

Up here and down under:
transport policymaking in the
US and Australia

Dr. Cameron Gordon
University of Canberra
School of Business and
Government

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- Some of the text in this presentation are drawn directly from his comments.
- All the errors, of course, remain my responsibility.

Constitutional Preliminaries

Both the US and Australia have written constitutions which provide the framework for policymaking.

To understand transport policy differences first there needs to be a quick review of:

- System of government
- Fiscal arrangements
- Divisions of labor and authority

Union

- Like the US, Australia was formed as a union of independent 'colonial' governments.
- Australia had 6 independent colonial governments which united in 1901 under a formal written constitution.
- As with the US, there were issues of power-sharing between formally independent entities that had to be negotiated and worked out and the Constitution was the vehicle for that working out.

“Washminster”

- Australia was heavily influenced by the US example as a result, especially in issues of federalism. Much of its constitution thus borrows from the US model in that regard (though not in lockstep).
- However, its remaining ties to the British Empire (it remains a Commonwealth member) was also a strong influence.
- One political scientist coined the resulting Australian hybrid a “Washminster” system, combining elements of “Washington” with “Westminster.”
- (Thompson, E. “The ‘Washminster’ Mutation,” in *Responsible Government in Australia*, eds. P. Weller & D. Jaensch, Drummond, Richmond, 1980.)

The “Wash” part

- Sections 90, 92, 117 create a single nation and a common market, removing barriers of movements of goods and people across State boundaries.
- S.106, 107, 108 protect the integrity and independence of the States
- S.51 defines the powers of the Commonwealth and leaves the other powers to the States. (S.109 provides that where there is a conflict, the Commonwealth law prevails).
- The Constitution also creates a Senate and House of Representatives and judicial review by a High Court.

The “Minster” part

- Unlike Britain, but like the US, Australia has a federal, not a unitary, government
- However, like Britain, Australia has “responsible government.” That is, the government is responsible to Parliament (which, in turn, is responsible to the voters).
- Its Prime Minister and Cabinet are drawn from the Parliament and it governs with the consent of Parliament.
- Thus legislative and executive functions are linked, not separated as they are under the US system.

Nuances

- Of course this is a generalization.
- Parliament delegates some its own powers to the administration and the members of the executive government must be members of the legislature.
- Also legislative members are not bound to vote along party lines, especially in the Senate (the States' House).
- And the Government cannot spend money unless Parliament passes a Supply Bill that allows it to do so.
- So though more closely linked than in the US, executive and legislative power is by no means lock-step and conflict can and do occur.

Fiscal Federalism

- S.51(ii) gives the Commonwealth Parliament the authority to levy any form of taxation.
- S.90 prohibits States from imposing 'duties of custom and excise' (to ensure internal free trade).
- This might be interpreted as rough equality with concurrent taxing powers given to both governments except for excise taxes.

Evolution

- However, S.96 allows Parliament to ‘grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.’
- The national government used this power to withhold grants from States that levied income taxes, a use of authority upheld by the courts; thus States no longer impose income taxes (though it was voluntarily ceded and this cession is not a Constitutional provision).
- When States tried to fall back on excises, the courts ruled that S.90 prohibited them from imposing such taxes.

Fiscal centralism

- The result has been that the States have been limited in developing their own sales taxes, as in Canada and the US.
- States rely for about half their revenue from Commonwealth grants.
- Their other taxes are sundry ones, with increasing reliance on gambling taxes (gambling is legal throughout Australia).

The GST

- One other note: Australia adopted a Goods and Services Tax (GST) in 2000.
- This is a Commonwealth tax but under the “Intergovernmental Agreement on Commonwealth-State Financial Relations,” all the GST revenue, minus administration costs, goes to the States.
- Thus the States do have access to this revenue but the tax and the tax base itself remains under Commonwealth control.
- “Tied grants” (what in the US would be formula grants) remain as well, leaving the central government with a lot of fiscal authority.

