



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

WEDNESDAY, 14 SEPTEMBER 2005

CANBERRA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES



## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:  
**<http://parlinfoweb.aph.gov.au>**

**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES**

**Wednesday, 14 September 2005**

**Members:** Mr Neville (*Chair*), Mr Gibbons (*Deputy Chair*), Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Richardson, Mr Ripoll and Mr Schultz

**Members in attendance:** Ms Bird, Mr Gibbons, Mr Haase, Dr Jensen, Mr McArthur, Mr Neville, Mr Richardson and Mr Schultz

**Terms of reference for the inquiry:**

To inquire into and report on:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
  - land transport access to ports;
  - capacity and operation of major ports;
  - movement of bulk export commodities, such as grain and coal;
  - the role of intermodal freight hubs in regional areas;
  - opportunities to achieve greater efficiency in the use of existing infrastructure; and
  - possible advantages from the use of intelligent tracking technology;
- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

**WITNESSES**

**POTTER, Mr Michael, Director of Economics and Taxation, Australian Chamber of Commerce  
and Industry ..... 1**



**Committee met at 9.09 am****POTTER, Mr Michael, Director of Economics and Taxation, Australian Chamber of Commerce and Industry**

**CHAIR (Mr Neville)**—I declare open this public meeting of the House of Representatives Standing Committee on Transport and Regional Services. In doing so, I bring to the attention of witnesses that this is an inquiry into the integration of regional rail and road networks and their interface with the ports. This is the eighth public hearing of the inquiry and it is part of an extensive program of public hearings and visits designed to explore the key issues of the inquiry.

The committee is seeking to determine whether regional transport networks are equipped to deal with the rapidly growing task of moving Australia's freight. The ability of regional transports networks to do this will vitally affect the future of the Australian economy. The committee is also seeking to encourage cooperation between the three levels of government and between government and private enterprise to ensure that necessary infrastructure is provided where and when it is needed.

The committee has already been to Mackay, Gladstone, Melbourne—twice—and Portland, as well as holding committee meetings in Canberra. Today, at this eighth meeting, we welcome the representative of the Australian Chamber of Commerce and Industry. Do you have any comments to make on the capacity in which you appear?

**Mr Potter**—I prepared our submission to the committee.

**CHAIR**—Although the committee does not require you to give evidence under oath, I have to advise you that these are formal hearings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and could be regarded as a contempt of the parliament. Having said that, I assure you that you are most welcome. Would you like to give us a five- to seven-minute overview of your submission?

**Mr Potter**—Yes, I would love to. First of all, I will make some prefatory comments. There are quite a lot discussions going on about infrastructure, and I will mention just some of them. There was the Fisher task force inquiry report into exports and infrastructure. There were discussions at the Council of Australian Governments meeting earlier this year. Legislation on the national access regime for infrastructure has been brought before parliament, and yesterday there were announcements about the taxation treatment of infrastructure and public-private partnerships. The Victorian government has published a report which talks about infrastructure in some detail. Only yesterday the IMF published its annual report card on Australia which called for more reforms to infrastructure. I also note that one of our members, the Chamber of Commerce and Industry Western Australia, has made a submission to this inquiry.

As background to our submission to this inquiry, we say that there is no infrastructure crisis. This position has been supported by, amongst others, the Fisher report and COAG. But we do say that there are areas of very significant need in infrastructure. That is supported by a range of points. First of all, our exports have been reasonably sluggish. Despite the fact that we are getting record prices for many mineral commodities, our exports of those commodities have not

picked up commensurate with those price increases. Although we are expecting them to pick up now, they have not picked up as fast as we would like them to.

There are also challenges facing the economy, such as ageing and, perhaps, China. I refer you to our submission, as we did a survey of our members. While infrastructure did not come up as a very high concern, it was still a concern for a number of businesses. Also, an important point is that the Bureau of Transport and Regional Economics is forecasting that the freight task will double by 2020.

You could group things to do to address the concerns that are raised into three broad categories: regulation, investment and pricing. I will talk briefly on each of those in turn. First of all, we support increased cooperation between jurisdictions on regulation, and we would prefer cooperation rather than takeover. Takeover has been raised as an option by a number of people; we think cooperation should be the first option. Takeover should be seen as the second option if cooperation is not successful. We would not want to rule out takeover, but we think that cooperation is probably the first approach that should be looked at.

