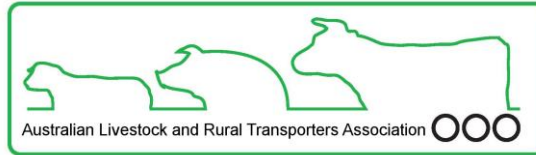


Agricultural Competitiveness White Paper – Submission IP573
Australian Livestock and Rural Transporters Association
Submitted 17 April 2014



17 April 2014

Agricultural Competitiveness Taskforce
Department of Prime Minister and Cabinet
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Via email: agricultural.competitiveness@pmc.gov.au

Agricultural Competitiveness White Paper

The Australian Livestock and Rural Transporter's Association (ALRTA) is pleased to offer this submission to the development of the Federal Government's *Agricultural Competitiveness White Paper*.

The ALRTA represents road transport companies based in rural, regional and remote Australia. We are a National Council made up of elected representatives from our six state-level associations in New South Wales, Victoria, Queensland, Western Australia, South Australia and Tasmania.

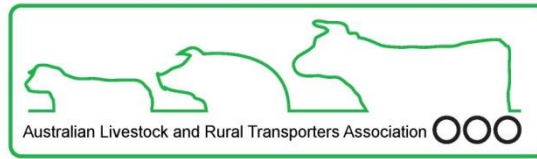
Our councillors own and operate their own road transport businesses. Some are owner-drivers while others manage small, medium or large fleets. We know rural and regional road transport and we know how to make it better.

This submission reflects the view of the ALRTA membership on how to enhance Australia's agricultural competitiveness by improving the efficiency, productivity and biosecurity of road transport in rural and remote Australia.

If your office would like to discuss any of the matters outlined below, please contact the ALRTA Executive Director, [REDACTED]

Yours sincerely

Liz Schmidt
National President



ALRTA Submission

to the

Agricultural Competitiveness Taskforce

17 April 2014

1.0 Introduction

Road transport is typically the first and last link of our agricultural supply chains, bringing vital supplies to our production centres and taking value-added produce to our markets.

While Australian farmers rely on rural trucking businesses to transport their produce and care for live cargos during transit, road transport is also a significant production cost. Beef cattle for example have the highest imbedded transport cost of all Australian commodities.

Transport costs significantly affect farm gate returns for individual agricultural producers. Fundamentally, higher transport costs mean lower returns and a decreased ability to reinvest in the productive capability of agricultural enterprises.

The White Paper must recognise that the efficiency with which we are able to transport our agricultural commodities from production centres to processing facilities and markets is of critical importance in determining Australia's overall agricultural competitiveness.

More specifically, the Federal Government should adopt a range of policies for improving rural road transport including:

- Supporting the National Heavy Vehicle Regulator;
- Improving road access for high productivity vehicles;
- Fairer charging for heavy vehicles;
- Supporting specific productivity initiatives;
- Abolishing the Road Safety Remuneration Tribunal;
- More reasonable responses to animal welfare incidents; and
- Biosecurity, market access and domestic road transport.

Federal Government investment in regional road infrastructure and associated regulatory reform will ultimately enhance our productive capacity, improve the attractiveness of regional Australia as a place to live and work and return dividends to successive Governments to underpin future regional investment.

2.0 Supporting the National Heavy Vehicle Regulator

A September 2011 Regulatory Impact Statement¹ determined that the successful establishment of a National Heavy Vehicle Regulator (NHVR) overseeing nationally consistent heavy vehicle laws would deliver \$12.4b in net present benefits to the Australian economy over the next 20 years through reduced red tape and improved access to the road network.

Road transport is highly competitive and efficiency gains or losses are typically passed to customers at the end of the supply chain². This is particularly important for agricultural producers who must accept a market price for their product, but can improve their margins through lower costs of production and delivery to market.

¹ Heavy Vehicle National Law Regulation Impact Statement. September 2011. National Transport Commission.

² Freight Rates in Australia, 1964-65 to 2007-08. BITRE.

