

Background Brief

Transport: The Australian Framework

Two characteristics have shaped the Australian transport system. The sheer size of the country — 7.7 million square kilometres, 21 times larger than Japan — and the sparse population — 20.6 million people, equivalent to just two of the world's largest cities.

The population is largely concentrated on the continent's eastern coastline — and thousands of kilometres separate Australia's major cities. This has produced a vast transport system which plays a critical role in Australian life and business.

Each year Australia's largest airports handle 1 million flights and 54 million passengers. More than 3,300 ships make 23,000 port calls to load and discharge over 700 million tonnes of cargo at 70 ports. About 1.696 million tonnes of freight are transported around Australia by road. Australians drive an estimated 199 billion kilometres each year on a 810,700-kilometre road system. Each year the rail system carries 594 million tonnes of freight and provides 507.7 million passenger journeys.

Nationally, the transport industry employs about 454,000 people — about 4.6 per cent of total employment — and transport specific businesses contributed 4.5 per cent of GDP. In 2003-04, this amounted to \$38.7 billion.

Traditionally Australia has taken innovative solutions to cope with the challenges of distance and demand, combining government level involvement and a light handed regulatory approach with private sector investment opportunity.

From the trade and investment perspective, Australia has a very open transport sector, achieved through substantial reforms of all modes of transport since the 1980s.

The objectives of the reforms have been to provide greater efficiency, prices that better reflect underlying costs, new price-quality combinations, greater responsiveness to users, and improved safety.

In the three tier Australian government system (Federal or Commonwealth, state and local), the Australian Government has traditionally been responsible for the development, regulation and operation of most transport infrastructure in Australia.

The Commonwealth focus is on interstate and international traffic in freight and passengers. State Governments, for example, are responsible for port infrastructure including development, regulation and operations.

The process of microeconomic reform however, particularly the privatisation of transport operators and airports, has contributed to greater involvement in transport infrastructure by the private sector. The role of the private sector in a particular area of infrastructure may involve one or more activities such as design, construction, finance, ownership, operation and/or maintenance.

Major infrastructure provided by the private sector includes port and rail facilities for bulk commodities (particularly coal and iron ore), major airports, container terminals and intermodal facilities. Public-private partnerships have facilitated greater private sector involvement in several areas of transport infrastructure, including motorways, road tunnels, rail links (especially to airports) and rail terminals.

An ambitious and far-reaching initiative, AusLink, has been developed to meet the long-term challenges facing Australia's land transport infrastructure. AusLink – or the National Transport Plan – represents a collaborative approach with Australia's states, territories and local governments to fund new transport infrastructure against agreed benchmarks.

The \$15 billion AusLink program incorporates a single, integrated network of strategically important national links. It offers a new, long-term multi-modal planning framework – a major advance over the previous ad hoc, mode-specific approach. Corridor strategies will identify potential future bottlenecks and thus help target investment towards the most important needs. AusLink seeks to maximize opportunities for the private sector in infrastructure funding and development.

ROADS

In Australia, interstate highways and other public roads are owned by state and local governments with the Australian Government providing funding for specific upgrades of national links and general funding support. Other arterial roads are funded fully by states.

Local roads are usually funded by local governments but the Australian Government contributes general funding to local governments. Recent reforms across State arterial roads and national network links have led to a rise in public-private partnerships, which have funded major transit roads in urban centres and introduced toll-roads into the transport system.

Reform of road transport has focused on the standardization and harmonisation of regulations between jurisdictions, as each State and Territory is responsible for road transport regulation within its geographic boundaries. Before the creation of the National Road Transport Commission in 1991, diverse regulations had developed for driver/vehicle operations and standards, weights and dimensions.

A cooperative reform process between the Australian and state/territory governments since 1991 has achieved uniform or consistent national regulatory arrangements for many aspects of road transport. Areas where reforms have been implemented include heavy vehicle charges, vehicle mass and load limits, and driver licensing.

In 2004, all governments - Commonwealth, States and Territories - agreed to build on significant road reforms achieved in recent years, and established the National Transport Commission to extend the approach to include rail and intermodal transport.

RAIL

The Australian rail industry has undergone substantial change during the last decade with a shift from an industry that, outside of the Pilbara region situated in the northwestern part of Western Australia, was almost exclusively operated by government owned organisations that both managed track and operated trains. The industry now consists of predominantly privately owned companies.

The Australian Government has worked progressively with state governments over the last decade to introduce a standard gauge rail network with streamlined track access arrangements. The completion of the standard gauge rail network linking the mainland capital cities was achieved in 1995.