I note there has been a lot of talk about reducing regulation of business—for example, Steve Bracks's paper, which I mentioned earlier, talks about reducing regulation by 25 per cent. I know that COAG is doing a review of regulation as part of its national competition policy review. We are very supportive of reducing regulation on business, and that could equally apply to infrastructure.

On investment, we do not support the federal government takeover of decision making on infrastructure. We think that it is more important for the private sector to be involved in investment decision making. We are not ruling out public investment at all: public investment can and should occur in a number of areas, but it should occur when thorough cost-benefit analyses have been done. I particularly refer to AusLink, the federal government's strategy on transport. We do support the changes which have occurred in AusLink, but our particular concern is that while government has said there are going to be cost-benefit analyses done they will not be publicly released. One other point: federal government investment in infrastructure can be done to provide universal service obligations. In general, we think that these obligations should be provided on a competitive basis, not preferring one infrastructure provider over another.

Finally, on pricing, we support more movement towards demand management in terms of pricing so that the use of that infrastructure is managed according to demand and supply. I will mention a couple of other points. We support the idea of allowing more access by heavy vehicles to roads. In particular, this can occur by charging the accurate cost of their use of the roads. One other thing on pricing: there is a huge amount of talk about fuel prices at the moment, and it is a very important issue for business and the community. We are not particularly calling for a government to change its tax regime on fuel, but there will probably be some important issues there which need looking at, particularly from the competition front—although I will say we are not forecasting that the oil price will remain at its current level. We expect that it will fall; the question is when it will fall. That ends my introduction.



**CHAIR**—I am a bit surprised that you say you do not think there is a crisis in infrastructure. Are you excluding road and rail from that? Are you talking about private infrastructure or infrastructure in general?

**Mr Potter**—I am talking about infrastructure in general.

**CHAIR**—How can you say that, given the condition of the Australian rail network; the Pacific Highway, for example; and the need for urban corridors in Melbourne, Brisbane and Sydney? Relating it back to this inquiry, the committee has had briefings from the minister saying that, while 80 per cent of the east-west freight task can be handled by rail, even after the upgrade of the east coast track from Melbourne to Brisbane it will never go beyond 35 per cent. How are we going to handle those sorts of problems? You are saying the freight task will double in 14 or 15 years. I would just be interested to know why you do not think there is some crisis in infrastructure.

**Mr Potter**—First of all, I guess it comes down to terminology to some extent. We say that there are areas of very significant need; it may only be a short distance from that to say that there is a crisis. It can be a question of what context you are using those words in. We agree that there are areas of very significant need. I guess 'crisis' is something which really suggests the economy is falling into a hole over the nature of the export problems. I do not think we would say that that is true. Our survey and submission suggest that only a small number of businesses think that infrastructure is of paramount concern to them. I think that supports the idea that there is not a crisis. I would never want to say that there are not areas of need. There are definite areas of need. I think that roads and rail in particular are areas where there are some very significant needs. I do not think the word 'crisis' is the one which we would want to use in that connection, though.

**CHAIR**—Take the case of Dalrymple Bay. What does a government, be it state or federal, do when there is a previously publicly owned facility that is in private hands that is not handling the output of resources for export? Does the government sit back and say, 'The company that owns that port is happy enough with the throughput and the profit it is making; we should leave them alone,' or does public interest take precedence over that?

**Mr Potter**—First of all I would say that it is quite interesting that there are ports in WA that have actually been able to expand capacity to address the increase in throughput. My understanding is that those ports in WA have a common ownership all the way from the mine to the port, whereas in Queensland in the Dalrymple Bay case in particular, and probably in a few other cases such as Newcastle, there is a whole mix of operators. In WA there is what you might call an 'internalisation' of the investment decision making: you do not need to negotiate between companies; it is all done within one company. Whereas in Dalrymple, for example, or perhaps Newcastle there are negotiations between companies and these can fall down, they may not come to an adequate conclusion, in which case there may be a case for government intervention. I understand the state government has certainly had a fair amount of intervention in Dalrymple. The ACCC, I think, has been involved in Dalrymple and Newcastle to have a means of scheduling the arrival of boats, which is another way of addressing the concerns. I would not want to go into too much detail about what should happen in specific cases. I am not an expert on what is happening in particular ports. I would be happier to talk about general policy approaches rather than specific cases, for example what is happening in Dalrymple.

**Dr JENSEN**—Yours is a very interesting submission. My private view is that costing is a critical issue that we need to address.

