# A job for Hollywood Harold

## The machine

The legendary Hollywood Harold, of Johnny’s fish café fame, long ago patented a backslapping machine. He would wind-up the machine which, after surveying somebody’s work, would gently slap them on the back saying ‘good job, well done mate’.

Readers would know the beagle’s view that the long and continuous chain of infrastructure sector propositions did not deserve such a machine. But as Travis Bickle says: ‘suddenly there is change’.[[1]](#endnote-1)

The topic is road reform. The context an interesting exchange.

## The topic: road ‘reform’ and a price ‘regulator’

The Commonwealth Treasury and Department of Infrastructure released a discussion paper on an independent price regulator of heavy vehicle charges.[[2]](#endnote-2)

A declaration of interest before we move on. In early July the author provided a submission to the paper, suggesting it lacks merit and indicating possible doubts about bona fides.[[3]](#endnote-3)

Back to the story: readers would be unfamiliar with how a ‘price’ regulator differs from an economic one. Happily, the discussion paper included an explanatory table.[[4]](#endnote-4)



This particular price regulator – for road charges - would be ‘forward looking’. It would use forecasts of road spending to determine charges.

The idea supposedly follows directions once led by a Heavy Vehicle Charging and Investment Reform Board which ‘reported’ to the Council of Australian Governments.

## The exchange

Mr Luke Fraser, a member of the former Board, wrote an article for Mr John Menadue’s Pearls and Irritations blog claiming the price regulator proposal attempts to reduce road agency accountability.

In his view its aim is to install fully stocked cash machines in road spending departments, so that they and ministers can spend without public scrutiny.

The amount in the cash machine would be determined solely by how much a department wants; its forecast of spending without regulatory or Treasury control. This would be paid by road users. Mr Fraser said the result would be charges at least 25% higher than today.[[5]](#endnote-5)

This author commented on the assertion that there would be no Treasury control. While treasuries might not review forecasts (and therefore amounts charged to the public), they would still control actual spending. This result might be charging road users for works that aren’t done.

Mr Michael Lambert, former Secretary of NSW Treasury and Chair of the former Board, also commented. He took umbrage at Mr Fraser’s views and claimed his Board had been shut down as a result of ‘confusion and misinformation’.

He said the proposal is a step forward since the regulator would be independent and forecast spending - ‘the program’ - would be developed in consultation with industry and be reviewed.

However, he didn’t say who would do the reviewing.

In turn Mr Fraser responded to Mr Lambert welcoming their reacquaintance and suggesting his former Chair was misled; the above table is clear that the regulator won’t review ‘the program’.

So who will review the program? Before we get to that some further context is in order.

## Some context – Ministerial Council

Today, as has been the case since the early 1990s, heavy vehicle charges are ‘determined’ by a *required* vote of a Ministerial Council on proposals from the National Transport Commission.

The Commission was independent of the jurisdictions until a 2012 review authored by departmental officials. The review recognised government representation on the Commission would be inappropriate yet recommended it in any case. The recommendation was duly adopted; the Secretary of the Commonwealth Department is a Commissioner.[[6]](#endnote-6)

If the Commission’s governance was appropriately reconstituted, would the ‘pricing regulator’ make a difference? Yes, but to only one thing: it would remove the *required* Ministerial Council vote.[[7]](#endnote-7)

Why does the Ministerial Council vote? Because charges comprise Commonwealth and State taxes.

Taxes can only be levied by Parliaments. Ministers being accountable to Parliament under ‘responsible’ government are the appropriate people to make tax proposals.

One could imagine Parliament in one State wondering what was being proposed by governments to other Parliaments. States would want to know what the Commonwealth is going to charge. In short any Parliament will ask: what does the Ministerial Council think? What was the vote……..?

Hence the sole effect of the proposal is not to introduce a ‘pricing regulator’ but to change the *requirement* for a vote. A vote will take place - whether required or not - anyway. Where is that in the discussion paper?

## Some more context – what is truth?

We shouldn’t be too harsh on the discussion paper for misleading someone like Mr Lambert. His Heavy Vehicle etc. Board was dissolved 3 years ago. Given the water under the bridge it would be easy for former Board members to forget the axiom of road policy discussions: believe nothing you hear and less of what you read.

Previous posts noted other road policy examples where Pilate’s jest – ‘what is truth’ - is apposite.

