



Government of **Western Australia**  
Department of **Transport**

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Economic Regulation Authority  
Inquiry into Microeconomic Reform in Western Australia  
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***Western Australian Transport Portfolio Submission to Economic Regulation Authority's Inquiry into Microeconomic Reform in Western Australia***

Thank you for the opportunity to make a submission to the Economic Regulation Authority's (ERA's) inquiry into microeconomic reform in Western Australia. The transport portfolio broadly supports the principles underlying the ERA's microeconomic reform discussion paper. However, considerable policy development, analysis and consideration of the costs and benefits of options, both quantifiable and intangible, are required before conclusions implied in the paper can be delivered.

The Department of Transport is making this submission on behalf of three transport portfolio agencies including comments from the Public Transport Authority and Main Roads. If you would like to discuss the submission further, or to have a wider discussion on what processes are already in place in WA in relation to transport infrastructure investment, please contact Mr Brett Hughes, Executive Director Transport Policy and Systems on [redacted] or email [redacted]

Yours sincerely

**Reece Waldock**  
Director General

B11 / 2014

Enclosed



## **Western Australian Transport Portfolio Submission to Economic Regulation Authority's Inquiry into Microeconomic Reform in Western Australia**

### **Section 4.2 Microeconomic Reform and the Western Australian Government**

The transport portfolio supports a regulatory environment that better facilitates competition in the taxi sector through a holistic "on-demand transport" approach to reform that leverages emerging technologies, rather than taxi-centric approach. Such competition may force the taxi sector to innovate of its own accord in order to remain a competitive sector.

Taxi services provide a very important transport task for the people of Western Australia and assists both in economic prosperity and community safety. The transport portfolio agrees that the current regulatory structure limits innovation and competition in the taxi sector. As a result, the sector lacks natural incentives for service providers to align their business model to changing consumer expectations and there is limited desire for service providers to adopt product differentiation for competitive advantage. More critically, the sector has failed to address key business risks that other sectors are expected to address without government intervention. Typical examples include:

- security and identity management;
- managing credit risks (e.g. the sector is not taking the lead in managing loss associated with fare evasion and double booking);
- marketing and promoting the sector and brand;
- expanding taxi service offerings; and
- creating product differentiation.

In the minds of many, a 'taxi' service is a critical part of any functioning city. The core differentiators of a 'taxi' tend to be common across the globe and comprise of:

- a) the vehicle has a taximeter to determine the cost of travel at the end of a journey; and
- b) taxi vehicles are permitted to accept rank and hail work (rather than being limited to pre-booked or paid ticket work).

Modern GPS and mapping technology enables accurate calculation of the cost of a journey before it takes place, while emerging smartphone apps have the potential to significantly erode the importance of rank and hail. As technology progresses the transport task currently being provided for by taxis may be provided by other forms of on-demand transport. The typical taxi driver works as an independent business with the implied freedoms to accept or reject work as they see fit. Thus, taxi drivers are likely to resist network coordination of service delivery.

Similarly, the public have certain expectations of a taxi service; they do not expect to pay a deposit when booking a taxi and they expect to pay at the end of their journey. These expectations may deter public acceptance of the kinds of credit controls that the taxi sector might consider implementing. Therefore, seeking

internal reform of the taxi sector, and in particular deregulation of taxi supply, may encounter considerable resistance.

The Discussion Paper assumes that the current regulatory environment limits the ability for taxi services to match peaks in demand and that deregulating supply would fix this is an insufficient explanation. Service peaks only cover off a limited number of hours during Friday and Saturday night, along with certain other days and events throughout the year (e.g. Melbourne Cup). Even in an environment where licensing costs were zero, and supply unconstrained, it is highly improbable that it would be economical to meet those peak demands. Furthermore, peak demand for taxis strongly correlates with areas and times where anti-social behaviour is highest. Taxi drivers, when choosing to work, do not just consider the likelihood of an available fare and possible revenue. They also consider the potential costs in terms of vehicle damage inflicted by anti-social members of the public and risk of personal injury.

Given the possibilities emerging technology has to render taxi differentiators obsolete, it may be more appropriate to take a holistic "on-demand transport" approach to reform, rather than taxi-centric approach, and consider a regulatory environment that better facilitates competition with the taxi sector. Such competition may force the taxi sector to innovate on its own accord in order to remain a competitive sector.

#### **Section 7.1 Government Ownership of Assets**

The transport portfolio supports the primary principle for reviewing the ownership of government infrastructure, noting that there are valid economic, social and environmental justifications (identified in Section 4.2.5 – Economic Regulation Authority's (ERA's) Approach) for government intervention in the provision of transport services. The transport portfolio recognizes that there are some services within WA Ports that could be delivered efficiently by the private sector and may therefore present an attractive asset sale prospect. This process is already underway through the Asset Sales Taskforce.