Cooperative federalism

- Again, though, there are cooperative elements of federal fiscal arrangements in Australia.
- Section 101 of the Constitution for example establishes the device of an Inter-State Commission. While none exists at the moment, it has been used in the past to coordinate road infrastructure, etc.
- The modern equivalent is a voluntary grouping called the Council of Australian Governments that first began in the early 1990s in the framework of national competition policy, with the Commonwealth making payments to states that implemented competition reforms.

- One of the competition reforms was to replace the myriad of state sales taxes (many different rates on different commodities) with the single, uniform, national GST.
- The power to do this was obtained by parallel legislation passed in all the States and by the Australian Government (the technical term for the federal government).
- Indeed, differential levies on petrol, taxes on real estate and a few minor other exceptions continue (which is why the Australian Government won't give some states their full payment under the Competition reforms).

A few details about grants

- The Commonwealth Parliament can give states tied or untied grants.
- Special purpose (I.e. tied) grants can be given to either a state or local government. They are often used to bypass state governments (e.g. on local roads, flagpoles for schools).
- General purpose grants usually go to the states, but, because control is less, are not often favored.
- Additionally, the Commonwealth and States together share tax revenue and distribute it to more "needy" states (for example Tasmania) through the Commonwealth Grants Commission as General Purpose Grants. The Commission compares the level of services available to the citizens of all States, the revenue base in each state, and then redistributes some of it.

Divisions of labor

- Formally speaking, the Constitution granted the Commonwealth powers such as ‘naval and military defence,’ ‘currency, coinage and legal tender,’ ‘immigration and emigration,’ ‘external affairs,’ and the rather progressive ‘invalid and old-age pensions.’
- Residual powers left to the States included most everyday public services including (but not limited to) transportation of all forms.
- This list of enumerated powers is far more extensive than that found in the US Constitution.

Tension

- Thus there is a tension in Australia between governmental center and periphery.
- The central government has strong fiscal powers and the courts are increasingly giving in strong administrative and policy authority.
- The States still actually deliver, or at least are responsible for, many, if not most public services, but have relatively little independent taxing power.
- The central government, which under John Howard has been running large surpluses, is moving more and more into State policy domains.

State governments

- One additional word about State governments: they are structured in a similar way to the Commonwealth government, i.e. a parliamentary system.
- Like the US, the only sovereign entities are the Federal and State governments but unlike the US, localities in Australia are generally very weak.
- State governments, for example, basically run many of the affairs in the large cities (e.g. the New South Wales government essentially manages Sydney, even though there is a Lord Mayor of the city).

Australian Transport Policy

- Topics to be discussed:
- Overview of the Australian transport system
- Policy-making structures and mechanisms
- Stated policy goals
- Current policy issues

The Australian Transport Network



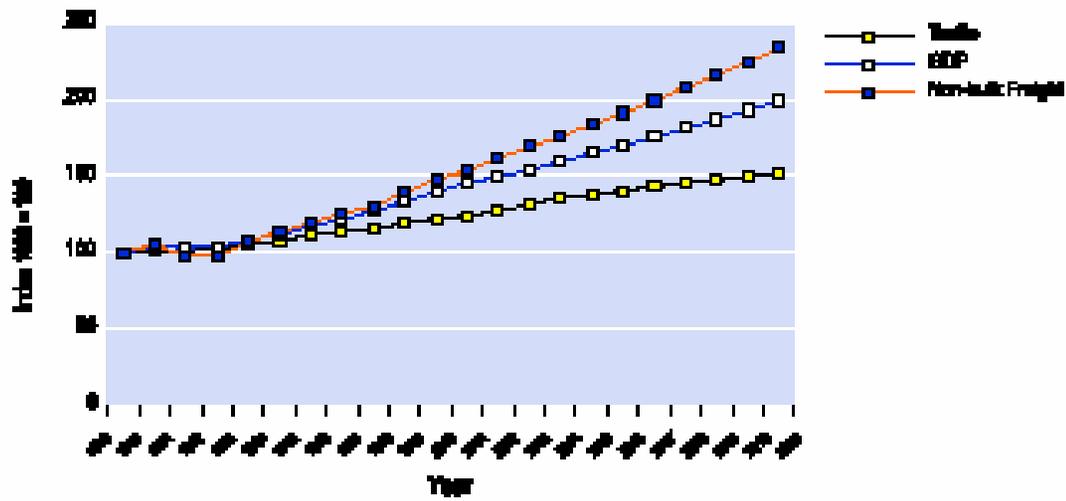
Australia, like the US, is 'continental'. Unlike the US it is geographically isolated, has only 20 million people, and most of the interior is relatively uninhabitable.