Reform in the rail sector has focused on stronger financial disciplines and greater competitive pressures. This means that train operations have been separated from infrastructure issues, such as rail access and ownership. The Australian Government actively participates in the Australian rail industry through the Australian Rail Track Corporation (ARTC). This was established in 1998 as an Australian Government-owned corporation to manage access and infrastructure development on the interstate rail network.

Establishing a single infrastructure provider for track access arrangements is still progressing but it will simplify the negotiation process for rail operators and improve infrastructure performance. Initiatives are also being implemented to increase operational and safety harmonisation between jurisdictions.

The purpose of the new rail access regime is to promote increased competition in operations. Reform of train operations have concentrated on separating commercial services (freight) from non-commercial services (passengers). Freight operations have generally been sold to the private sector, as have some passenger operations. However, most passenger services remain a state government responsibility.

Provision of railway services is open to any operator, though they must be accredited (for safety reasons) in the jurisdiction in which the principal activities are undertaken. Foreign suppliers of railway services must comply with standard regulations set by the Foreign Investment Review Board.

FREIGHT LOGISTICS

There is no specific federal legislation regulating freight logistics services. Freight logistics providers must abide by licensing, safety, environmental and labour standards normally applicable in Australia. Industry and government initiatives are being jointly directed at creating an integrated, competitive and efficient 'whole of demand chain' approach to the movement of freight. Road freight transport and arrangements for cargo handling, storage and warehousing, as well as freight forwarding and agency services are broadly open to foreign participation.

The doubling of the freight task and increasing urban congestion are key challenges facing Australia's freight logistics. Government and industry are working cooperatively to implement the Australian Logistics Freight Strategy which is targeting six priority areas: infrastructure, leadership, people, innovation and sustainability and security.

INTERNATIONAL SHIPPING

The Australian Government promotes free and fair shipping markets. Ships trading to Australia, however, are expected to conform to international standards relating to safety, marine environment protection and security.

Most international shipping is carried out by international private companies. No Australian Government has operated cargo ships since 1998 when the Commonwealth Government sold the Australian National Line (ANL) shipping business and the Western Australian Shipping Commission sold Stateships. Australia favours compatibility of international liner cargo shipping regimes.

International liner cargo shipping has some conditional exemptions from some competition provisions of the Trade Practices Act 1974. Part X of the Act has a residency requirement for ocean carrier agents so that there is a domestic point of contact for the service of notices etc relating to Part X of the Trade Practices Act.

DOMESTIC SHIPPING

The regulatory framework for coastal shipping is based on a system of licences and permits available to both Australian and international operators. Licences are issued on condition that crews are paid Australian rates of pay while vessels are engaged in the Australian coastal trades and not be in receipt of subsidies from foreign governments.

Ships engaged in the coastal trades are required to meet applicable regulatory requirements including those relating to customs, immigration, taxation and industrial relations.

PORT SERVICES

Ports in Australia are mostly owned by State or Territory Governments, but port authorities have been restructured, corporatised and, in some cases, privatised. The provision of auxiliary port services, such as towage and pilotage are open to private business in most instances though some are subject to a licence. There are no legislative barriers to foreign suppliers providing these services, or to foreign suppliers of stevedoring services.

Foreign vessels are able to access Australian sea ports and access and use port and harbour facilities on the same terms as Australian vessels. No restrictions are applied by non-government suppliers of these services. The use of terminal facilities is not mandatory.

AIR TRANSPORT

The Australian Government has responsibility for the policy guiding Australian aviation and airports industries and regulatory framework, in addition to aviation security.

Australia has promoted liberalisation and privatisation in the domestic and international aviation industry. The initial aim was to remove barriers between Australia's domestic and international aviation, and to develop a single aviation market with New Zealand. This was followed by changes to Australia's international aviation policy in the late 1990s, which encouraged greater liberalisation of bilateral aviation routes.

The key objective from liberalisation of the domestic and international aviation industry has been to increase tourism and business travel, and Australian consumer has benefited through more capacity and competition into the market. Australian airlines also benefit from increased access to international markets and greater operational and investment opportunities.

The deregulation of domestic aviation in 1990 opened the market to new operators. It has led to major changes in the level and form of airline competition in Australia. Foreign airlines and nationals are permitted to own up to 100 per cent of a domestic airline subject to a national interest test. Dispensation for foreign aircraft to operate cabotage in Australia is considered, in specific circumstances, on a case-by-case basis.

There are no ownership or control requirements for General Aviation.

