



4 August 2017

Freight and Supply Chain Inquiry
Department of Infrastructure and Regional Development

Via email: freightstrategy@infrastructure.gov.au

INQUIRY INTO NATIONAL FREIGHT AND SUPPLY CHAIN PRIORITIES

Thank you for the opportunity to provide a submission in response to the *Inquiry into National Freight and Supply Chain Priorities*.

The Australian Livestock and Rural Transporters Association (ALRTA) is a member of the Australian Trucking Association (ATA) and endorses the ATA's submission to the Inquiry.

This ALRTA submission is complementary to the ATA submission and includes recommendations specifically focussed on the agricultural supply chain.

If you wish to arrange a meeting to discuss the attached submission, please contact the ALRTA Executive Director, Mathew Munro, on (02) 6247 5434 or mathew@alrta.org.au

Yours sincerely

Kevin Keenan
National President



SUBMISSION TO THE

**INQUIRY INTO NATIONAL FREIGHT AND SUPPLY
CHAIN PRIORITIES**

4 August 2017

1.0 Introduction

The Australian Livestock and Rural Transporter's Association (ALRTA) is pleased to offer this submission to the *Inquiry into National Freight and Supply Chain Priorities*.

The ALRTA is an industry association registered under the *Associations Incorporation Act 1991* in the Australian Capital Territory. The association is governed by 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.

Membership of our state level associations comprises 850 road transport businesses servicing Australia's agricultural supply chain.

2.0 Context

There are tantalising new opportunities for Australian agriculture on our doorstep. In this '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.

Already, 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.

Realistically, Australia has an abundance of land while Asia has an abundance of labour. In terms of freight movements, the most likely economic scenario is that Australia will supply primary materials to Asia, and Asia will supply manufactured goods to Australia.

The bulk of these primary materials will be sourced from regional and remote parts of Australia.

To ensure that we are globally competitive, it is imperative that Australia can deliver agricultural commodities from our farms and processors to world markets in the most efficient manner possible.

For this reason, the Australian *National Freight and Supply Chain Strategy* must have a strong focus on the agricultural supply chain. More specifically, the following priorities should be progressed:

1. Rapid resolution of heavy vehicle charging and investment reform;
2. Improving road service level standards in rural and regional Australia; and
3. Improving road access for high productivity vehicles.

3.0 Priority 1: Heavy Vehicle Charging and Investment Reform

The ALRTA strongly supports the recommendations made by the ATA concerning overcharging, independent decision making and road investment reform.

In considering the ALRTA recommendations in the following sections of this submission, we ask Australian Governments to take into account that:

- Heavy vehicle operators have been overcharged by more than \$200m annually since the 2014 PAYGO review; and
- Only 25% of total fuel tax revenue is currently spent on road infrastructure and maintenance.

The heavy vehicle sector is very much prepared to pay its own way. However, we strongly object to paying more than our fair share.

While overcharging heavy vehicles may assist government budgets in the short-term, taxing commercial road transport above cost recovery is a 'false economy' that unnecessarily increases the cost of doing business in Australia. Ultimately this practice will decrease our relative international competitiveness – to the detriment of our economy as a whole - and longer-term government budgets.

4.0 Priority 2: Improving Road Service Level Standards

4.1 Rural and Regional Roads

While relatively sparsely populated, it is Australia's rural, regional and remote areas that produce our food, fibre, wood and mineral exports.

This is the backbone of Australia's export economy. When all else fails, people still require food, clothing, shelter and energy.

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.

Many of the same roads that service our farms also support a burgeoning domestic tourist industry as baby boomer retirees join the ever-growing ranks of the 'grey nomads'.

However, the current state of roads in most parts of rural Australia is appalling.

Chronic under investment over successive Federal, State and Local Governments has resulted in a general decline in road quality, to the point that local authorities are threatening to reduce road access or impose speed restrictions at the very time when we should be doing quite the opposite.

