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SOUTH AUSTRALIAN FREIGHT COUNCIL



Agricultural Competitiveness Taskforce
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Dear Sir / Madam

RE: Agricultural Competitiveness Green Paper

On behalf of the South Australian Freight Council's (SAFC) Membership I thank you for the opportunity to comment on the Agricultural Competitiveness Green Paper.

SAFC is the State's peak, multi-modal freight and logistics industry group that advises both the Federal and State governments on industry related issues, and is funded by both governments and industry. SAFC represents road, rail, sea and air freight modes and operations, freight services users (including the grain and the broader agricultural sector), and assists the industry on issues relating to freight logistics across all modes.

SAFC welcomes the opportunity to contribute to and inform the White paper on the Competitiveness of the Australian Agricultural Sector from the perspective of the transport and logistics sector as a *critical* enabler.

The following submission outlines SAFC's views on the issues raised in the Green Paper, and suggests some avenues for further investigation prior to publication of the White Paper.

SAFC commends the development of an Agricultural Competitiveness White Paper that is intended to protect our national interest, enhances our return from global trade and complements broader State and Commonwealth Government policies.

Should you wish to discuss any aspect of this submission, or require clarification of any matter raised, feel free to contact me by telephone on (08) 8447 0688 or Email: murphy.neil@safreightcouncil.com.au.

Yours faithfully



Neil Murphy
Chief Executive Officer
SA Freight Council Inc

SA Freight Council Submission on the Commonwealth's Agricultural Competitiveness Green Paper

Green Paper Overview:

The geographical location of agricultural activity in predominantly regional and remote areas of South Australia and Australia results in a heavy reliance on the transport and logistics sector to move product to local, regional, national and international markets in an efficient and effective manner.

The Green Paper recognises this by noting that '*Historically, Australia has maintained this export competitiveness despite being far from most of its traditional markets*' (pg xiii).

Indeed, as an island continent nation Australia has long and generally more complex supply chains than many of its competitors; and the efficiency and effectiveness of transport and logistics networks is a key part of the competitiveness of Agricultural supply chains. Every dollar of transport and logistics cost removed from an export supply chain is another dollar that can contribute to the '*Australian Government's Key Objective: to achieve better return at the farm gate to ensure a sustainable and competitive Australian Agriculture sector*' (pg vii).

Section 2: Infrastructure

SAFC strongly agrees with the first three 'regularly raised issues' outlined on page 9 of the Green Paper, namely:

- bottlenecks or points of congestion at key locations in the network (and flow-on effects through the network);
- inefficiencies in the 'first and last mile' such as lower access levels to freight routes at product origin and issues of congestion at product destination and at intermodal points;
- the maintenance backlog of existing freight networks;

Indeed, SAFC has sought to bring these issues to governments' attention in each edition of its Infrastructure priorities paper, Moving Freight – the last version of which was published in November 2012. A hard copy of that publication is attached to this submission which can also be accessed online at: <http://old.safreightcouncil.com.au/MovingFreight2012.pdf>

Whilst both the Commonwealth and State/Territory Governments have invested significantly in reducing and/or removing transport infrastructure bottlenecks and congestion over the past decade and increasing the capacity of port links – there is much more to be done.

Specifically for the Agricultural sector, 'first and last mile' issues are often the greatest cause of transport inefficiencies. Access to/from the Two Wells silos in South Australia is just one example – and there are many. A small investment in fixing 'first/last mile' issues can have a huge positive effect for transport operators and agricultural producers alike.

As an example of the impacts of first and last mile issues, approximately 4-5,000 teu of grain containers are packed annually at Two Wells and this activity involves delivery of grain from farm to the silo complex, the pick-up and delivery of empty containers and consumable items (such as container liners and bulker bags), and the pick-up of packed 20 and 40 foot containers ready for delivery to port and subsequent export. Similarly, bulk exports being moved to Port Adelaide for export must move by road as there is no rail option available at Two Wells.

Whilst PBS3 Vehicles (Double Road Trains / B-Triples) are permitted on the adjacent network - Port Wakefield Rd at Two Wells – these vehicles are currently prohibited from accessing the silo complex as there is no slip lane to facilitate the safe merging of traffic.

A relatively simple infrastructure upgrade and PBS3 approval could halve truck traffic to/from the facility and deliver productivity benefits to the sector.

