

Submission to draft NSW freight strategy 2018

Introduction

Thank you for the opportunity to provide a submission to the NSW freight strategy. It is important to seek such submissions as:

- While essential, freight is perceived as a problem by most of the community. Constructive engagement with the community – in particular people with significant concerns about freight - is the only way of securing the necessary ‘social licence to operate’;
- Public submissions are a defence against ‘group-think’ and ‘confirmation bias’ within bureaucracies and Governments. Governments benefit from taking submissions seriously;
- Submissions are a form of evidence and can be tested. They minimise the misinformation and disruptive rumour mongering that plagues public policy – especially in transport;
- Appropriate treatment of submissions mitigates probity problems of preferential treatment of - or inappropriate access to Government representatives by - lobby groups and vested interests.

For these reasons all submissions and material used for developing the strategy should be published.

Beyond these matters, this submission makes three points:

- A. Government interaction with freight should be for major locations and some few vehicles;
- B. The highest priority for freight policy in Australia and the touchstone of credibility of this strategy is abolition of the disincentive on Newcastle port developing a container terminal;
- C. The process of developing NSW freight policy needs to be improved.

A. Major locations and some few vehicles

The purpose of a freight policy should be to maximise the welfare of people over time.

The essential characteristics of freight are:

- It is a derived demand following pathways of least financial cost to the owner of the goods;
- Financial cost (changes) largely influence pathways – locations and modes - rather than aggregate levels of freight;
- Economic costs will deviate from financial costs due to an absence of road pricing and negative externalities including pollution, community severance and reduction in amenity.

Welfare is maximised when, and freight policy should aim at ensuring, pathways of least financial cost to owners the same as least economic cost. It is not maximised, and may be damaged, by simply reducing the financial cost of freight.

Policy settings influencing freight markets, started in the 20th century and in place today, are characterised by strong bias towards roads via: the sinking of enormous sums of public monies; infrastructure practices which would be considered illegal predatory behaviour in a corporate setting; relatively lax safety and environmental regulation. These exacerbate divergences between economic and financial costs and have led to the use of sub-economic line haul pathways.

Among the results are increased community disquiet about freight policy in general and about the bona fides of Government claims of acting in the public interest. And calls to waste large amounts of public money.

Australia is fortunate to have a number of road freight operators who perform exceptionally well on all counts – e.g. community participation, productivity, amenity, safety, workforce investment etc. -

even though impaired by current arrangements. No doubt they will continue to do so. That their performance is not widely recognised and applauded – but rather in the public consciousness they are lumped together with operators who are not remotely near their standards, with consequent hysteria such as about ‘monster trucks’ - is an unfortunate effect of present policies.

For Governments to ‘double down’ on this by further direct and cross-subsidisation of road freight infrastructure – to ‘reduce costs’ – would be exceptionally foolish and give rise to pressures for further regulation in important freight locations via further inappropriate restrictions on vehicle operations and even more excessive environmental and procedural rules.

There is a large, established and expert private industry devoted to ensuring goods follow least financial cost pathways.

This implies any sustained Government freight focus should be limited to costs not borne by the owner of freight. There also is a compelling case for interim policy to redress – and eliminate - pre-existing distortions that have artificially favoured certain non-critical locations and modes.

Non-owner and non-financial costs are identifiable and assessable only with respect to a very few major locations and some few vehicles – trucks and rail wagons. They are almost never identifiable by observed classes of goods. It is possible for the ‘cleanest’ goods to be transported by the dirtiest truck.

Therefore, freight policies should be about major locations and vehicles rather than the very many interesting things that are undertaken perfectly adequately by the private sector. This would allow focus on and accountability for the key issues of least economic cost pathway and social licence to operate.

Indeed, Governments that extend policies beyond major locations and vehicles – into ‘supply chains’ – risk distorting markets, creating opportunities for corruption and creating counter-productive reactions in communities.

B. Newcastle port

A focus on locations and vehicles logically starts with those locations most difficult to move i.e. ports.

Some NSW policies regarding ports are seriously defective and need to be reversed. The worst policy, arguably the worst in Australia post War, is the artificial restriction on Newcastle preventing its port from developing a container terminal.

The Government’s opinion about the financial case for a terminal is beside the point. It is something a Government will probably never know and certainly should never second guess.

Similarly, Government arguments about black letter law are beside the point.

The Government’s explanations for the policy – and its previous secrecy - defy credulity and as such likely create significant reputational damage in the eyes of large international firms and markets.

The policy – with around 45 years to run - is clearly unsustainable and therefore unstable. This uncertainty must be damaging industry and transport investment in NSW. The likelihood is that freight is being attracted to uneconomic pathways.

If the current NSW Government is unable to eliminate this restriction, the Commonwealth should intervene in line with its Constitutional powers.

Until the present situation changes, the point of a NSW freight strategy is less than academic.

C. Policy process

The freight area of the Department is to be congratulated on seeking public submissions in developing its thoughts on freight.

However, the above indicates concerns regarding the evolution of policy development. The most serious are distraction from important issues – such as Newcastle port – by long lists of minutiae which through an appearance of being aimed at satisfying business interests undermines the essentials of any approach to freight or industrial development.

The draft strategy has too many activities, and activities that are misdirected e.g. ‘increasing access’. Despite the best intentions and efforts for these to be linked it is inevitable the result will be at best a loss of direction and confusion.

Meanwhile necessary actions, such as:

- reversal of the Newcastle impediment;
- overcoming the apparently irrational opposition to a new rail line to Port Kembla;
- ensuring there is consistency between the Greater Sydney Commission and Transport Department;
- redressing and then eliminating distortions that have led to use of sub-optimal pathways are relegated or forgotten.

The current proposed policy does not have bedrock as foundations. The process that led to this needs to be changed.

I would be happy to expand on these comments.

J Austen

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