Even when access is maintained, poor quality roads add significant cost to transport tasks because journeys take longer, maintenance costs are higher and the risk of road trauma is increased.

4.1.1 Important Rural Freight Routes in Distress

Over the last century, grain, fibre and livestock production has increased dramatically in what was once considered more marginal agricultural regions. In the past 30 years, technological advances have resulted in heavy vehicles becoming far more powerful, larger and capable of safely carrying much heavier loads.

Yet most of the roads servicing Australia's agricultural production zones have not had a significant upgrade in 70 years or more.

Across Australia, there are numerous examples of important rural freight and tourism routes that are in distress – far too many to list in this submission.

Many of these routes are country highways or 'cross highway' roads that run between country highways – roads that taxpayers would generally expect to be 'up to the task' of moving rural produce efficiently and safely delivering tourists through the region.

Some examples include:

- Major 'pinch points' around Gunnedah and Temora that prevent road trains from servicing a much larger area of the state;
- Unsafe road design on Buckets Way and Thunderbolt's Way that result in alarmingly regular fatalities often involving heavy vehicles;
- Sections of the Murray Valley Highway lacking shoulders, overtaking lanes and rest areas;
- Sections of the Burnett Highway with dangerous bends, poor edges and regular flooding;
- Sections of the Riverina Highway in a generally poor state of repair;
- Even the Newell Highway is not able to provide continuous road train access for its entire length; and
- General lack of floodproofing right across QLD and NSW.

4.1.2 Current Grant Funding Programs

The ALRTA acknowledges that Federal and State Governments have allocated several pools of money to assist in improving rural and regional roads. For example, Australian Government Programs include:

- Roads to Recovery
- Black Spot
- Heavy Vehicle Safety and Productivity
- Bridges Renewal
- National Highways
- Northern Australia Roads
- Beef Roads

Most State and Territory Governments also allocate a proportion of funding to regional roads projects (e.g. NSW Fixing Country Roads Program and allocations announced in the 2017/18 VIC Budget.)

However, the reality is that these programs are just scratching the surface. Even with all of these programs, important rural freight and tourism roads continue to decline. Each program is a welcome, but relatively small band-aid solution, for what is a major problem of national significance.

4.1.3 Longer-Term Solutions

A long-term sustainable solution may yet become available through the current land transport charging and investment reform process. However, this process has now been underway in various forms for more than a decade and governments have yet to decide on a model for a new system - let alone begin the transition.

Australia cannot afford to wait another decade or more for these reforms to be agreed, implemented and long-term infrastructure plans developed.

4.1.4 Australia Must Act Now to Maximise Return on Investment

In a globally competitive market, small price differentials can potentially shift trade flows from Australian producers to lower price competitors located further away. If Australia does not act now to lift the standard of our country roads, a significant part of the 'windfall gain' arising from burgeoning trade with Asia will never reach the farm gate.

Failure to capture the full economic benefit of the agricultural boom now, will decrease our ability to invest in regional road infrastructure well into the future.

It makes economic and commercial sense for Australia to immediately begin the process of identifying our most important economic and tourism roads across rural and regional Australia, and to make the necessary investment to drive down freight costs on these corridors as soon as possible - so as to maximise the return on that investment.

Recommendation 1: That the Australian Government establish a national fund of at least \$1bn to improve the standard of key rural freight and tourism roads. In allocating the fund, the Australian Government should:

- Consult with agricultural producers, rural carriers, processors, exporters and tourism stakeholders to identify our most important freight routes in rural and regional Australia;
- Assess the quality of each freight route;
- Establish a minimum service level standard for the rural freight and tourism network;
- Prioritise upgrades on key freight routes to rapidly remove critical safety and productivity bottlenecks;
- Establish a longer-term plan to upgrade the entire network to meet the minimum service level standard; and
- Leverage matching funds from State and Local Governments to maximise overall upgrade potential and ensure that all current programs are working towards a common goal.