AIRPORTS

Airports in Australia are largely owned by private investors or local authorities. Foreign investment proposals for acquisitions of interests in Australian airports are subject to case-by-case examination in accordance with the standard notification requirements. Private ownership of Australia's 22 major airports was introduced in 1996 through a series of airport sales. The airports were sold on a long term (99 year) leasehold basis and is regulated through the *Airports ACT 1996* which governs planning and land management at the airports and economic issues. The Act stipulates a 49 per cent foreign ownership limit in airports offered for sale by the Commonwealth, a 5 per cent airline limit and cross ownership limits between Sydney airport and Melbourne, Brisbane and Perth airports.

Ground handling and airport facilities can be provided by the airport, airlines or commercial operators, and is based on a competitive market framework. Subject to the normal safety, environmental, and security requirements, there are no barriers to foreign investment in ground handling services.

AIR TRAFFIC CONTROL SERVICES

Airservices Australia (a state-owned enterprise) has the statutory role to provide air traffic control services. Airservices Australia also provide aviation rescue and fire fighting services at 17 of the nation's busiest airports, though this service is open to commercial competition.

A number of supporting air transport services, such as aircraft repair and maintenance services, the selling and marketing of air transport services and computer reservation system services, are contracted out separately from bilateral air service agreements. Aircraft repair and maintenance services require certification and are regulated by the Civil Aviation Safety Authority. There are no transport specific regulations concerning the selling and marketing of air transport services or computer reservation system services.

TRANSPORT SAFETY

While the operators of transport systems (including states and private sector organisations) have prime responsibility for maintaining safety in their transport operations, the Australian Government manages a national safety investigation regime.

On behalf of the Australian Government, The Australian Transport Safety Bureau investigates safety accidents and incidents involving civil aviation, international and interstate shipping and the defined interstate rail network.

These 'no blame' investigations focus on improving future safety, rather than on criminal or civil liability. In 2005-06, for example aviation safety stakeholders undertook 129 separately identified safety actions linked to 45 aviation investigations.

In terms of road safety, the National Road Safety Strategy 2001-2010 provides the framework for coordinating the road safety initiatives of all government and other stakeholders.

The plan represents the consensus view of jurisdictions on the priority issues for Australian road safety. It calls for a range of concurrent actions addressing road user behaviour, safer roads and safer vehicles.

The target for the strategy is to reduce road deaths per 1000,000 population by at least 40 percent by 2010. In the 12 months to the end of January 2007, 1,580 people died on Australia's roads—5.4 per cent fewer than in the previous 12 month-period.

Road safety is seen as a shared responsibility between all levels of government, industry and community groups and individual road users.

The Australian Government, for example, is working with vehicle manufacturers to encourage the adoption of the latest generation of safety features, such as electronic stability control and curtain airbags.

The Australian Government is also investing \$15 billion in safer roads under the AusLink land transport plan and associated black spot funding.

TRANSPORT SECURITY

Terrorist strikes in New York, London, Madrid and Mumbai have all bought a new focus and a new urgency to securing transport systems against attack.

Since 2001, the Australian government has invested heavily to strengthen security across the transport industries and has worked with state and territory government and industry to improve the security of Australia's transport system being a target or used as a vehicle for terrorism.

The Government sets and enforces a preventative security framework for the aviation, air cargo and maritime sectors and with state governments, implements effective preventative security measures in surface transport under an agreement signed by all jurisdictions in 2005.

In aviation, the improvements have included expansion of security requirements totalling 187 airports, stronger passenger and baggage screening, on board air security officers on some flights and more stringent identification requirements for people working in the aviation industry. In 2007 regulations will be introduced restricting the liquids, aerosols and gels that can be carried on board aircraft. The new regulations follow the foiled terrorist plot in London in 2006 where liquid explosives were to be used in attacks on aircraft.

Regional airports play a critical role in Australia transport system and security has been enhanced at these sites. Closed circuit television (CCTV) is being introduced and the Australian Government has invested a further \$1.5 million in security enhancements. More than 140- regional airports now have access top metal detection equipment and trained staff to operate the systems.

Through the introduction in 2007 of the Maritime Security Identification Card, identification requirements have been tightened at Australia's offshore facilities and ports.

In 2007 the air freight industry and road transport are also benefiting from an improved security regime.

FUTURE DIRECTIONS

The AusLink program will be one of the major influences on the future of Australia's transport system. It aims to promote sustainable national and regional economic growth, development and connectivity in land transport over the next decades by:

- Improving national and interregional connectivity for people, communities, regions and industry;
- Improving national, interregional and international logistics;
- Enhancing national, interregional and international trade; and
- Enhancing health, safety and security.

AusLink is the latest Australian initiative that meets the considerable transport challenges of a very large, but sparsely populated island country.

March 2007