National Heavy Vehicle Laws commenced in all jurisdictions except WA and NT on 10 February 2014. The NHVR has unfortunately been unsuccessful in transitioning to managing all road access permit applications. It is vitally important that the Federal Government continue to support the NHVR politically and financially until the fledgling entity is able to operate successfully.

3.0 Improving Road Access for High Productivity Vehicles

Over two-thirds of our agricultural production is exported, contributing 20% of our total export earnings. Yet, we are three times more reliant on land transport than our international competitors, and together with New Zealand, Australia has the highest total transport cost for exports across all countries in the OECD.

There are tantalising new opportunities for Australian agriculture on our doorstep. As we start the 'Asian Century' we sit poised to capitalise on our potential as a global food bowl, supplying agricultural commodities to a new Asian middle class that is demanding quality meat, milk, grain, vegetables and fibre from trusted suppliers.

With the amount of interstate road freight forecast to double between 2005 and 2030³, we must ensure that Australia can deliver bulk or processed agricultural commodities from farm to world markets in the most efficient manner possible.

Part of the solution will involve greater use of high productivity vehicles (HPVs) such as b-doubles, b-triples and road trains on an expanded HPV road network. On a tonne per kilometre basis, these vehicles impact less on road wear and are more efficient, safer and environmentally friendly than smaller vehicles⁴.

We must act today to deliver the road network required tomorrow. However, there are two factors restraining greater use of HPVs in Australia:

1. Access decision-making; and
2. Infrastructure supply.

3.1 Better Access Decision Making

It is well known that it is often the local 'first mile' or 'last mile' of a transport task for which road access is most problematic. Many local road managers simply deny access because of unfounded or ill-informed concerns about safety or local amenity impacts.

³ Road Freight Estimates and Forecasts in Australia: Interstate, capital cities and rest of state. BITRE. December 2011.

⁴ See separate submission from the Australian Trucking Association.

Decisions about HPV access should be based on engineering principles, network design and measurable impacts, not underlying attitudes towards industry or heavy transport.

There are a number of possible measures for improving access decision making including:

1. Mandating the Ministerial Guidelines on access decision making;
2. Reducing the statutory maximum decision period from 28days to 72hours;
3. Allowing independent third party review of decisions;
4. Requiring local governments to identify critical roads or infrastructure for which decisions are required and empowering the NHVR to make decisions in all other cases;
5. Establishing new 'low use' decision thresholds that would allow default access to HPVs on rural roads on infrequent occasions (e.g. to pick up a load of livestock from a farm for sale once a year);
6. Examining the possibility of extending HPV network maps right up to a critical infrastructure bottle neck rather than prohibiting use on the entire stretch of road that the bottleneck is located on (i.e. allowing access to all destinations between the approved route and the bottleneck);
7. Abolishing excessive access conditions that add cost without any benefit. For example, the NSW and QLD requirement for vehicle operating at approved higher mass limits should not require entry into the intelligent access program (which tracks all movements at a cost to the operator).

3.2 Infrastructure Supply

Road infrastructure planning is currently based on short-term decision-making, often reflecting annual budgets or election cycles. There is very little positive planning for greater use of HPVs. In fact, many Governments seem to consider HPVs as something that should be kept out of public view and consigned to a second class road network.

There is no long-term plan for expanding the HPV network.

There is also little attention paid to identifying critical infrastructure bottle necks that exist now, that if fixed, could expand the HPV network and result in immediate productivity benefits.

Identification of HPV access impediments just results in an argument about who is responsible and who should pay for it while the transport industry and rural communities wear the ongoing cost of inefficiencies.

The ALRTA recognises that the Federal Government is currently consulting on longer term infrastructure supply reform as part of the Heavy Vehicle Charging and Investment (HVCI) Project.

The HVCI project proposes some extreme measures including charging based on 'mass, distance and location' - a proposal that would require constant tracking and weighing of every truck in Australia. Realistically, this would involve intrusive new technology in every vehicle, centralised collection, analysis and storage of copious amounts of data, and several new layers of bureaucracy supported by a small army of public servants.