4.2 Road-Side Effluent Disposal Facilities

In stark contrast to New Zealand, Australian Governments do not provide managed road-side facilities for heavy vehicles to dispose of livestock effluent generated in transit.

This situation is placing public safety and our entire livestock production chain at risk.

If Australian Governments are serious about protecting public safety and enhancing the domestic and export livestock production chain we must:

1. Establish a network of roadside effluent disposal facilities on key freight routes; and
2. Compel livestock producers to appropriately prepare animals prior to road transport.

4.2.1 Why is Effluent Containment Important?

Effluent control on public roadways is important for number of reasons:

- **Safety:** Concentrated effluent on roadways or spilling onto vehicles in transit can be a safety issue. Motorcyclists are particularly at risk from effluent spills.
- **Animal welfare:** Excessive effluent is uncomfortable for animals and promotes disease, and slipping and falling of animals in transit.
- **Commercial:** Animal skins are devalued when stained by effluent.
- **Amenity:** Public amenity can be decreased when excessive effluent is present.
- **Biosecurity:** Effluent is a known vector for the transmission of infectious diseases and invasive weeds.
- **Environment:** Effluent can cause contamination of waterways.

To put the problem in perspective, the Federal Government has estimated that an outbreak of foot and mouth disease would cost between \$40b - \$60b to the national economy. Livestock effluent is a known disease vector but little is being done to provide a decent network of truckwashes and managed effluent disposal sites.

Further, in some parts of Australia, such as SE QLD, major meat processors are facing significant risks associated with the ongoing operation of their business because of local concerns about effluent impacting public amenity. This problem is becoming more acute as urban encroachment continues to accelerate.

4.2.2 Why is Effluent Lost in Transit?

Livestock can lose up to 5% of their weight as effluent during transit if feed and water curfews are not applied prior to transport. A trailer deck can typically accommodate 40 cattle weighing approximately 600kg each. 5% of this total weight equates to around 1200kg or 1200lt in liquid form.

Even when a standard 300lt effluent tank is fitted to a trailer (which is not mandatory or even common in most parts of Australia), it can only capture around 25% of excessive effluent production. Capturing effluent in tanks on the road also creates a secondary problem concerning the disposal of captured effluent.

There is no network of disposal sites for captured effluent. Major livestock processing facilities are not required to provide dumping areas, primary producers are reluctant to accept it onto their property and it may not be deposited in public places.

4.2.3 What is Being Done?

The loss of effluent from a heavy vehicle is routinely treated as a load restraint breach under the *Heavy Vehicle National Law 2013 (HVNL)*.

The ALRTA is working with the National Transport Commission to improve HVNL chain of responsibility laws to compel livestock producers to identify and address risks arising from feeding practices prior to road transport. The aim of this endeavour is to reduce the volume of effluent entering the transport chain.

However, while improving the legal framework will minimise effluent production, it cannot eliminate it entirely.

In New Zealand, National and Regional Governments are jointly funding, building and operating purpose-built livestock effluent disposal facilities on public roads.

This is exactly what is needed in Australia for the livestock supply chain to co-exist and grow alongside an expanding urban population.

ALRTA has inspected the facilities in NZ and has compiled a large amount of information on facility types, costs and management options. To demonstrate the concept in Australia, the ALRTA is liaising with Australian Governments at the Federal, State and Local level to access grant funding to establish Australia's first managed roadside effluent disposal facility in SE QLD – a high priority 'hot spot'.

4.2.4 A Sustainable Infrastructure Solution

According to the ABS publication *Value of Agricultural Commodities Produced, Australia, 2015-16* the total value of 'Livestock slaughterings and other disposals' is approximately \$21b. Most of these livestock will have been transported by road within Australia on at least one occasion.

Like New Zealand, Australia is heavily reliant on heavy vehicles to transport livestock between supply chain parties, including to processors or ports in densely populated areas. Effluent production in transit is a well-known and predictable part of livestock transport activities and it should be expected that significant effluent loads will need to be managed on key livestock freight corridors.

