executives rather than politicians; a set-up which benefited from cooperation among states rather than Commonwealth ‘intervention’.

The Commonwealth, although lacking formal responsibility for the energy sector, appears to take the view that the public will assign some blame to it.

In apparent response to a real initiative by South Australia, the Prime Minister announced a study into a possible Snowy Hydro project.

Under current governance arrangements this is a mistake. The proposal, even if it is merely a study not a project, should have been put forward by the relevant organisation to its shareholders and public, not by a government and certainly not one that lacks Constitutional or fiduciary accountability for energy investment.

And what of the Commonwealth-State Ministerial Council which supposedly: *‘provides a forum for an integrated and coherent national energy policy’?*  The Communique of its latest meeting, 17 February, claimed that measures to ‘strengthen’ the electricity market were discussed by Ministers; although like the Communiques of the Transport and Infrastructure Council it is opaque and provides no indication of what was discussed or who thinks what. While it is chaired by the Commonwealth Minister, the Hon. Josh Frydenberg MP, it did not mention the Commonwealth’s idea for the Snowy: <http://www.coagenergycouncil.gov.au/publications/9th-coag-energy-council-meeting-communique-0>.

No wonder States and the public get frustrated.

It is good to see the Commonwealth Government, whose primary interest in energy appeared to be bashing States where the ‘wrong party’ holds office, take things a little bit more seriously. It would be better still if the Commonwealth could avoid the familiar – to transport - approach of seeking credit without responsibility, ignoring Constitutional precepts and promoting yet another ‘privatise the profits and socialise the losses’ scheme.

If the Commonwealth does need to involve itself more in energy, instead of supporting electricity corporations, it would do better to assist the States, through s.96 grants – *a matter for Parliament not just the Government* - aimed at progressing Australia’s ethical or actual obligations. Better still it could take up Mr Kennett’s suggestion of taking over energy responsibilities instead of periodic sniping from the sidelines.

To reiterate, I know naught about energy policy, nonetheless the energy situation is further reason for caution about ‘road reform’.

## Road reform

Most proposals for ‘road reform’ look suspiciously like the energy model now being questioned.

Some proposals involve de facto corporatisation of roads, strict vertical separation (road users unable to directly invest in or commercially influence roads) and horizontal structural separation. All roads and all roads users are to be covered. Community service obligations payments would be needed to ensure some new road corporations succeed.

Energy model or not, it is surprising there is no mention of attempts to apply the model to railways.

Like the energy market, aspects of road reform seem impenetrable. Moreover, obvious ideas are apparently ignored by the ‘experts’.

Some Ministers have asked for greater surety about effects of proposed road reforms – and well they might. Proof of concept remains stubbornly absent. While on-the-ground trials are needed, there seems to be quite some hesitancy about their conduct. Not even simple arithmetic demonstrations of validity have been presented. This has been going on for nearly a decade.

At present some await the unveiling of the ‘eminent Australian’ to run the Commonwealth’s road reform inquiry – a mere six months after its announcement. Tell me when something real happens.

J Austen

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