One was the Productivity Commission duped into claiming the national access regime does not apply to roads; the legislation has roads as an example of what the regime applies to.[[8]](#endnote-8)

Another was a series of heavy vehicle road charging trials that never took place.[[9]](#endnote-9)

Then there was the case of misrepresentation that charges for mass-distance-road class are mass-distance-location charges. As if Hobart and Port Hedland (roads) are in the same place.[[10]](#endnote-10)

Another was the presentation of general taxes in a table of road related revenues by the Bureau of Infrastructure Transport and Regional Economics.[[11]](#endnote-11)

Not to be outdone are matters of persistent denial; of a road fiscal deficit; of proper charges for the Hume Highway; and of ‘reform’ for rail competing highways only.

The discussion paper continues the tradition. ‘Confusion and misinformation’. No shame in that.

## So who will review the program?

The essence of the ‘who reviews’ issue is that no government will want an outsider to pass comment on the wisdom of their road spending proposals.

The authors of the discussion paper must have known about, but did not refer to, the approach taken in NSW that deals with this issue. There an independent regulator recommends public transport prices - fares - that would be efficient; doing rather more than the price regulator in the above table. Of course that is public transport; nothing can be learned there.[[12]](#endnote-12)

The discussion paper’s proposition can be demonstrated by asking: who would do a review of the program for a privately owned road for the purpose of setting tolls. The road owner itself?

Surely the proposition isn’t that departments will review their own programs?

Which brings us back to Hollywood Harold.

His back slapping machine is independent. It can count. It is not the National Transport Commission. It meets the discussion paper’s criteria for an independent price regulator of heavy vehicle charges.

It is underused in the infrastructure ‘space’. It’s time to put it to work; to appropriately review road programs, promises for ‘record infrastructure spending’ etc, and extend a cheery ‘well done’ to departments and governments alike.

In its free time, between ticking bids to stock road agency cash machines with monies gained from road users, it can offer congratulations to advisers for their contributions to transport efficiency and community trust.

In so doing it would enhance the credibility of the decade long (so far) ‘reform process’.

And it can do all this is a lot cheaper than the cost of collating spending bids from every local government in Australia…….[[13]](#endnote-13)

Hooray![[14]](#endnote-14)

J Austen

20 July 2017

1. See: <http://www.imdb.com/title/tt0075314/quotes> [↑](#endnote-ref-1)
2. <https://infrastructure.gov.au/roads/heavy/files/IPR-Discussion-Paper.pdf> [↑](#endnote-ref-2)
3. Available at thejadebeagle.com [↑](#endnote-ref-3)
4. The OECD definition for ‘price regulator’ is vague and is not differentiated from an economic regulator. https://stats.oecd.org/glossary/detail.asp?ID=3286 [↑](#endnote-ref-4)
5. The exchange is given at: Luke Fraser <http://johnmenadue.com/luke-fraser-road-reform-bureaucracy-style-no-economic-benefit-higher-prices-for-users-and-an-easier-ride-for-already-unaccountable-agencies/> [↑](#endnote-ref-5)
6. See p.11 <https://infrastructure.gov.au/transport/australia/ntc/files/NTC_Review_Report_2.pdf> [↑](#endnote-ref-6)
7. Or more accurately a particular majority of votes is required for the charging determination to be deemed accepted by the Ministerial Council. [↑](#endnote-ref-7)
8. http://www.thejadebeagle.com/roads-2-cause-and-consequence-june-2015.html

 [↑](#endnote-ref-8)
9. <http://infrastructureaustralia.gov.au/policy-publications/publications/files/COAG_Road_Freight_Incremental_Pricing_Trials.pdf> [↑](#endnote-ref-9)
10. <http://www.thejadebeagle.com/roads-2-cause-and-consequence-june-2015.html> [↑](#endnote-ref-10)
11. <http://www.thejadebeagle.com/zombie-road-apocalypse.html> [↑](#endnote-ref-11)
12. <https://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Public-Transport-Fares/Review-of-CityRail-fares-from-2009-and-regulatory-framework?qDh=2> [↑](#endnote-ref-12)
13. Local government accounts for around 25% of total road spending in Australia. [↑](#endnote-ref-13)
14. https://www.youtube.com/watch?v=WOXjGxRsyfA. [↑](#endnote-ref-14)