In this regard, there really are but two options:

1. Accept that excess effluent will be lost by heavy vehicles onto public roadways; or
2. Provide appropriately located roadside sites so that transport operators can capture and dispose of effluent in a managed fashion.

The ALRTA recognises that establishing a network of roadside effluent disposal facilities will come at a significant cost. A basic site will cost around \$250,000 to construct (not including land or slip lanes) and around \$30,000 in maintenance costs thereafter.

However, these facilities are not required on all roads. Rather, they need only be placed strategically on key livestock freight corridors around high risk areas such as major urban population centres.

But how do we pay for an appropriate network of disposal sites?

Simple - roadside effluent disposal sites must become part of the statutory service level standard applied to key livestock freight routes in Australia. All costs associated with the construction and maintenance of such facilities could then be factored into the cost base for calculating heavy vehicle charges and recovered from industry.

This approach will provide a sustainable funding base and enable road managers to routinely consider the need for strategically placed roadside effluent disposal sites when making road investment decisions over the longer term.

Recommendation 2: That the Australian Government develop a plan and sustainable funding mechanism for establishing managed roadside livestock effluent disposal sites on key livestock freight routes in Australia. This should involve:

- Including roadside effluent disposal sites as part of the minimum service level standard for key livestock freight routes;
- Identifying and classifying key livestock freight routes;
- Developing principles for the funding of roadside effluent disposal facilities; and
- Developing regional plans to eventually establish a strategic network of managed sites.

5.0 Priority 3: Road Access for High Productivity Vehicles

Road transport is a significant production cost in the agricultural supply chain. 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.

There are two obvious ways to drive down transport costs:

1. Use more productive vehicles such as b-doubles, b-triples and road trains; and
2. Use the most direct route from the point of production to the point of sale, processing or export.

In Australia, high productivity vehicles (HPV) are also known as 'restricted access vehicles' (RAV). The use of such vehicles is limited to certain prescribed parts of the road network under certain prescribed conditions.

In the case of the Australian agricultural supply chain, it is often the case that a HPV can operate for part of an intended journey, but is not legally allowed to operate on the 'first mile' or 'last mile' of a transport task. As a result, either a less productive vehicle must be used or the operator must apply for a permit to access otherwise prohibited parts of the network.

ALRTA member operators report that access decisions made by road managers are expensive, uncertain and often ill-informed.

In some cases, local road managers simply deny access because of unfounded concerns about safety or local amenity impacts and there is little or no recourse for the applicant.

In other cases, local authorities are using the permit system to raise revenue rather than protect safety or infrastructure. HPVs are using the 'permitted roads' on an ongoing basis without incident but are forced to pay to do so.

Decisions about HPV access should be based on engineering principles, network design and measurable impacts - not underlying attitudes towards industry or heavy transport or a desire to raise revenue at the local level.

Recommendation 3: That the Australian Government investigate and recommend measures for improving road access decisions in Australia including:

- Mandating the Ministerial Guidelines on access decision making;
- Reducing the statutory maximum decision period from 28days to 72hours;
- Allowing independent third party review of decisions;
- 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;
- Establishing new 'low use' decision thresholds that would allow HPVs to access rural roads on infrequent occasions (e.g. to pick up a load of livestock from a farm for sale once a year);
- Revise road access guidelines to make it clear that using HPVs on infrequent occasions on ultra-low traffic rural roads is very low risk;
- 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); and
- Abolishing excessive access conditions that add cost without any benefit. For example, the NSW and QLD requirement for vehicles 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).

6.0 Summary of Recommendations

Recommendation 1: That the Australian Government establish a national fund of at least \$1bn to improve the standard of key rural freight and tourism roads. In allocating the fund, the Australian Government should:

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- Assess the quality of each freight route;
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- Prioritise upgrades on key freight routes to rapidly remove critical safety and productivity bottlenecks;
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