Even with all of this expense and effort the HVCI proposal still does not guarantee effective supply-side reform in the areas which most require it.

After participating in the consultation process the ALRTA considers that the options currently under consideration are overly complex and impractical. Further progression of the current HVCI Project in its current form is untenable given such widespread opposition across all transport industry bodies and the clear scepticism among State and Territory road agencies.

Much more could be gained through spending efficiencies and strategic supply-side reforms so that funding 'follows the truck' and returns to local roads in rural and regional areas.

A simpler solution is required.

To put the matter in perspective, Governments collectively spend around \$14.5b annually on road infrastructure and associated activities. If the efficiency of this spend could be improved by just 10%, a further \$1.45b would be available without increasing charges for road users. Put simply, we must reduce overheads and build quality infrastructure that delivers better value over the life of the asset.

It is vitally important for the Federal Government to take a clear stance on the use of HPVs in Australia. A national vision will guide integrated investment decisions and help change the ingrained attitudes at State and Local levels.

There are six things that the Federal Government can assist in delivering:

1. Recognition that HPVs are a necessary part of the freight challenge solution;
2. Assessing and reporting on the current state of the road network;
3. Integrating data collection, demand forecasting and decision making;
4. A dedicated program for the identification of critical bottle necks that exist now along with a commitment to fixing them;
5. Progressive improvements in the number, location and quality of HPV friendly rest areas;
6. Demanding that incremental expansion of the HPV network is a key goal in all long-term road network planning, including as part of initiatives such as the Northern Australia White Paper.

4.0 Fairer Charging for Heavy Vehicles

Heavy vehicle charges are levied through a combination of a large up-front registration fee and a fuel-based road user charge (RUC).

Heavy vehicles operate under a cost recovery model which is reviewed by the National Transport Commission (NTC) annually and charges adjusted as appropriate. The NTC has recently conducted a more thorough review of the charging methodology, and after determining that costs have been over-recovered from heavy vehicles for some years, has recommended a 6.3% decrease in charges (on average) for 2014-15.

There have also been some adjustments across vehicle classes with charges recommended to fall by an even greater margin for articulated vehicles such as semi-trailers, b-doubles and road trains. This is good news for Australia's larger agricultural producers which typically rely on these vehicles to deliver production inputs and to deliver outputs to market.

Overcharging must be recovered from customers, including from agricultural producers.

In 2012-13 charges were increased by over 10% on average and by up to 21% for double and triple road trains further exacerbating the problem⁵.

Overcharging heavy vehicles is decreasing Australia's agricultural competitiveness and all Australian Governments must agree to pass on the recommended charging decreases in full from 1 July 2014-15.

4.1 Other Options for Charging Reform

Large upfront registration fees are grossly unfair for most rural and regional transport operators. Such fees are problematic for managing cash flow and are applied equally to all operators regardless of the real cost to the road network.

Rural operators will often have several different trailer types (livestock crates, tippers, flat bed etc) for different types of work that may be undertaken. Large upfront registration fees apply to each trailer even though these cannot all be used simultaneously and may sit idle for much of the year.

The national registration fee for a rural double road train combination is currently \$14,205, approximately the same fee as an inter-capital line haul B-double combination of \$14,769. However road network access, attributable road wear and infrastructure spending is vastly different.

A line-haul B-double will typically travel over 400,000 kilometres annually on some of the best and most expensive roads in the country. In contrast, a road train typically travels less than half of this distance and on a lower quality and more restricted road network. In effect, road train registration fees are subsidising infrastructure spending on parts of the network from which they are prohibited.

Industry stakeholders generally agree that significant charging reform is required to establish a closer relationship between the costs imposed on the road network and the charges levied on individual operators.

The recent NTC charging review includes medium term options for significantly decreasing upfront registration fees and proportionally increasing the RUC. The ALRTA is strongly supportive of this proposal.

