# **JOHN AUSTEN – Australian freight policy: where is my chainsaw 2?**

*A recent report on freight and supply chains leads Governments astray. This is the second of three articles seeking to put them back on course.*

**The recent inquiry**

My previous article considered the proposal of a recent review of freight to expand bureaucracies. However, the opposite is needed. Before freight can be taken seriously a chainsaw is needed to slash the present bureaucratic shambles. <https://johnmenadue.com/john-austen-australian-freight-policy-where-is-my-chainsaw-part-1-of-2/>

Policy needs complete reconstruction using basic analysis and understanding how Governments lost their way. This article looks at those matters.

**Basic analysis**

Policy should seek to minimise total freight costs including those borne outside the industry. It should ensure pathways of least cost to industry are the same as those of least economic cost. This matters only for vehicles/locations readily distinguishable from general traffic and settlement e.g. trains and trucks moving between major freight centres such as ports, mines, warehouses.

Freight decisions, unlike travel, are entirely monetised – made on the basis of finances without regard to transit time or preferences about residential addresses. There is no economic case to subsidise freight.

Relative costs of lands and routes affect freight locations. Implications include:

* unless road charging is reformed freight will be carried too far, on the wrong vehicles between too many (wrong) places;
* increases in land values encourage freight to urban outskirts. We need plans for an inevitable shift of freight away from inner city areas and, in the interim, cross-metropolitan road and rail space dedicated to large freight vehicles;
* critical places – seaports, rail terminals and major junctions – deserve detailed attention and protection for freight purposes;
* very little big city land is suitable for freight. Planning should account for these activities before addressing other uses – contrary to Australian practice.

Policy also should facilitate international transfers of knowledge embodied in goods. Ideas here include co-locating heavy industry and freight to enable traditional industrial areas such as in Geelong, Adelaide and Kwinana to participate in new global value chains – the freight equivalent to information clusters near airports and inner parts of big cities e.g.: <http://www.oecd.org/sti/ind/global-value-chains.htm>

**How Governments lost their way**

For many years policy rightly focussed on significant places, routes and vehicles. There once was a real national highway program and a rail freight initiative. This focus was recognised elsewhere for example, the national access regime, established in 1995, applies to national infrastructure – not every asset.

Since the mid-1990s this changed.

The Howard administrations’ transport network, Auslink - continued under Labor as ‘Nation Building’, was well intentioned in trying to narrow a many-orders-of-magnitude road/rail spending imbalance. However, it became a sham as evidenced by omission of locations as important as the world’s largest coal port (and nearby RAAF base!) Newcastle and curios such as running to the front door of the Strathfield golf club while avoiding Sydney’s main rail terminal. A laughable ‘one rail network with many track gauges’ depicted in Commonwealth publications didn’t enhance its credibility. <http://investment.infrastructure.gov.au/files/national_land_transport_network/National_Land_Transport_Network_2014_-_Road_and_Rail.pdf>

In fact, the network was limited by Commonwealth funds. When transport money earmarked for a particular State ran out, so did the network.

Opportunities to pursue true network characteristics – such as interoperability, user rights, processes for privately funded improvement, common ownership – were shunned. The network was a place for largesse.

Acquiring public money was becoming easier for freight projects - particularly roads - than other transport because ‘productivity’ was supposedly involved. Yet Treasuries apparently forgot freight is able to and should pay its way. To compound that mistake more than a few projects designed for cars were slipped into the road freight category.

The network charade provided officials and politicians a cloak of legitimacy for endless pork barrelling and blame shifting. Nobody dared say what this is: acquiescence to rent seeking.

**The pork barrel and ‘reform’**

The pork barrel reflex was fed by the growth of ultra-vires road spending programs – renamed for each new federal Minister - evidenced by an unedifying scramble to refloat spend-on-anything doctrines torpedoed by the High Court in 2014: <https://johnmenadue.com/john-austen-the-high-court-the-williams-case-and-transport/>

The desire to roll the pork barrel throughout the land meant the very idea of a network became inconvenient. Moreover, if there were no network there would a better excuse for not bothering with crucial problems like inordinate, archaic approvals for essential facilities – rail terminals, channel dredging, fuel pipelines etc – created by other entrenched bureaucracies. In any event, officials would be too busy handing out road gifts, ensuring project signage and addressing Auditor General concerns to worry about such work!

Accompanying this was a game of blaming States/local governments for not undertaking proposed ‘regulatory reforms’. Almost all proposals were stupid (at best) as applying equally from downtown Melbourne to Arnhem Land!

No attempt was made to apply any reform to a network under/by Commonwealth power – not even a trial. Mere suggestions of that were apparently verboten.

That failure supports suspicions held by many of Commonwealth: grandstanding about matters that could never be accepted because they would shift enormous costs onto other levels of government; avoidance of responsibility by creation of low order distractions. <https://johnmenadue.com/john-austen-roads-another-year-of-inaction-and-congestion-causing-deficits/>

**Advice on a national strategy?**

At its inception Infrastructure Australia advised a national freight network was needed; essentially to link the ports.

