

AUSTRALIAN RURAL ROAD GROUP

“The first mile of each rural local road is just as important as the last mile approaching the market”



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Freight and Supply Chain Inquiry
Department of Infrastructure and Regional Development
GPO Box 594
CANBERRA CITY ACT 2601

Via email: freightstrategy@infrastructure.gov.au

Dear Freight and Supply Chain Inquiry

Submission for the Inquiry into National Freight and Supply Chain Priorities

Thank you for the opportunity to contribute to this submission. It is an area that the Australian Rural Roads Group (ARRG) is passionate about.

Life on a modern farm in Australia in 2017 is vastly different to that of a farm in the 1960's when many of our local roads were first constructed. The farming enterprises of today are vibrant businesses interacting on the global stage as much as many of our city businesses. Many farming operations forward sell products and export directly either themselves or through selling agents. The importance of local roads to these businesses is more important now than at any time in the past, particularly given the increased use of “just in time contracts”, which require product to be delivered at a certain time.

Australia is very fortunate to have a highway, rail and port system that allows farm produce to be transported relatively quickly and efficiently once they reach these major pieces of infrastructure. However, the weak link in the logistics supply chain for many producers is the local road component of that supply chain.

Farming businesses are consistently bombarded with messages about how the cities' food demands are growing and the increasing markets for Australian agricultural products in Asia. There is an expectation that our farmers can continually rise to the occasion and supply these ever growing markets thereby increasing the prosperity of their regions and, as a flow on, the economy as a whole.

It doesn't matter that their productivity may have increased significantly from 30 years ago; the road system they rely on and which struggled before productivity increased has likely not been upgraded in years. As a result they will continue to struggle to be able to get their produce to market.





Last season, our farmers were lucky with high chickpea prices on the back of a drought in India. However, with subsequent rain in India, that window of opportunity to get chickpeas to the Indian market was significantly reduced and if producers did not get their crop to port in time, due to the condition of roads, the premium price was lost. It is, therefore fair to say that many normal business decisions cannot be made because of the condition of roads. A local farmer in the Moree Plains Shire area had the opportunity to sell wheat at a premium price but could not take advantage of that price because rain was predicted and therefore they couldn't risk not being able to get trucks onto the farm if it did rain. These particular producers also face the fact that freight companies charge them more because of the condition of their roads. It is clear that we need a local road network that is fit for purpose to support local productivity across the country.

The ARRГ was formed as a response to the plight of local roads in 2010. The group was formed to try and devise a better way of distributing road funding taking into account productivity. There were five (5) main reforms recommended in our first report. They were:

1. Mandate 10 year asset management plans for local government
2. Retain current local road funding programs as a baseline
3. Establish an Independent National Roads Portfolio Manager
4. Establish a National Rural Local Road Productivity Fund
5. Build management skills and research capacity in roads

To test the idea that councils were capable of consistent asset management and productivity assessment, the ARRГ also delivered another project called The North West Freight Network which shows five (5) councils, being Gwydir, Narrabri, Gunnedah, Warrumbungle and Moree Plains, working together to deliver an upgraded network of roads across these five (5) shires capable of handling up to 2AB Quad truck combinations. These upgrades would provide great freight benefits to grain, cotton and cattle producers in those areas if this core road network was upgraded to take larger, more efficient vehicles. This project is unfunded at this stage because when presented to government it was deemed to be too large for funding. A copy of the report is attached.

The problem, however, seems to be that many local roads do not attract funding from state and federal governments because the cost benefit ratio does not meet the required level. Many local roads cannot compete with the traffic volumes, population and time savings that many roads in more densely populated parts of our country have. Traffic counts on rural roads can be seasonal, weather affected and determined by the condition of the road in the first place. Funding criteria can also change from year to year, for example the application for "Fixing County Roads" Round 3 is vastly different to Round 2. This makes it increasingly difficult for councils to plan long-term road improvement projects and to advise their community members, who are reliant on these funding opportunities, which may result in reduced freight costs through time savings and reduced wear and tear to vehicles.

Also, in rural and remote communities a road is more than just a road. It is the means whereby children get to school, people get to work, health services are accessed, emergency services are accessed and delivered, the mail is delivered and social connectedness occurs. Many children in rural areas are unable to attend school if there is a small amount of rain as the roads become impassable.