**Mr Potter**—Do you mean pricing or the infrastructure decision making?

**Dr JENSEN**—I am talking about pricing. In my view, if you have the pricing correct you are not going to end up with the situation that we have with rail, for instance, where the infrastructure is falling apart basically because they are having a hard time pricing adequately to compete with road. The argument from rail is that the road users are not paying the full cost for the damage they are causing. You talk about demand and supply, and I agree with that. The issue, though, is that where you have one side of infrastructure, the rail, that is now so behind the eight ball, and you are trying to correct the imbalance, then I do not think you can say that ‘using supply and demand’ will address that, because rail is going to be starting off significantly behind. In your view, how do we go about equilibrating the situation to actually have fair competitions so we can have fair costing or pricing?

**Mr Potter**—We certainly would not support it if it was demonstrated that there was competitive nonneutrality between road and rail, but I do not think we would want to get into the debate about whether there is or not because we would represent both the providers of road and rail infrastructure and the road and rail users. So it would probably be inappropriate for me to get involved in a debate between—

**Dr JENSEN**—But, regardless of whether you would argue that, let us just say, for argument’s sake, that there is an inequality. How do you go about addressing it to level the playing field for fair competition in future?

**Mr Potter**—Assuming, for argument’s sake, that there is a competitive nonneutrality between modes, then it really needs to be addressed by looking at the prices and adjusting them. As a hypothetical example, let us say that road is being undercharged: what you might do, for example, is increase the charges on road use. I note that the National Transport Commission is currently looking at the pricing for road, and you might want to say, ‘Perhaps those charges need to be increased.’ I am certainly not going to be advocating that, though.

**Dr JENSEN**—But for the side where the current infrastructure, for argument’s sake, has fallen into disrepair because of this ‘competitive nonneutrality’, as you call it, even having this competitive fair pricing structure still does not actually address the problem, because you still have what I guess you could say are the after-effects of the earlier non-neutral position. So even having a completely fair situation at some point, in terms of pricing, is still in effect going to be nonneutral because one side is starting behind.

**Mr Potter**—That is quite a fair point. You could have the right prices now but a huge difference in terms of the quality of infrastructure from the past.

**Dr JENSEN**—Precisely.

**Mr Potter**—To be fair, I would not say that we have got a magnificent road system in Australia. I think there are distinct problems, as I have already mentioned. The road system is not perfect in Australia. The rail system is not perfect in Australia. I would not necessarily want

to get into a debate about which one is worse. I think there are very significant infrastructure needs in both areas. In terms of rail, we have got the ARTC taking over the lease of a lot of the interstate rail track, and my impression is that that is going to be really good for investment; that is going to provide some distinct benefits in terms of investment on rail. In terms of road, we have obviously got AusLink—actually, we have AusLink for both road and rail, so I think there are some distinct possibilities for improving the investment decision-making process on both road and rail. But as to how you deal with the historical hangover—if you want to use that word—in terms of poor infrastructure, I am not really sure. I do not have any magnificent solutions to that, but perhaps AusLink would be one way of addressing it.

**Mr HAASE**—I am particularly interested to hear you talk about the Dalrymple Bay situation and public versus private ownership of infrastructure. You have mentioned that you are aware of the north-west featuring privately owned and vertically integrated systems. Are you aware of the extent of that, however? For instance, in Port Hedland there are two independent operations with two sets of vertically integrated infrastructure from mine to ship. That is duplicated at Cape Lambert as well, a couple of hundred kilometres south-west. Then, 30 or 40 kilometres south-west of that, that is duplicated at Dampier. Those port-rail facilities are all worth multi hundreds of millions of dollars. What can you tell us about the effect on our economy—and I refer specifically to the balance of trade—on each occasion when a private organisation makes an investment commitment to replicate that sort of vertically integrated infrastructure?

**Mr Potter**—That is quite an interesting point. I was not aware of that. I would like to explore that for a second. Are you suggesting that perhaps, in the past, there might have been too much investment; that some facilities could have been shared and, instead, they were duplicated—built separately?

**Mr HAASE**—That is always the alternative point of view.

**Mr Potter**—In the current situation, with very high resource prices, perhaps having duplicated infrastructure which enables large quantities to go to port might be the right thing, but it may not be the right thing in the long term. I guess the obvious way to address problems when you have got duplication of infrastructure where it is not needed is to have a good access regime. I think there are amendments to the national access regime for infrastructure currently before parliament. I have absolutely no idea whether they would address the particular situations you are talking about. But allowing easier access to infrastructure which should have more common use is definitely a way of addressing that particular problem. When you have common-use infrastructure and allow access to it you need to make sure you do not go in the opposite direction and end up with a Dalrymple Bay, where decision making is so fragmented and poor on behalf of governments that it means you end up with not enough infrastructure investment.