Patterns of Growth

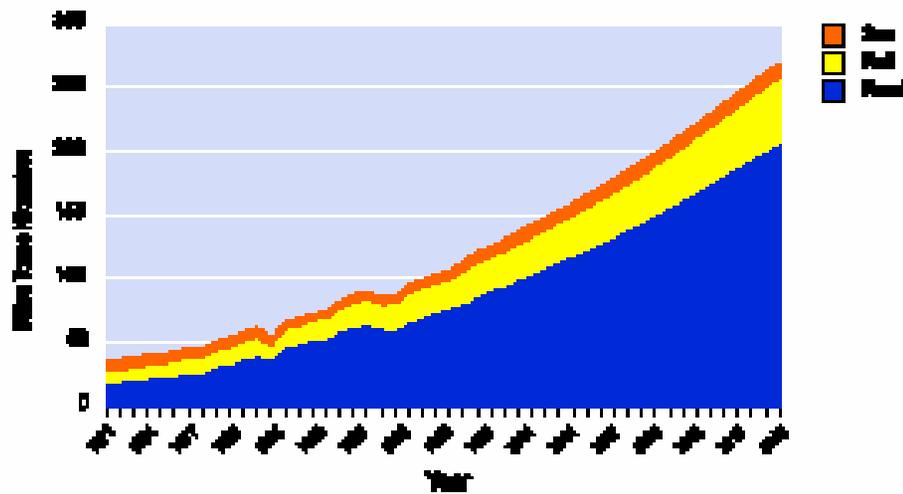
- There is a lot of projected growth nationwide in transport volumes, partly because of population and economic growth.
- This growth is spread unevenly throughout the country however and is highly cyclical.
- Western Australia is growing rapidly because of the resources boom (capital city: Perth), as is Queensland (capital city: Brisbane) because of lifestyle draws (climate and coast like Florida's). NSW (Sydney) is stagnating, as is, to a lesser degree, Victoria (Melbourne). South Australia (Adelaide) being primarily agricultural, is struggling as are most 'country' areas of the country.
- Australia has one of the most urbanized populations in the world and urban congestion is a big issue.

Figure 2 Growth factors



Source: Bureau of Transport and Regional Economics (forthcoming), *Freight measurement and modelling*, Canberra.

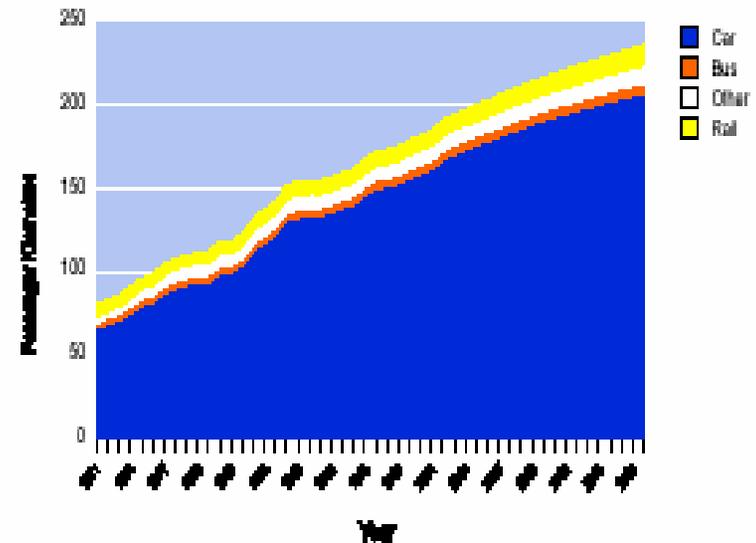
Figure 3 Total non-bulk freight by mode, 1970–2020



Source: Bureau of Transport and Regional Economics, *Airfreight*.

