

ON THE DRY SIDE TRACE John Hyde

Even were we to have the best macro economic policies in the world, which it haven't, our economy could not recover until we produced and delivered SOME goods and services as efficiently as the best in the world. An economy is built of individual enterprises. Exchange rate adjustments can be likened only to the toms and ties which hold old buildings together until fundamental repairs are effected or a bulldozer is called in. If the micro-economy is inefficient macro-economic fiddling will not for long stop the whole falling in a heap.

Just as weak footings, brickwork, mortar or timbers may each weaken a whole building so each protected industry and each costly work practice weakens the nation. Obviously work practices like those forced on the Robe River mine by unions will cripple the nation; so will the bad capital practices of the featherbedded textile industry and transport controlled by governments on behalf of vested interests.

High transport costs cripple otherwise efficient industries. Even so, unions are trying to force the NSW Government to reduce the level of private bus operations and expand the Urban Transport Authority (UTA). Transport consultants, Traver's Morgan, say that the UTA's costs per kilometre are more than double that of private operators and for equal population densities the UTA offers less frequent services. Further, they say "...if the urban private bus companies were to receive the same subsidy as UTA buses, then they could provide free travel for all passengers with buses running 24 hours a day, seven days a week." Even if some allowance is made for exaggeration that is ridiculous, but is Mr. Unsworth about to save the taxpayer \$90 million a year by handing the UTA routes over to the private sector?

Dr Keith Trace, senior lecturer in economic history at Monash University, writing for the Australian Institute for Public Policy, shows us that that sort of waste is commonplace. Mr Bob Ansett writes, "Dr Trace challenges us to ask the question: can Australia continue to afford the luxury of this highly-regulated system that does conspire against the consumer and does little to provide real benefits for a country that is very dependent upon an efficient transport system."

Transport and Storage account for 4.5% of Gross Domestic Product and employ 5.5% of the workforce but they affect 100% of both.

Governments are up to their elbows in transport. They subsidise cargo handling facilities and airports; provide air navigation services and roads; subsidise rural fuel; subsidise operators such as the 'Empress of Australia' service to Tasmania; subsidise users through the Tasmanian Freight Equalisation Scheme; provide cheap capital to TAA, Qantas and ANL; regulate internal aviation, external aviation and coastal shipping; license bus services and taxis; own and protect the railway systems from competition; restrict imports of ships and planes; restrict landing rights at

airports; and place penal taxes on motor vehicle imports. There are other ways that transport can be made expensive and inefficient but please don't tell the government about them.

One mode of transport, road, when it crosses an interstate border, escapes regulation. In 1954-55 the Privy Council ruled in the 'Hughes and Vale' case that its regulation offended Section 92 of the Constitution. Trace says, "...the Australian experience indicates that both truck and rail services improve under competition". And of interstate passenger road transport he says, "Coaches are the cheapest form of transport between capital cities."

Since 'Hughes and Vale' the railway problem lies not so much with line haul (although overmanning continues) as in terminal operations but these account for 75-80% of railway costs. Against the trend, the Australian National Railway is becoming more labour intensive - such is the power of unions to gain concessions from industries protected from competition.

"Not surprisingly, empirical studies suggest that, thanks to the two airline policy, the technical efficiency of Australian airlines is below that achieved in the US....appropriate changes in the organisation of the domestic air industry might reduce unit costs by as much as 35%."

"The 1979 IAC inquiry estimated that BHP's coastal shipping costs were \$20-25 million greater than they would have been if the company had been free to use flag of convenience vessels. More recently the Chief economist of Lysaght (Aust.) Ltd, John Barber, noted that the cost of transporting a tonne of steel from Port Kembla to Fremantle was 44% higher than the cost of shipping steel from Japan to Fremantle."

Concerning international trade, Dr Trace writes: "47% of the total cost of shipping wool to Europe is absorbed in 'landside' costs in Australia and a further 15% by landside costs in Europe." "In influencing the types of product that are internationally traded, transport costs are somewhat analogous to tariffs...international transport costs pose a considerably greater barrier to Australian exports than [US] tariffs, and measures aimed at lowering transport costs may have greater potential for expansion than efforts to get other nations to lower their import duties."

It seems, dear reader, that we are pulling our own house down around our ears. Even if we can't stop the EEC and Americans stealing our most vulnerable markets, and otherwise throwing bricks through our windows, we have no reason to assist in its demolition.