Add to this the cost of not being able to get to work or separating the family so that partners can get to work and children can be educated, then the cost of not having a fit for purpose roads means you have a situation akin to a natural disaster all the time. People in the Moree Plains Shire people travel long distances, many of weather affected local roads, to reach their place of work. These factors must be added to any cost benefit for a local rural road.

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The Australian Rural Road Group 'Driving the Future'

As an aside Australia spends around \$560 million per year each year on replacing infrastructure as a result of natural disasters, a proportion of which are local roads. We need to realise that we need to do more than replace like for like. Allowing for betterment to build some resilience into the system is a better use of the taxpayer dollar. In 2011-2012 Moree Plains received around \$40 million for flood damaged roads. If we had a flood again tomorrow much of this work would need to be completed again as all we could do was replace like with like.

There are other factors that should also be considered in obtaining the cost benefit ratio for local roads. Such as that many of our productive agricultural areas are on black soil plains; while these soils are particularly fertile and conducive for cropping, they are extremely difficult to build roads on and has a higher than usual impact of road building and maintenance costs and this should be taken into account when assessing costs. There is also the issue of access to gravel or the distance to obtain suitable quality gravel in these highly productive areas. In Moree Plains Shire alone, the average distance to source gravel is 30 to 40 kilometres. This adds substantially to the costs of re-gravelling or sealing of roads. The opportunity cost of not having a fit for purpose road means that basic business decisions cannot be undertaken and that they are disadvantaged.

Local roads comprise 85% of the national road network, a total length of over 600,000 kilometres of which are rural roads. Of these 65% are unsealed. If we multiplied the social economic costs of these roads across our nation it would be staggering figure. There needs to be a better and fairer way of calculating the costs and the benefits so that low volume high productivity local roads can receive more Federal and State funding for upgrades. These types of upgrades would work to decrease the cost of freight movements and hence increase productivity significantly. It is estimated that the cost of freight can be up to 30% of the production costs for grain farmers. A reduction in this number would greatly improve productivity.

Perhaps where a case can be put forward for such factors to be of significance it is not a basic cost benefit analysis that should be prepared for specified local roads, but a multi criteria analysis that gives a score and a weight to specified factors that contribute to the costs and benefits of any given road. This would make much more sense for local roads, especially those in rural areas where productivity can be greatly improved and where there are significant social factors associated with the upgrading of a road.

This can be achieved by all levels of government working together to create a system that works. Therefore, the ARRG would like to see a formal partnership developed between all levels of government to seriously look at local road issues. As local roads constitute 85% of the road network in a country the size of Australia, which relies on agriculture for its own citizens and for export markets to power the economy, we cannot afford to neglect our local roads and think we will still have an efficient, timely and cost competitive freight supply chain which allows us to compete effectively in the global market. The current system of cost benefit analysis fails our rural and remote roads. This is a major problem when we are competing for the same limited funds as our urban neighbours.

Over the years there have been significant improvements to highways and ports to support the significant increase in agricultural productivity. However, the local rural road network including a significant portion of unsealed roads is going backwards. Wonderfully efficient ports are all well and good and very necessary but if you can't get the product to the ports they are not being used as efficiently as they should be to guarantee the most productive freight outcomes.



If our local roads are to improve, then we need a partnership between all levels of government. There needs to be a desire and a vision to see these very important roads as part of the whole supply chain that runs the economic engine of our economy. It needs to be a priority and we need to see the current state of these roads as severely limiting the potential of our regions and therefore, as a result of the flow on effects to our cities and hence our nation. Our local road network needs to be fit for purpose for the 21st century and delivering freight cheaper and safer. They must be reliable and promote efficient land use and business decisions. Local roads also need to be maintained and financed in a sustainable way. We need a vision for the future and then some action.

The ARRG is committed to assisting the Australian Government in boosting the nation's prosperity through initiatives such as this inquiry, as it will lead to improved freight connectivity and identification of key supply chain priorities across the whole system. If you require further information please don't hesitate to contact me at sue.price@mpsc.nsw.gov.au.

Yours sincerely

Councillor Sue Price
Australian Rural Roads Group Chair