- Like the US, much of Australia's freight and passenger traffic is by car and truck.
- The cities generally being separate by long distances there is, perhaps, more of preponderance of intercity air travel and there are potentially good economics for bulk freight movement by rail.
- Australia has no real internal waterborne commerce having no real nationwide navigable rivers.

Figure 4 Urban passenger task by mode 1970-2020



Source: Bureau of Transport and Regional Economics 2002, Greenhouse gas emissions from Australian transport modes to 2020, report 107, Canberra.

Historical note on waterborne commerce

- Australian navigable rivers were important at one stage with riverboats (sternwheelers rather than sidewheelers because of the narrowness of the rivers) on the Murray/Darling system that ran from South Australia to Queensland to carry wool, but railways replaced them.
- Of greatest importance was the "saltwater highway" round the coast - all major Australian cities are on the coast.
- Railways and highways and a highly protectionist coastal trading policy eventually killed off coastal shipping.

Policy-making structures

- As mentioned earlier, the 'responsible government' system of government allows for more centralized policy control and change and there is a parallel structure between Commonwealth and State government.
- State government arrangements vary rather widely.
- At the Commonwealth government level, the Department of Transport and Regional Services is the responsible agency.
- Although formally mainly responsible for transport, the head of the department is usually also Deputy Prime Minister so department staff are often involved in related issues such as water resources, a very important issue in Australia.

Roles and responsibilities

Table 3 Current responsibilities for transport infrastructure planning and funding

	Roads			Rail		Ports	Inter-modal terminals
	National	Arterial	Local ^a	IN ^b	Branch		
Planning	State/ Aust ^c	State/ Private ^d	Local/ State	Aust/ ARTC ^e State/ Private	State/ Private	State/ Private	State/ Local/ Private
Funding	Aust	State/ Aust/ Private	Local/ Aust/ State/	Aust/ ARTC State/ Private	State/ Private	State/ Private	State/ Local/ Private

Notes

- a. In areas where there are no local governments (unincorporated areas), planning and funding are undertaken by State and Territory governments.
- b. Interstate Rail Network
- c. Australian Government
- d. For example, toll roads
- e. Australian Rail Track Corporation

Stated policy goals

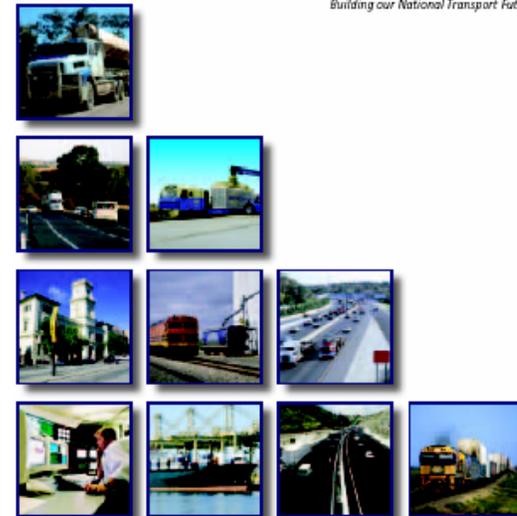
- Traditionally, States reigned supreme in transport policy.
- The Commonwealth government played a more minor role in this area operationally, though, as mentioned earlier, did provide grants and GST revenue, both of which are still provided on an ongoing basis.

Auslink

- In 2004, the Commonwealth issued a white paper which spelled out a national transport policy.
- Formally 'collaborative' with State governments, and in many ways a continuation of past policies, the report nonetheless asserted some national policy goals (something not done before).