**Mr HAASE**—You have not commented on the effect on balance of trade.

**Mr Potter**—There are sort of two effects. All else being equal, an investment decision in Australia could make the current account deficit worse, because the money could come from offshore.

**Mr HAASE**—The product, the materials for these facilities come from offshore?

**Mr Potter**—And just the money to make the investment. Everything else being equal—which might not be a good assumption—if you make an investment of \$100 million then you could say the current account deficit might be made worse by \$100 million. But then, moving on from that, you might make exports worth more than \$100 million as a result of that investment. You might make \$1 billion worth of exports as a result of that, which would make the current account deficit \$1 billion better. So you would hope that, in net terms, the investment was going to be smaller than the amount of exports it facilitated. Then you would end up with the current account deficit being better off—hopefully, and all else being equal. The actual, real way it would work out in the economy would, of course, be much more complicated, because you have got 1,001 other things happening at the same time.

**Mr SCHULTZ**—I noted, on page 18 of your submission, paragraph 6.2, ‘Association of Consulting Engineers Australia’, which lists a number of infrastructure bits and pieces. I just want you to elaborate on one thing. I am looking at 6.2.2: ‘Murrumbidgee Anabranch Water Scheme’. You mention:

The Pratt Group identified an alternative proposal that would deliver better economic, social and environmental outcomes.

The Pratt proposal offers private sector opportunity to deliver and operate the scheme, but this has been ignored and a more traditional solution run and operated by government is being implemented.

Could you elaborate on that particular paragraph?

**Mr Potter**—No. All these proposals came from my member organisations, and I just put them in our submission. So maybe it would be worth while my taking that on notice and asking the association.

**Mr SCHULTZ**—Could you do that?

**Mr Potter**—Yes.

**Mr SCHULTZ**—Whilst there is a desire by private sector investors to invest in infrastructure, from that statement it would appear that the Association of Consulting Engineers Australia believe that the more traditional solution is being influenced by the bureaucratic process at the expense of something more appropriate and efficient.

**Mr Potter**—I guess it does raise a couple of issues. The first is that water is an extremely important bit of infrastructure. There are a lot of reforms that need to be done in that area, but that is a bit outside the area of this committee. I guess the second concern there is about when the government is unfairly competing with the private sector. I will ask the association if they can provide further information on that specific issue.

**Mr SCHULTZ**—Taking the point that you just made—that it might be outside the committee’s terms of reference on that particular matter—it is an indication, from what I have read into your report, that there is a mindset in the private sector that government interfering in projects that could be adequately and more efficiently addressed by the private sector industry is a problem. Can I now lead on to your comments about regulation. Your submission would

indicate to the committee that it is difficult for private sector investment because of overregulation. Can you give us an overview of how that regulation is creating the problem and suggestions as to how to reduce the regulation?

**Mr Potter**—I might answer the second part first, which is about how you might address regulation. I mentioned that the Council of Australian Governments has asked for a senior minister's review of regulation in the context of national competition policy to be set up. There is some important work being done by that. The department of industry is doing some work on introducing some regulation. I am not sure of the exact term, but it is a process to better cost regulations that are being put on business. This is in the context of small businesses, but it could equally apply to regulations being put on any business. So some steps are being taken in that direction. We would probably like things to be done more quickly and comprehensively. Going back to the first part of the question, what are the problems that are evident, I am not an expert on individual problems that are occurring in terms of regulation.

**Mr SCHULTZ**—But broadly speaking.

**Mr Potter**—Perhaps I will talk about some broad examples without going into specifics. There is a lot of concern about the costs of getting planning approvals for infrastructure. Planning is talked about a lot in terms of buildings, as in ordinary housing and commercial buildings, but it becomes a bigger problem when you are talking about infrastructure, because infrastructure in general takes up a very large amount of land and it can be dirty, loud or whatever. With an airport, for example, there would be a lot of noise issues. With a port, there would be noise and pollution issues. You can probably expect that there will be a large amount of environmental regulations on infrastructure investment. That is one concern.

