The implications of insufficient funding from governments into transportation inf...

In this essay, it will discuss how current freight transportation challenges are presented due to the implication of insufficient funding from governments into transportation infrastructure. Problems such as constructing new infrastructures, maintaining existing infrastructures and shut down of supply chain are raised due to the shift of focus of the government into other urgent sectors and inadequate national capital.

Privatisation and deregulation are hence introduced to ease and solve the current transportation infrastructure problems. Background The freight and logistic industry is an essential section of the national economy. By 2016, freight and logistic field made up approximately 10 per cent of Australia??? s GDP (BITRE). It is distinct that the government plays an important role in terms of maintaining and improving freight transportation infrastructure in this field. However, in recent years, despite the importance of freight infrastructure, it is shown the government has reduced funding towards the freight and logistic industry.

Imperfections in national transport infrastructure in terms of increasing traffic congestions, antiqued transport network, inadequate airport facilities, as well as general shipping delays and restrictions are becoming more apparent. In the long term, these defects may potentially reduce productivity and substantially affect Australia??? s national reputation and living standards. The implication of insufficient funding from governments into transportation infrastructure is resulted from a shift of government focus. The government now targeted towards other industry fields, such as education and health (ARA, 2014).

Resources are allocated to these sectors as the issues raised in these areas are more critical and urgent. Since it is a trade-off between other industries and freight infrastructure, freight industry conclusively receives less funding from governments. Insufficient funding is also an outcome of inadequate national capital. While import markets remain the same, export markets in Australia declined significantly since all industries collectively moving out due to high operating costs (Thirlwell, 2015). Investors tend to move to countries with cheaper operating cost, such as China. With low amount of exports but high amount of imports, Australia??? s money flow is imbalance.

There is more expenditure and less income. The break of money chain caused less government funding devoted to freight infrastructure. Today, transportation infrastructure is deteriorating and the number of infrastructure backlogs is increasing. Challenges derived from insufficient funding from government have become more apparent. New Infrastructures Due to insufficient funding from government into transportation infrastructure, Australia is incapable to build more new freight transport infrastructures to cope with the increasing pressure on freight and port facilities.

According to a report from Australian government, the growth of GDP and domestic population has resulted in domestic freight task doubled in size over the past 20 years (Figure 1), reaching on average 3. per cent per annum. It is projected this trend will continue to grow with total domestic freight to grow 80 per cent over the next two decades (Mitchell and McAuley, 2009). Between the year 2000 to 2012, the total freight volume has increased around 57% (Table 1) (Mitchell, 2014). This suggested the rapid growth in usage of freight transport infrastructure. An example of infrastructure usage exhaustion is maritime activity.

It is predicted in 2030, the bulk freight task will increase by half and national container to be double (Figure 1) (Mitchell and McAuley, 2009). With increasing demand of port usage but no new infrastructure to accommodate the demand, it reduces productivity. Hence, with lack of new infrastructure, not only it failed to ease the thriving pressure on transportation facilities, it inversely burdened the usage of these infrastructure, causing it closer to saturation. In the long run, shipping delays and restrictions will become more noticeable.

Traders are more likely to abandon less desirable goods due to traffic congestions and this may eventually set back productivity and ultimately affects Australia??? s economy. Facing the increasing inability of governments to fund and manage transport infrastructure, privatisation in the freight transport industry are introduced in order to solve the problem. Selling public assets or contracting out the production of publicly financed goods and services to private sectors can introduce a better control of technical and financial risks. A change in ownership from public to private can ensure high quality of services to users.

As privatisation provides more capital for the investment in new infrastructure, new facilities can be built to ease the current pressure presented in nowadays infrastructure. With new facilities being built, it increases the amount of freight into and out of Australia and substantially improves national GDP. Maintenance of existing infrastructures Inadequate management, maintenance and replacement in recent years are clearly evidenced due to insufficient funding from governments. Common issues regarding meeting maintenance requirements of public-owned infrastructure are rising rapidly. It is testified that maintaining and improving transport systems performance is not sufficient. Even though the government devoted significant expenditures over the previous years, standards of freight infrastructure have not improved due to enormous backlogs of projects.

In the year of 2013, the government funded $6. 3 billion into infrastructure backlogs in New South Wales in order to ease the problem (LGNSW, 2015). The decision of prioritising project backlogs over infrastructure maintenance had substantially led to insufficient funding into the area of maintenance management. It is evidenced that Australian government investments in rail and road had reduced in between 2012 to 2013 (Figure 2) (BITRE, 2014). The ratio of maintenance to investment is also shifting due to high construction costs in major cities (Mitchell, 2014).

Increasing urbanisation is being prioritised over freight infrastructure maintenance. Without regular care and replacement processes, freight infrastructures had gradually reduces competitiveness compared to other countries that have more advance and modern facilities. It is more likely users will now seek for better alternatives that provide better infrastructures and services. Hence, lack of government funding and financing potentially break the linkage between infrastructure and national productivity and may substantially reduce Australia??? s competitiveness and overall well-being.

Privatization strategy can also be used in freight infrastructure maintenance in order to ease the problem of insufficient funding. As government capital is mainly collected from taxes and tariffs, infrastructure investment is principally cross subsidized from these factors. Introduction of privatization can end the cross-subsidizing relationship by relying on private capital market instead of taping public assets. Freight infrastructure therefore have enough resources to undergo maintenance and replacement.

With high standard transportation infrastructure, it increases Australia??? s comparative advantages in terms of more efficient infrastructure and services and potentially improves Australia??? s reputation. Supply Chain Shut Down Shut down of supply chain cycle is another challenges caused by insufficient government funding. The supply chain is designed to be an end-to-end process involving all activities from sourcing to manufacturing to distributing (Dittmann, 2014). All processes and activities within the supply chain are required to participate and collaborate in order to ensure the cycle is running. The chain will fail to function if the alignment between supply chain processes disconnected. Similarly, in the current freight industry, the problem with lack of new and maintained infrastructures due to insufficient funding is distinct.

This potentially interrupted the process of distribution. Goods and services are therefore not able to get into or out of Australia and products cannot reach to customers. The linkage between end user (customers) and distributers is disconnected and hence will negatively affect the next supply chain cycle. As the disconnection shut down the chain, the market is no longer stable and maintained.

Imbalance of money cycle is resulted. Australia??? s GDP will therefore decrease and may ultimately affect national economy. Application of deregulation to solve supply chain shut down Deregulation is introduced in order the solve the problem of supply chain shut down. Due to insufficient funding from governments, existing infrastructures are not capable to cope with the current pressure of freight industry.

Increasing number of freight infrastructure users exit the market due to inefficiency. However, introducing deregulation such as, removing the barriers of entry and lowering pricing can potentially regain and attract lost users. The implication of this strategy not only provides a better range of equipment and operations, it also improves service levels and attracts customer incentives. Conclusion Insufficient funding from governments has resulted in a lot of challenges to freight and logistic industries. These challenges not only may affect Australia??? s reputation and national GDP, it may also potentially affect citizens living standards and quality of life. Fortunately, the introduction of privatisation and deregulation have ease the current pressure on freight infrastructures.

No doubt these strategies have eased the problem in short-term, however, in order to solve the problem effectively and efficiently, the government will require to have better planning on long-term solutions regarding freight transportation infrastructure.