#### **Section 7.4 Reasons for Relinquishing Government Ownership**

The transport portfolio is examining alternative funding and financing mechanisms to facilitate investment in transport infrastructure. This includes strategies to support a greater role for the private sector in the provision of transport infrastructure.

#### **Section 8.4 General Government Infrastructure**

The transport portfolio supports the Government's Strategic Asset Management Framework, which provides a rigorous methodology for the prioritisation and development of quality investment proposals for Government consideration.

The transport portfolio supports the use of best practice asset investment planning tools to inform investment decisions as well as best practice project management to deliver value for money outcomes for taxpayers. In line with the national public private partnership (PPP) guidelines, the transport portfolio examines the suitability of the PPP delivery method for all projects over \$100 million.

The transport portfolio's approach to identifying transport needs is consistent with the national approach, evidenced by the development of the Western Australia (WA) Regional Transport Network Plan, the Public Transport Plan for Perth and the soon to be finalised, Metropolitan Freight Strategy. The transport portfolio continues to engage with Infrastructure Australia and the Commonwealth Department of Infrastructure and Regional Development to ensure joint government transport infrastructure investments in WA are prioritised and their intended benefits are realised.

The Transport Portfolio uses the planning outlined above and below to provide the Government an annual prioritised list of recommended transport infrastructure investment needs across roads, public transport, freight rail and ports.

The transport portfolio does not support the introduction of a single state infrastructure fund as, if used effectively, Government processes already exist to ensure a cross Government approach to infrastructure investment decisions. A final decision on the funding of infrastructure projects will always be made by the elected Government of the day.

#### **Subsection 8.4.1.2 Submissions**

The ERA discussion paper cites the Chamber of Commerce and Industry noting that, historically, WA has lacked long term infrastructure planning and prioritisation which led to WA being overlooked for funding from Infrastructure Australia. Taking a look at funding that has been forthcoming to Western Australia, this is not necessarily an accurate statement. However, the Department of Transport is developing a Strategic Merit Test as a qualitative process for identifying proposals that may proceed to the next stage of appraisal. Furthermore, new infrastructure proposals aim to be consistent with existing transport system objectives, policies and strategies.

The Department of Transport, working with the Public Transport Authority, Main Roads WA, Brookfield Rail, port authorities and the private sector, has developed the following plans with clear project prioritisation lists:

- Regional Freight Transport Network Plan
- Perth and Peel Moving People Network Plan (in preparation)
- In Motion: A 20 Year Public Transport Plan for Perth and Peel
- Western Australian Bicycle Network Plan 2012-2021
- Perth and Peel Regions Freight and Intermodal Network Plan
- Central Business District Transport Plan to 2016

The Department of Transport is also developing governance and implementation plans that include infrastructure needs.

#### **Section 10.2 Reducing the Cost of Complying with Red Tape**

The transport portfolio has implemented most of the recommendations under the heavy vehicle chapter of the WA Government *Reducing the Burden* (2009) report. Most of the seven recommendations made in that report concerning heavy vehicle transport have been implemented. *Reducing the Burden* recommendations 7.4 and 7.5 are in progress.

Recommendation 7.4, Amend the Road Traffic Code 2000 and the Electricity Corporations Act 1994 to permit accredited business to provide traffic escort and line lifting services.

The traffic escort function was transferred from WA Police to Main Roads on 1 January 2013, marking the official commencement of the Over Size Over Mass Unit. The implementation of this “one stop shop” has streamlined the application process, and improved traffic escort resource availability and levels of service provided. The project also includes the undergrounding of a number of power lines on priority high wide load routes, reducing the need for operators to obtain line lifting services. Main Roads WA is currently liaising with the power utilities to identify opportunities for collaboration in order to streamline services for the provision of line lifting services. Amending legislation to permit accredited businesses to provide line lifting services should be referred to Western Power to address.

Recommendation 7.5, Legislate to allow transport operators to demonstrate compliance under the Main Roads WA accreditation and permit system, through the use of telematics data.

Supporting legislation for the National Heavy Vehicle Laws include a provision for intelligent access programs - the use of telematics systems. Whilst WA has not committed to the Heavy Vehicle National Law, Main Roads WA is progressing the use of the Intelligent Access Program (IAP) for a number of access requests that are outside the scope of existing approval parameters, including examining the viability of using IAP as a mechanism to demonstrate compliance for WA accreditation and permits.