I also make it clear here that we are not arguing for the abolition of all regulation. There would definitely need to be regulation in terms of the environment, for example, but these regulations should be meeting cost benefit tests; they should not just be imposed because there seems to be a large benefit to society. It also needs to be seen what is the cost on business and is the benefit outweighed by the cost. I guess we have a concern that there is a large amount of regulation being put in place without an adequate analysis of the cost that is being imposed upon businesses.

Once the infrastructure is built, there is a separate bit of regulation in the prices which are being charged for the use of infrastructure. I have already mentioned the national access regime for infrastructure. That largely relates to the prices of infrastructure use and access to that infrastructure. A concern has been raised in the process of developing that legislation that the price for some infrastructure is being artificially set too low. That is great for the people who are using the infrastructure now, but it is not good when you are wanting to give incentive for future infrastructure investment. If the infrastructure investment is set at a higher rate, that will encourage future investment in the same or similar infrastructure. It is a very difficult balancing act, and I consider that the legislation currently before parliament is probably heading in the right direction.

**Mr SCHULTZ**—I have two more quick questions. The second one is prefaced by an observation which you might like to comment on. On the issue of disincentives in terms of the planning process, what about the time frame in the planning process?

**Mr Potter**—It is definitely an issue. Again, I would not want to go into specifics, but quite a number of our members have raised concerns about the length of time taken in making decisions on regulatory issues of all types. It is not just planning; it is across the board. More specifically, I know that two of our members—the Master Builders and the Housing Industry Association—have a great many concerns about local government planning time frames and costs. That is just one example amongst many. The government have made the announcement that they are going to have a regulation reduction incentive fund, which will provide money to local governments to reduce the amount of red tape that is being imposed upon small businesses. That is a good start, but it could go further.

**Mr SCHULTZ**—On page 19, under the Business South Australia section, there is a reference to AusLink. It says:

Business SA agrees with a national approach on infrastructure but was critical of the inconsistent interpretation in the Auslink package for the States, especially in SA—

and there is an illustration there. I tend to agree with what they are saying privately there when they say:

Also the translation of what was important in terms of “nationally significant” seemed to be illogical. The connection between the port and airport in practical terms is not a highly valued connection for export – export product goes through the airport or the port but is unlikely to travel between them.

There was another one where road infrastructure was identified in the first paragraph, as follows:

... especially SA—why does a highway upgrade in WA stop at the border into SA?

They are pretty valid questions. It throws into disrepute the way in which the AusLink program is being used in terms of the terminology ‘nationally significant’. Would you like to make some observations on that?

**Mr Potter**—Again, this is not our opinion; this is the opinion—

**Mr SCHULTZ**—That would appear to me to be a very poor planning process.

**Mr Potter**—Yes.

**Mr SCHULTZ**—The direction and the general thrust of AusLink is greeted very favourably by people—

**Mr Potter**—Yes.

**Mr SCHULTZ**—However, you can have all the rhetoric in the world, but it is an issue if you do not have the planning process right and those sorts of issues are not taken into consideration when you are making an attempt to spend valuable taxpayers’ resources on fixing one particular part of an infrastructure problem and you stop at point B and do not continue to point C.

**Mr Potter**—Yes. While these are Business SA's comments, I did read through this briefly to make sure they were not saying anything I fundamentally disagreed with. If these concerns are legitimate they definitely should be things that are investigated. I guess to link in with my earlier comments about AusLink, AusLink sounds like a greatly improved process but it is all still happening as a black box. The previous processes for deciding where investment occurred were black boxes; the new processes are still a black box. We do not actually have any evidence that the processes for coming to decisions about where investment occurs are going to be better. Perhaps this is a situation where it would be useful to have a revelation of why the particular decisions are being made in that way.

**Mr SCHULTZ**—Could I just make one final point in a question. Where, as an example, federal money goes into a state highway infrastructure project, which is needed urgently because of problems associated with accidents and the state of the road—and I will use New South Wales as an example—if road infrastructure construction is under the auspices of an organisation such as the Road and Transport Authority of New South Wales and that infrastructure is being held up, do you agree that there should be a caveat on taxpayers' money going to the states that says, 'If you can't do this at a particular time, we will go out and tender for private construction groups to fix the road or do the construction work on that particular section of road'?

**Mr Potter**—That might be a possible solution, but I would not want to say unequivocally yes or no, just off the top of my head, on that one. It may be a way of addressing concerns.