In SAFC's opinion, of the \$50 billion of road/rail infrastructure investment by the Commonwealth listed in the Green Paper, The National Stronger Regions Fund (of \$1B over 5 years) is likely to deliver the strongest 'bang for buck' for the agriculture sector, precisely because it will enable funding to be targeted towards fixing these "smaller" issues which have the potential to deliver significant productivity gains. In many ways it offers the opportunity to follow the success of the Black Spots funding program (delivering road safety benefits), by replicating the targeted small investment model around productivity gains. It would behove the Commonwealth to consider increasing funding to the National Stronger Regions Fund.

The maintenance backlog on freight networks has been; and continues to be a huge issue for the transport sector – particularly on the regional and rural roads that service the agricultural industry. Accelerated maintenance is the number 2 priority project highlighted in SAFC's *Moving Freight* publication). Poorly maintained roads increase vehicle operating costs and travel times – costs that have to be borne by the supply chains using these assets and ultimately reduce returns (including to farmers). Poorly maintained roads are also a major impediment to increasing transport productivity for agricultural supply chains, through the ability to gain access to higher productivity vehicles on key routes.

Unfortunately, many of these poorly maintained assets are in the control of local governments that simply do not have the wherewithal to adequately maintain their asset base. Despite being local in nature, this is a national issue that impacts broadly across all sectors of the economy, but particularly on those based in regional areas. The Commonwealth may need to reconsider the level of financial support it provides for the selective and strategic maintenance of local roads – and the longer any increase in maintenance funding is left the harder, more complex and more costly this process will ultimately become.

Despite all previously said, SAFC does not support Infrastructure Australia increasing its remit to focus on local roads. Local road issues require intimate local knowledge – they cannot be adequately assessed 'en masse' from a centrally located office. Infrastructure Australia was designed and set up to focus on the largest infrastructure projects, and it is here that they deliver the most value. To even begin addressing local road issues would require a massive increase in IA's budget and staff – money that could be better spent elsewhere (such as maintenance or the stronger regions fund).

Future proposed heavy vehicle charging regimes – particularly mass-distance-location charging concepts (pg 11) should be of particular concern to the agriculture sector. Agricultural products are often heavy (take for example grains which require Higher Mass Limit networks), and can travel quite long distances to export ports; therefore it is precisely these freight movements that will be hit hardest. It may also cause a disparity between those regions that have short-haul access from the farm gate to rail facilities and those that do not, creating significant 'winners and losers' among the agricultural community.

Consequently, care will need to be taken when designing any new heavy vehicle charging regimes to ensure that investment funding follows the truck paying access fees.

SAFC is also concerned that in some instances the full value of new infrastructure spending is not being realised due to a failure on the part of state/territory governments to provide regulatory access at the designed level to new roads. For example the Commonwealth and South Australian Governments have spent \$723m on building the Northern Expressway (NEXY) and duplicating the Sturt Highway from NEXY to Nuriootpa. For all intents and purposes SAFC understands that these roads are capable of handling Productivity Based Standards (PBS) Level 3 vehicles – Double road trains and B-Triples – however due to social pressures they have to date only been gazetted at the lower PBS2 (B-Double) limits. This represents a 25% lowering of possible freight productivity and hundreds of additional trucks on the roads each year, with resultant financial, environmental and safety impacts.

It is critical that the full value of new infrastructure spending is realised by gazetting new roads at their designed level, and given the Commonwealth's significant contribution to these projects (\$583.8m in this case) there is an opportunity for the Commonwealth to assist the agricultural sector by insisting on the realisation of the full value for money invested.

Coupled with some additional Last Mile access enhancements, in the event that the Northern Expressway and Sturt Highway duplication were added to the PBS3 network accommodating vehicles up to B-Triple Higher Mass Limit categorisation, then benefits would be expected in the first instance to accrue to the grain sector (Roseworthy Grain Complex), the wine sector (Barossa Valley) and the hay sector (Kapunda processing facilities).

Policy Idea 1: Building New Transport Infrastructure

SAFC would like to again draw your attention to its key freight infrastructure publication – *Moving Freight* – that provides a comprehensive discussion of required infrastructure in South Australia, which can be accessed at <http://old.safreightcouncil.com.au/MovingFreight2012.pdf>

Policy Idea 2: Improving Existing Infrastructure and Transport Regulation

SAFC has also produced a key transport and logistics regulation report – *Regulating Freight* – that discusses possible improvements to transport regulation for the general benefit of all exporting industries. A hard copy of this paper is attached to this submission and can be accessed online at <http://old.safreightcouncil.com.au/SAFC%20Regulating%20Freight-FINAL-25mar08.pdf>

Several of the recommendation of this document have already been implemented and are in the process of delivering benefits to the nation – particularly the institution of the three national regulators (Road, Rail and Maritime). SAFC is in the process of updating this document over the coming year so as to identify where further regulatory gains can be made for the benefit of the agricultural sector and the nation as a whole.