Compared with large upfront registration fees, fuel-based charges are more transparent, predictable and more equitable in their application. Customers are generally comfortable with fuel surcharges and operators can estimate these with some certainty for any given task.

The most attractive element of fuel-based charging is the close relationship between the costs imposed on the road network and the charges levied on individual operators. In effect, those travelling greater distances at higher masses will pay more for using the road network.

⁵ www.ntc.gov.au

Administratively, a higher RUC would cost no more to collect than under current arrangements. There are however three key challenges for an incoming Federal Government in considering this proposal.

1. Sustainability: The RUC is currently collected by the Federal Government as part of 'diesel fuel rebate scheme'. A new collection mechanism must be established if the RUC is to continue over the longer term even at the current rate.
2. Disbursement of Collected Funds: The States and Territories will not agree to lower their registration fees without a fair and equitable disbursement mechanism in place for the additional funds collected under the RUC. Options might include a pro-rata split based on the proportion of registered heavy vehicles.
3. Over Charging of Road Trains: SCOTI has required the NTC to minimise under and over recovery and have special regard for (rural) equity issues. A simple increase in the RUC will not wholly address the current over-charging issue for road trains. A workable remedy must be identified to resolve this issue.

While these issues have the potential to complicate or delay much needed charging reform, with effective leadership from the Federal Government and strong industry support they should not prove insurmountable.

The ALRTA is committed to supporting the Federal Government in exploring the various options and assisting in the identification of practical solutions that work for both industry and governments.

5.0 Supporting Specific Productivity Initiatives

Rural road transport typically operates on small margins with large capital overheads (vehicle and trailers) and input costs (e.g. fuel, tyres)⁶. Small productivity improvements can have a significant impact on an operator's bottom line.

In this regard, the Federal Government through the NHVR must recognise and agree to continue local productivity initiatives such as state-based livestock loading schemes and grain harvest management schemes.

The Federal Government should also maintain a proactive program for identifying and fast-tracking productivity improvements that deliver improved efficiencies. For example, the NTC is currently progressing a proposal to allow operators to transfer up to one-tonne from other axles groups to a tri-axle group. This effectively allows operators to load closer to maximum permissible weights, increasing their overall productivity without impacting on road wear or decreasing safety. New regulations are currently being prepared by the NTC but it is not entirely certain that all state jurisdictions will adopt these.

⁶ Road Safety Remuneration System: Regulatory Impact Statement. Department of Education, Employment and Workplace Relations. October 2011.

6.0 Abolishing the Road Safety Remuneration Tribunal

The Road Safety Remuneration Tribunal (RSRT) has made a Road Safety Remuneration Order (RSRO) which commences for a four year period from 1 May 2014.

The RSRO will negatively impact on rural transporters by increasing red tape and imposing impractical requirements that cannot be adhered to. For example, the RSRO will require written contracts between hirers and contractors before work is undertaken and mandates the use of detailed safe driving plans for all long-distance work.

Very little of the work of most livestock or grain carriers is done under an ongoing written contract. Jobs are more often allocated on a piece-meal basis, as they arise, including during seasonal highs such as the grain harvest. While some carriers have retainers to handle, say, all product moving between a particular feedlot and a certain abattoir which may be amenable to a written contract, most work is ad hoc and at short notice.

Rather than being continuously located at 'the end' of a sub-contracting chain, small rural operators often share work amongst each other and find that they are constantly changing roles. On one day, they will be the 'prime contractor' handing off some work to 'a mate that I trust' and, on the next day, they will act as a sub-contractor, bringing in a backload for 'a mate who can't get out this way' to service his usual client.

This reciprocity and the continuing exchange of roles in rural sub-contracting creates a market that is quite different to that found, for example, in the long-distance 'general freight' business that runs each night on Australia's East Coast highways.

For many small operators, their truck is also their office from which they organise or accept offers of work while already on the road. Communication technologies are still quite rudimentary in most rural and regional areas of Australia and a high proportion of work is organised verbally via a basic mobile phone, often while a job is already underway. Trucks operating on rough roads generally will not carry printers or faxes and limited communication and technology availability substantially limit the use of electronic exchanges such as email.

