ALC Opinion Piece – Road Reform On the Agenda at Tomorrow's COAG Leaders' Retreat

Amid the mountains of briefs prepared on GST for this week's COAG Leaders Retreat, one of the other fiscal issues that deserves equal longer term consideration will be in Jay Weatherill's back pocket. The South Australian Premier will take to the meeting a bold plan to reform the federation, including long overdue reforms to how our national highways and roads are funded.

In a speech to the National Press Club earlier this month, Premier Weatherill proposed the establishment of a national heavy-vehicle road-user charging system run by the Commonwealth. In his speech, he lamented the lack of a market-based funding system for roads, despite similar systems being in place for almost all other forms of infrastructure. Under his plan, state-based registration and federal-based fuel-excise charges would be replaced by a more transparent pricing mechanism that more closely links road use and investment. He also offered up South Australia as the test site for different elements for the new heavy vehicle road user charging regime.

From the perspective of Australia's freight and logistics industry – the sector to be most directly impacted by Premier Weatherill's proposal – we believe his plan requires serious consideration by all levels of government.

Seen through the political lens, his proposal is a direct policy response to growing pressure on state budgets for road infrastructure projects.

The fact is there are growing demands on the government purse requiring the use of taxpayer's money, particularly in the areas of health and education.

Premier Weatherill's blueprint echoes similar calls for reform made in recent times by the Productivity Commission, Infrastructure Australia, the Harper Review and the National Commission of Audit. These and other reports also flagged the concept of extending the heavy vehicle road reform, over time, to all vehicles, to send a more direct price signal and to help address congestion in our cities.

There is a growing consensus that the infrastructure funding system in Australia requires a major overhaul. The key will be delivering reform that improves long term funding sustainability of key freight routes in a transparent and equitable manner. Currently, funds raised through registration and fuel excise are smeared across the network, and not returned to the key freight routes carrying high levels of traffic.

A system where funds are arbitrarily applied across the system, with no real linkage to where the freight has come from, or is going to, is one requiring reform. Nor is it a system that supports improved productivity levels in the industry.

Industry's support for this reform will hinge on the extent to which it supports supply chain efficiency and reliability. It is critical, however, that funds collected are invested in the infrastructure used by the vehicle. In other words, the revenue follows the freight, and not lost to consolidated revenue.

ALC has long argued that funds from heavy vehicles should be hypothecated for investment in productivity enhancing infrastructure.

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For this initiative to succeed, Treasuries need to drive the process forward. Not only will it be quicker, it will be more effective if part of a broader set of reforms to change the infrastructure revenue stream.

And importantly, having Treasuries take carriage of this initiative will help to ensure a greater level of national coordination. This is important, because in the long run, road reform needs to be national, it needs to be consistent and it needs to be coherent.

This is a reform a long time in the making.

In April 2007, COAG set out a three-phase 'COAG Road Reform Plan' to consider alternative models of heavy vehicle road pricing and funding. The plan's objective was to promote the more efficient, productive and sustainable provision and use of freight infrastructure. Now, more than eight years later, governments have taken only tentative steps to deliver on these worthy objectives.

With studies showing the national freight task will increase by 100 percent between 2010 and 2030, all policy proposals to improve the long term efficiency of the freight logistics network need to be on the table. Otherwise the living standards of all Australians will be reduced.

These studies into Australia's rising freight task coincide with a report by the Australian Logistics Council and ACIL Allen, which showed a 1% improvement in productivity would yield a $2 billion a year benefit to the national economy.

As American economist Paul Krugman said, 'productivity isn't everything, but in the long run, it's nearly everything.' ALC hopes COAG leaders has Krugman's productivity mantra at the forefront of their minds when they sit down this week to discuss Wetherill's reform to fix our flailing federation.

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