Its research indicated: conflicting project and policy proposals; absence of any national level consideration of freight; ‘reform directions’ skewed by outdated stereotypes such as for industrial relations, governance and competition policy. Some reforms - lazy reruns of previous intergovernmental ‘triumphs’ – expanded the gulf between real concerns and Government ‘action’. <http://infrastructureaustralia.gov.au/policy-publications/publications/National-ports-strategy-background-paper-December-2010.aspx>

Its three reports in 2011-12 - sought by the Prime Minister - made some simple points to encourage the Commonwealth back into the main game of major locations and routes.

<http://infrastructureaustralia.gov.au/policy-publications/publications/files/COAG_National_Ports_Strategy.pdf>

<http://infrastructureaustralia.gov.au/policy-publications/publications/National-Land-Freight-Strategy-Update-June-2012.aspx>

First, the Commonwealth’s deep involvement in airports contrasted with its absence in seaports and their channels – except to duplicate regulation. That irrational approach needed to change.

Second, it is not possible for the Commonwealth – or anyone - to have a view about settlement without a handle on ports. Transport and urban policies should start with a national approach to ports – dealing with precinct, road/rail and channel planning.

Third, freight should cover at least all the infrastructure costs it causes. Efficiency and equity considerations imply it should exercise regulated commercial control over particular facilities to the extent it covers associated costs.

Fourth, as a corollary, routes/places with the most freight are least in need of Government funding/supervision and most amenable to market led investments. Road reforms need these places to be separated from others not least to avoid infringements of competition law such as predatory pricing.

Fifth, proper engagement with the community requires a ‘big picture’. It needs to be a national matter referring to tangible matters, locations, common understandings, historical experience and national purpose. Ad hoc developments simply justified by alleged ‘productivity’ gains increase the cost of freight’s ‘social licence’.

Last, as there was (is) no credible national transport network – freight or otherwise – it can only be an ambition. It should be progressed by increments only when justified via processes transparent to industry (which should foot the bill) and the community.

The ports advice was welcomed by politicians but vehemently opposed by bureaucracies. Departments disingenuously warned about Commonwealth intervention (never proposed) delaying any progress for over 18 months. <https://www.coag.gov.au/meeting-outcomes/coag-meeting-communiqu%C3%A9-13-february-2011>; <https://www.ntc.gov.au/intermodal/productivity/national-ports-strategy/>

The freight advice fared worse.

Perhaps this was due to it saying hand-outs to major routes are not justified – rather, industry should largely say and pay for what gets done there. The unstated implication: advisers had completely misunderstood and misrepresented the purpose, economics and social implications of a network for freight. Governments were doing exactly the opposite to what should be done. A freight network is a place to NOT spend taxpayer monies. Maybe the reports should have been limited to such a sentence.

Or perhaps, like ports – which were never mentioned over several decades in the national Ministerial Council – officials resented somebody trying to do something about their neglected bureaucratic turf?

**Different approach adopted**

Departments wrote their own different report in 2013, misrepresented – including by the present inquiry – as advice under almost the same name. <http://transportinfrastructurecouncil.gov.au/publications/files/National_Land_Freight_Strategy_Compressed.pdf>.

Instead of focussing on places like Gladstone or the Pilbara channels, that effort presaged more reports saying freight goes everywhere and needs better tracking - necessary to retain the pork fest if industry is ever given any say in freight.

A patina of ‘logistics/supply chain’ sophistry was added without defining those terms. Determinants of supply chain structure such as value/tonne, regulatory inefficiencies, market power imbalances, business practices in various freights or how ownership of goods is transferred - such as by cif or fob contracts - were ignored. Rather the line was: ‘freight just happens’ – supporting the ‘predict and provide’ fallacy underpinning outrageous overspending on roads.

Such a vacuum invites ludicrous claims like on-line retail is of critical interest to transport bureaucracies because it is ‘freight’.

<https://infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry_Report.pdf>

Meanwhile ‘reforms’ initiated 25 years ago – on rail harmonisation, road charging and access, streamlining national bureaucracies etc. – languish in various states of non-deliverance. Most have no prospect of ever being delivered, not because of ‘reform fatigue’ or lack of incentives, but because of stupid attempts to apply them everywhere – there will never be a social licence to allow that. The biggest problem is their stubborn pursuit prevents what could be done.

**Conclusion**

The infrastructure pork barrel – particularly in Commonwealth hands - is cancer metastases throughout freight policy – for which agencies and advisers continue to demean themselves. The chainsaw must cut out its malignant growth.

If the barrel cannot be completely excised because of ‘political reality’ it must be confined to the corner – relegated from the centre – of policy. The next article will suggest how.

*John Austen is a retired former official who conducted freight benchmarking studies, was the initial director of freight in NSW transport, advised on the establishment of rail access regimes and national rail organisations and led Infrastructure Australia’s development of ports and land freight strategies. More details will be at thejadebeagle.com*