It is certain that the cost of establishing a written contract multiplied by the number of instances in which a written contract would be required is substantial. The cost of developing and maintaining a safe driving plans is also substantial and is the responsibility of the hirer. In reality, it is unlikely that agricultural producers contracting the services of rural transporters will have the expertise, time or resources to developed compliant safe driving plans that are specific for every trip.

7.0 More Reasonable Responses to Animal Welfare Incidents

The decision of the former Federal Government to suddenly close the live export market to Indonesia caused irrevocable harm to many rural businesses including cattle producers and road transport operators.

The decision was a knee-jerk reaction to a localised problem. It did not properly consider the implications for the Australian industry and did not recognise the significant amount of work that has gone into improving animal welfare in Australia and in our export markets.

The ALRTA has developed the 'truckcare' quality assurance program for livestock transport. It covers animal welfare, bio-security, food safety and traceability. It is fully auditable and built around international standards⁷.

Australia is also in the process of implementing nationally consistent laws for livestock transport which were developed in consultation with industry, welfare agencies and State and Territory governments. The standards cover planning and preparation for transport, time off water and fitness for loading.

In addition, the ALRTA is aware of work undertaken by Meat and Livestock Australia to provide equipment and training workers in meat processing facilities in overseas markets, including Indonesia.

Australia is leading the way in animal welfare standards and our producers should not be severely penalised by knee-jerk decisions that close entire industries overnight.

While Australia has a responsibility for the welfare of our animals exported to overseas destinations, the Federal Government should only apply trade sanctions on facilities in which problems are known to have occurred rather than imposing blanket bans which hurt the entire production chain and negatively affect ongoing trading relationships.

The ALRTA applauds the strong commitment of the Abbott Government to the live export trade and note the substantial improvement in market access in the past six months.

8.0 Biosecurity, Market Access and Domestic Road Transport

Maximising transport efficiency over the longer-term requires consideration of biosecurity and market access risks. For some risks, the lowest cost outcome requires a reasonable level of preparation to protect against a pest or disease incursion or a threat to market access (e.g. product contamination).

Road transport is an important factor in the potential spread of pests and diseases and in potential contamination incidents. For example, one of the first responses to an FMD detection in Australia will be to prohibit all livestock movements for 72 hours (including those in transit).

The ALRTA recognises the importance of the road transport sector being prepared to manage an incursion and will conduct a 'standstill exercise' in late 2014.

However, inappropriate movement restrictions also have the potential to cost the transport industry and our customers. Domestic movement restrictions should be periodically reviewed and adjusted based on evidence of risk or new proposals for alternative controls.

⁷ <http://alrta.org.au/truckcare/>

For example a recent report⁸ by CSIRO researchers on behalf of Meat and Livestock Australia has suggested that cattle tick control regulations should be modified to allow free movement of cattle destined for slaughter.

A particular concern to the ALRTA (and the Grain Producers Association) is the decreasing availability of amenities to wash out trucks and trailers at commercial livestock, grain, fertiliser and port facilities. One of the simplest and most effective means of reducing the risk of spreading pests, diseases or chemical contamination is to regularly wash out trailers after use.

However, there is no requirement for commercial supply chain entities to provide truck wash facilities and the network of available facilities is shrinking. Transporters will sometimes need to drive several hundred kilometres out of their way to use one of the remaining facilities.

If left purely to commercial drivers, it is likely that the network will continue to shrink, placing our domestic agricultural enterprises at considerable risk.

The ALRTA recommends that the Federal Government establish a policy to promote the establishment and maintenance of an appropriate national network of truck wash facilities. This could be achieved by including this as a statutory condition of operating a large commercial livestock, grain or fertiliser facility at which produce or products will be moved by road transport.

⁸ Higgins, A. et al (2013) A framework for optimising capital investment and operations in livestock logistics , *The Rangeland Journal*, 2013, 35, 181–191