AusLink White Paper



Auslink policy goals

- The White Paper differs from previous arrangements in several respects:
- it proposes a rolling, five-year plan with a 20 year planning horizon;
- identifies the National Network, including links to ports and airports, and is intermodal, including roads and rail lines in the corridors;
- sets out strategic directions for the development of the National Network with corridors to be the basis for future funding priorities

- proposes sharing funding of the National Network with the states on the basis of bilateral agreements to be negotiated with state governments;
- proposes a possible role for the private sector
- identifies the Government's investment priorities, and
- proposes a project assessment methodology, which includes benefit-cost analysis, to enable projects to be compared in future plans in terms of value for money.

- Auslink involves corridor planning by the states and Australian Government cooperatively. The States have the detailed information, so are closely involved in corridor planning.
- After that, there is a reasonably robust cost-benefit process to identify the most worthwhile projects.
- The methodology is agreed, although there is inevitable discussion about some very technical aspects such as estimating future network effects of projects, etc.

National significance

- AusLink is not limited to roads and railways but also includes landside access to ports and airports.
- The concept is to implement projects of greatest national benefit, without distortion between different modes. AusLink is limited to the identified national corridors. Neither the funding nor the methodology applies to other roads or railways not seen as being 'national'.

US and Australia goals compared

- The US has had some of these national policy elements for years.
- ISTEA enshrined intermodalism and the national road network, for example, and set up many new intergovernmental planning programs.
- Other issues, such as benefit-cost analysis and private participation, have been elements of federal budgetary and planning requirements for many years.

However...

- ...the transport policy framework in Australia has been a lot different than in the US.
- States have had much more of the lead in transport policy, which is true in the US but perhaps more true in Australia, with only 6 essentially unitary States with responsible government systems.
- These State systems, like the Commonwealth, are able to move quite a lot faster on things (though often quite slow by local Australian perceptions) than the divided executive-legislative systems in the US.

Creeping centralism?

- Thus ISTEA and its successor bills functioned more like a rationalizing framework for what had become something of a patchwork of transport policy.
- In general these legislative acts have been seen as salutary.
- By no means is Auslink seen negatively, but some see it as perhaps another policy area that the Commonwealth government is encroaching upon.
- This perhaps explains many of the references in the report to collaboration with the States.

Innovations

- There are also a couple of intriguing possibilities in the Auslink report.
- A unified benefit-cost system, essentially top-down, is well specified in both the White Paper and more extensively spelled out in an accompanying technical document on the topic.
- Given governmental structure in Australia, this might really develop into a common, single analytical system for transport investments.
- Additionally, the discussion of private participation, while sketchy, might also suggest the emergence of a common privatization policy nationwide, a bit unique in a nominally federal system.

Policy issues: privatization

- Speaking of privatization, one of the key issues in Australia, is private participation.
- Australia has probably one of the most extensively privatized systems in the world.
- This is patchwork to be sure, driven by States, concentrated in municipalities.
- Some systems perform well (Perth and WA), others are troubled (Sydney's Cross Harbor Tunnel) and many are expensive (Melbourne's CityLink)

Land use planning

- One thing unique to Auslink as compared to the national transport policy framework in the US is governmental control over land-use planning.
- State governments hold large amounts of undeveloped land and additionally have a great deal of unified influence over land development policy.
- There has not been too much coordination between these two policy spheres but Auslink calls for more of this in the future.

“Country” access

- Currently the Liberal government is the dominant partner in a coalition with the National Party, the traditional representative of agrarian interests.
- As in the US, these interests have declining votes behind them.
- However, rural and ‘country town’ integration and access still resonates across Australia and is an important element in transport investment policy.

Water

- Finally, the availability of water is a vital issue.
- Australia is ten years into its worst drought with no sign of a break.
- While not directly a transport issue, availability of water could well shape transport development depending upon how the issue plays out.
- Australia is just beginning to implement a national water trading system (as a cooperative economic reform process through the Council of Australian Governments).