While the Green Paper makes some reference to air freight in regional Australia as a means to reduce transport times to markets (pg 16); SAFC would raise several points that must be considered before any investment is made in this area. Firstly, the high cost of air freight means it is suitable for very few agricultural products in general, and is *suitable for even fewer specific supply chains*. Secondly, Interstate/international exports under this scenario would then have to go through a second air freight movement, with resultant lowering of product quality due to cold chain logistics breaks on tarmac etc. This is not insurmountable – indeed SAFC has produced a number of Cold Chain logistics publications and an online coolant calculator (see www.safreightcouncil.com.au) to assist in this process. Lastly, air services also need to be available at the right times to link with required arrival times in key markets, and air curfews at some of Australia's capital city 'hub' airports make this difficult.

Regulating Freight provides a compelling case for the modification (not removal) of airport curfews to enhance international competitiveness for Australian exports – particularly time sensitive exports such as agricultural produce and it is heartening to see some movement in this space with recent discussion at a Commonwealth level of a proposal to amend Curfew Regulations so that the current restrictions in place are changed to facilitate operation of quieter aircraft of any type, size or function during curfew if it meets certain noise standards.

Moving Freight (referenced above) also contains specific project recommendations on road/rail upgrades, bypasses and intermodal terminal development.

Section 3: Working With the States and Territories

The creation of the three national transport regulators (Road, Rail and Maritime) is one example where the Commonwealth, States and Territories have worked together to achieve a breakthrough outcome with significant benefits expected to accrue to all users of transport networks.

Whilst there is much work to be undertaken to facilitate harmonisation of transport regulations, particularly in areas where the scope of the national regulators was restricted so as agreement could be reached amongst the States, this is a model to follow in the future and promises to deliver efficiency benefits to the transport sector and its customers.

SAFC highlights again the importance to the agricultural sector in general of improved access regimes, particularly for High Productivity Vehicles (HPVs) as well as the movement of heavy machinery across regions and between States.

On a more general note, SAFC is pleased to see the Commonwealth's commitment to reduce the regulatory burden (red tape costs) across all industry sectors by \$1 billion per year; however we believe that this target could be extended significantly and made sector specific, particularly if COAG were to make a joint national commitment on red tape reduction.

Policy Idea 5: Protecting the resource base

With regards to the section on 'limiting the adverse impacts of mining on the agricultural sector', SAFC would highlight that *mining often benefits agriculture*, by driving the development of new transport infrastructure (ports, rail lines etc) that can then be used by the agricultural sector without needing to contribute to up-front infrastructure cost. The positive impacts of this effect on agriculture should not be understated.

Moreover, improved access for High Productivity Vehicles and an enhanced capability to move machinery around the nation, free of "petty" regulatory restrictions, will benefit the mining and agricultural sectors alike.

In addition, in some instances, such as rail revitalisation, improvements in one area aimed at accommodating mining traffic could lead to improvements in other areas for the benefit of agricultural users (eg: replacing rail to increase axle loads on a stretch of track will directly benefit all users of that track, and cascading the displaced rail to other networks could improve the productivity and longer term viability of these other networks which are often in desperate need of investment, including grain sector and other agricultural customers).

Section 5: Finance, Business Structures and Taxation

SAFC supports the maintenance of the fuel tax credits scheme.

SAFC also contends that taxation schemes that promote accelerated depreciation regimes can encourage the early replacement of obsolete and less productive equipment. This early replacement of equipment would also deliver benefits from a safety and environmental perspective. SAFC's Green Freight document (copy attached and available online at <http://old.safreightcouncil.com.au/GreenFreight%20%20Final%20Low%20Res%20March14.pdf>) discusses this opportunity, as well as a raft of other initiatives that can improve Australia's environmental outcomes.

Section 12: Accessing international Markets

SAFC notes that no mention is made in this section of Bilateral Air Services Agreements, and the impact they have on what air services can operate to potential agricultural markets. This may be worth investigating further.

The Commonwealth Department of Infrastructure and Regional Development provides some information on such agreements here

http://www.infrastructure.gov.au/aviation/international/bilateral_system.aspx