



PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
ROAD TRANSPORT INDUSTRY FORUM
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Bruce McIver, Chairman

Last year, I addressed the Road Transport Industry Forum at the Sydney Opera House on the opening day of the campaign for my Government's fourth term. You probably recall a small incident concerning the placement of microphones on the lectern ... but nevertheless we went on to win the election campaign.

It is a pleasure to return to this Forum, and to these microphones, with a renewed mandate, and with a continued determination, to tackle the challenge of land transport reform.

On that occasion at the Opera House, I spoke about the importance of land transport, of improved regulation of road safety and of road funding. In the last twelve months we have moved a significant distance in these areas, and we will see even greater change before this term of Government is out.

This will not be reform just for the sake of it.

We have not embarked on improvements to land transport in Australia because it is easy. It is not.

We do not seek reform because it will be cheap. It will not be.

And we have not taken an interest in this area in order to court popularity. As we have seen repeatedly, it is all too simple for critics of land transport reform to get cheap popularity by claiming that it threatens the life-blood of remote communities, or that it is a cover for milking the industry for more revenue.

Such criticisms are of course totally inaccurate. They fail to recognise that the industry, though highly competitive, is held back by inappropriate and inconsistent State regulation, and by a lack of balance between the three variables of diesel excise, road damage, and road expenditure. Substantial variations in charges between States create distortions so severe that in some cases heavy vehicles which principally use roads in New South Wales can escape most of the cost recovery mechanisms by registering in, say, South Australia and buying fuel in Queensland.

The nation cannot afford a system of regulation that allows that kind of distortion, and that is the reason my Government is keen to remove impediments to the industry's efficiency.

The Industry Commission's analysis of road transport is the most thoroughly researched study of this issue available. It suggests that the value to the Australian economy of reform of road transport alone is worth \$1.2 billion a year. And rail reform - because of its relative inefficiency - may be worth a further \$4 billion.

To put that in context, coastal shipping reform - about which we hear so much, and where many changes are also taking place - may generate an extra \$500 million a year - a small sum by comparison. Even tariff cuts and the elimination of bounty payments are not worth as much to the economy as the creation of a fully competitive, commercial and properly regulated land transport system. It is in this sense the most important industry reform - yet it receives the least attention from many who claim to be interested in structural change.

In the early years of this Government, the principal focus of land transport reform was on road funding - in order to direct more funding to roads of economic significance - and on providing a simple means of allowing interstate vehicles some consistency in road regulation under the Federal Interstate Registration Scheme.

That was an appropriate focus for the time. However, following the Special Premiers' Conference last year, new and tougher areas for reform are now under scrutiny. They are:

- . first, the competitive relationship between road and rail, including the abysmal return on billions of dollars of taxpayers' funds tied up in out-dated, poorly-utilised and unrealistically-priced rail freight operations;
- . second, the need for consistency in regulation between States;

- . third, the need for a clear relationship - one accepted by Government and industry - between cost recovery and expenditure on roads, and effective delivery of road programs;
- . and fourth, the need to ensure that capacity for road damage is assessed in setting cost recovery levels for different types of vehicles.

Negotiations with the States, which control much of this area, are only part complete. But let me tell you what I can of the progress being made on these issues.

First, the road-rail interface.

Many of you will be legitimately concerned to know what the Commonwealth is doing in the rail area, as it has the capacity to affect your business.

Let me take it from first principles. You believe your industry is highly competitive. We agree. You believe the rail system is subsidised, inefficient and sets prices without reference to commercial standards. That is, it does not have to face commercial realities. We agree.

And we would add that rail has also been at a singular disadvantage because its freight operations have been the 'poor cousin' to passenger operations; because it has been even more heavily-constrained in cross-border operations by different State regulations than your industry; and because of an absence of new investment over decades.

Our commitment to rail freight is to remove these constraints. The States cannot do so on their own. And the nation cannot afford so poor a return from its rail network.

We intend to set up the National Rail Freight Corporation to take over as much of the inter-State rail freight task as possible. Intra-State services will remain with the States, although they may seek to contract them to the Corporation.

The Corporation will charge commercial rates. It will have a commercially-developed capital base. It will have a new award structure and work practices essential to its commercial focus. It will be expected to pay its own way without subsidies.

If these requirements cannot be met, there is no incentive for the Commonwealth to invest in rail freight. The future for State rail services, particularly other than commuter rail operations and some bulk tasks, must then seem very bleak.

I do not expect that all of you will welcome with open arms the revitalisation of rail freight. However, two important factors suggest that you should not fear it:

- . first, combined road-rail services can offer a very effective method of freight forwarding, so the benefits of improved rail efficiency will be obvious and valuable to your industry;
- . and second, this will not be subsidised competition. Your industry will be able to compete on its merits.

Turning to the need for consistent road regulation, Commonwealth and State officials have reached broad agreement on a single national heavy vehicle registration scheme to cover all vehicles 4.5 tonnes or more fully laden.

This would involve an integrated set of State registries, offering rapid information exchange.

We have also broadly agreed to introduce uniform regulation in other areas including weight limits, driver licensing, loading codes, enforcement and road-worthiness.

About time too, you might say. I agree. And I am confident that the Premiers do too.

The third and fourth areas of reform which I mentioned relate to the inter-related questions of cost recovery, roads expenditure and road damage.

There will be much less heat and much more light generated in this area if we can get to a better-understood linkage between what you pay in cost recovery charges and what we and the States spend on roads. That may be optimistic, but it is our objective.

Since coming to Office, my Government has allocated more than \$10 billion to road funding Australia-wide. In 1990-91 we will provide \$1.6 billion for roads and other land transport projects - an increase of 13 percent in real terms on last year.

But the present system of responsibilities for roads expenditure is a mish-mash, despite all efforts to refine the system which has been in place for decades.

When it comes to roads, some seem to be more preoccupied with passing the buck rather than spending it.

The effective way out of this is for the Commonwealth to designate a specific set of roads which are its responsibility to construct and maintain, and for the States and local government to do likewise. In the case of the Commonwealth, something like an expanded National Highways System is one concept. What that will mean in practice, however, is yet to be determined. Again, much depends on our colleagues in the States.

We are also discussing with the States major changes to their cost recovery practices and to ours. There is perhaps a greater degree of acceptance, following the early rounds of discussion, on the principles established by the InterState Commission.

That said, I do not believe we will end up with a system which equates completely to that proposed by the ISC.

There are many reasons for this. Governments need to implement systems which are practical and which recognise the interests of the industries in which they operate. There is also frequently a need to phase in reforms, particularly where the nature of change is very broad, as is the case here.

While charges could rise for some - perhaps, relatively, a few - vehicles, there is at least the possibility that charges will fall for many others. This is an aspect of the ISC's report which has not been given much attention, and yet which has not been ruled out either.

Much will depend on the co-operation of the States and the understanding of the industry.

I can give you a guarantee that this is not a grab for new revenue.

I can also guarantee further consultation with your industry representatives before we finalise our position.

In return, I hope that you will continue to contribute to the reform process and help us, after the May Premiers' Conference, implement a better system for road transport in Australia.

The rewards for our nation will be enormous.