**Mr SCHULTZ**—I raise that because the argument coming from the states is that it is crown land and they have control of crown land. That is why they have this neat little 'shut-out' on where and when federal money can be spent.

**Mr Potter**—I might link that with my earlier comments about cooperation. We would like to see cooperation between federal, state and local governments on infrastructure provision, regulation and pricing, but there may be an argument for takeover if cooperation does not work.

**Mr GIBBONS**—In your submission you indicate a lack of interest in the idea of a national infrastructure council.

**Mr Potter**—Yes.

**Mr GIBBONS**—It seems to me that that would be a logical and helpful solution to the sorts of things my colleague was raising. What is wrong with the concept of an independent body—carefully selected—that has the skills and is separate from federal, state and local governments?

**Mr Potter**—Again, it is a question of terminology. We certainly support coordination. If you are talking about a body which coordinates decision making, particularly on regulation, we think that would be great. Our concern is really about federal direction of infrastructure investment. If you are talking about a national infrastructure council which coordinates decision making, including on regulation, infrastructure and pricing, that is great. Our concern is more about takeover, where it centralises everything in one place and runs infrastructure investment. Our concern is that that would become a system for pork barrelling. If you put constraints in place to make sure it was not pork barrelling, that would be great.

**Mr GIBBONS**—That is what I had in mind. I see that as a way of dealing with the problem that Mr Schultz has just raised, where you have one state expending dollars on an infrastructure project right up to its border and nothing being spent on that same piece of road in the adjoining state. Wouldn't an overall body be able to look at that and say, 'There is no point in allocating dollars in this situation until the adjoining state is ready to do the same'? Then everybody would get a good result.

**Mr Potter**—Absolutely. Again it comes down to terminology. We would be quite supportive of a body which does some things but not others.

**Mr HAASE**—I am confused by section 6.4.3 of your submission, headed 'Road Transport', in which you talk about the necessity for high- and wide-load corridors. You say that the Chamber of Commerce and Industry Western Australia requested that those corridors be provided, especially for the latest Woodside train. You talk about the number of permits for high and wide loads increasing dramatically, and say that that would not be possible if we had not had the high- and wide-load corridors. Unless you know the answer—

**Mr Potter**—No, I am afraid I do not.

**Mr HAASE**—I would like you to come back to us and explain whether or not they are in place satisfactorily.

**Mr Potter**—I will ask CCIWA to provide a response on that.

**Ms BIRD**—I would like to clarify a few points in your submission, including the table on page 4 about what businesses of various sizes think is the single most important issue for governments to address. Throughout your submission, you make the point on a number of occasions that infrastructure does not rate highly on their radar—and you can see that to some extent from the comment and the percentage shown in the table. But then you make the point that reforms such as workplace relations are far more significant—and I note that only 10 per cent say that. In the table, around 44 per cent of businesses say taxation is a particularly important issue. How much of that financial focus is to do with the cost of transport and so forth—or is it just to do with direct taxation issues?

**Mr Potter**—I will make a couple of points. First of all, this survey was conducted before I was working at ACCI so I cannot speak on this in great detail. My understanding was that it was just that these exact words were used. So this is it.

**Ms BIRD**—So they did not identify their issues; they were asked to pick amongst these—

**Mr Potter**—We got a list of about 20 issues and asked them to rank them or tick a box to say it was a high or medium level of concern—that sort of thing. We provided the list. I cannot drill down and say, 'What do they mean when they say "level of taxation"?'

**Ms BIRD**—That is what I need to know—whether it was a list provided or an agglomeration of their comments.



**Mr Potter**—It is entirely possible that when they are talking about the level of taxation they are talking about excise on fuel, which is connected with the price of using infrastructure.

**Ms BIRD**—That is fine.

**Mr Potter**—On page 5 of our submission you can see the graphs that show that in every infrastructure area costs are a bigger issue than access.

**Ms BIRD**—On page 7 you talk about private sector versus public sector investment—you may or may not wish to comment on this. You make the point:

Government investment can be swayed by political considerations, meaning investment can be very inefficient.

Is the chamber making that comment on the basis of evidence and examples or of a general view of the world?

**Mr Potter**—Yes to both.

**Ms BIRD**—Would you like to share evidence and examples of that with us?

**Mr Potter**—I will take that on notice.

**Ms BIRD**—That would be good, thanks. On page 9 you give some indications of where there are clear, specific infrastructure problems. One of the problems I have with your submission is that it is underpinned by the argument that the market is fundamentally the best way to determine the allocation. To some extent I think that is true, but one area where it is a real problem is in moving off roads onto rail. The price driver too often encourages the use of road and not rail. Would you see that as a legitimate role for government, in directing infrastructure either through a national body or through the minister and department?

**Mr Potter**—Before you were here we did actually talk about this, but it was not the same question. It was a similar question. One thing I would say is that the price distinction between road and rail is partly due to government decisions. For example, excise is the obvious one. There is quite a significant excise on the use of roads that does not exist for rail. You could argue that that influences the decision-making processes. It is not necessarily the case that the market is not operating correctly and the government needs to intervene. Perhaps what we need to say is that there is government intervention right now, and we need to change the way it—

**Ms BIRD**—Where is it not achieving what it is intended to achieve?

**Mr Potter**—Yes. Fuel excise is obviously one. I mentioned earlier, before you here, that there is a road pricing determination going on at this moment. The National Transport Commission is examining the future of pricing for road use. That might be another thing to look at. I also mentioned earlier that because we represent people who provide and use both road and rail we would not want to get into a debate between the two. But legitimate concerns are being raised and they should be addressed.

**Ms BIRD**—The major concern is that your organisation—quite rightly for your members—represents an economic interest but there are also often conflicting social interests which we have to deal with.

**Mr Potter**—We are certainly not saying that they should be ignored. We are saying that they need to be taken into account but in an appropriate cost-benefit analysis, so you look at the costs and benefits across the financial, economic, social and environmental areas; you bundle them together if you can.

**Ms BIRD**—I have one last question. I wonder whether or not the New South Wales chamber has put in a submission.

**Mr Potter**—I did speak to Australian Business Ltd, our largest member organisation in New South Wales. They did not want to put provide a comment to us on this. I went out to all of our members, asking them for input as to their specific infrastructure concerns. What is in the submission is what I got.

**CHAIR**—We have talked a lot of theory this morning. That is not to say it is not valuable, but I am a bit disappointed that we have not got into some of the hard items. On page 9 there is a reference to the inland rail. Does your organisation have a view on the inland rail? Does it seriously believe that Corrigan would put \$3 billion up to do it? Returning to what we said before, the maximum freight task that the north-south corridor from Melbourne to Brisbane is likely to be able to handle on rail is 35 per cent. Does your organisation have a view on the inland rail? What is it meant to achieve? How should it be funded?

**Mr Potter**—We do not have a specific policy on the inland rail. I could go back to our general policies, which are that the first port of call for investment should be the private sector—and I know there is some talk about private sector investment in the inland rail—that the second port of call should be the public sector and that that should meet cost-benefit tests. So if we are getting private sector investment and public sector investment that meet cost-benefit tests and the inland rail goes ahead, that is great, but we would not be out there arguing for the inland rail.

**CHAIR**—Don't you see a role for government in either seed or leverage funding?

**Mr Potter**—Yes.

**CHAIR**—We have allowed the rail system in Australia to fall to an appalling level probably in all states except Queensland. I am talking about state rail authorities; I am not saying anything pejorative about private lines such as those in the Pilbara—in fact, they are probably the best-run lines in Australia. It seems to be, as we have gone around with these inquiries over the years, that the other states just want to be rid of their rail or to relegate it to some sort of background situation. They will spend money on urban transport systems in the capital cities but they do not seem to have any policy or any vision for the use of rail. So in that circumstance to what extent should the Commonwealth get involved in seed or leverage funding?

**Mr Potter**—I go back to our statement that we think there is definitely a role for government investment in infrastructure but that it needs to meet cost-benefit tests. I am not aware that there has been a cost-benefit test done on the inland rail. If there has not been, there probably should

be and if it does come out CBA positive for some degree of government investment then that should occur. That is about all that I can really say on that.

**CHAIR**—Thanks, Mr Potter. You have been very helpful and very frank. We would like you to convey to your organisation our appreciation of its submission. We congratulate you on its composition, and we will certainly take it into account. We will be sending you a *Hansard* draft to correct any typographical errors in your evidence.

Resolved (on motion by **Mr Haase**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

**CHAIR**—Is it the wish of the committee that submissions Nos 116, 117 and 118 be accepted as evidence and authorised for publication?

**Mr RICHARDSON**—I so move.

**CHAIR**—There being no objection, it is so ordered.

**Committee adjourned at 10.00 am**