



SUBMISSION

Inquiry into National Freight and Supply Chain Priorities

National Freight and Supply Chain Strategy

2nd August 2017

Grain Producers Australia

Grain Producers Australia (GPA) represents Australia's broadacre, grain, pulse and oilseed producers at the national level.

GPA was created to foster a strong, innovative, profitable, globally competitive and environmentally sustainable grains industry in Australia.

The objectives of GPA are to establish a strong independent national advocate for grain producers based on a rigorous and transparent policy development process; engage all sectors of the Australian grains industry to ensure operation of the most efficient and profitable grain supply chain; and facilitate a strategic approach to Research, Development and Extension intended to deliver sound commercial outcomes from industry research.

GPA has an industry leading policy council which is supported by the following members from VFF Grains Group, NSW Farmers Association, Agforce Grains, Grain Producers SA, TFGA, WAFF, WAGG along with 3 elected growers from the North, South & Western region of Australia.

This submission is provided in general support the submission made by Grain Trade Australia (GTA).

Introduction

GPA supports and commends the background information and historical analysis relating to the grains industry outlined in sections 3 and 4 of the GTA submission inserted here:

3.0 Grain Industry Sector

The Australian grains sector has been a consistent provider of productivity to the Australian economy with the Australian Bureau of Agricultural Research and Economics (ABARES) stating that in 2016–17, the gross value of crop production is set to increase to \$28.6 billion. With 60% of production exported the industry is a major driver of export revenue and is a substantial employer of people from farm gate through to port.

The grain industry supply chain is geographically diverse and is spread across 18 ports in the 5 major producing states of the nation.

Producing on average 45mmt tonnes from approximately 21,000 farms production units¹ the grain industry has an inordinately heavy reliance on the nation's road and rail networks including rural branch lines and the many non-sealed farm access and rural roads.

The grains industry utilises all 5 road categories under the Heavy Vehicle Road Reform (HVRR) categorisation model.

Table 1. HVRR Road Categorisation Model

Road Category	Description
R1	<i>R1 roads are freeways, motorways, and tollways that have divided carriageways with two or more lanes in each direction and sealed shoulders on both sides of each carriageway. These roads form major urban and interurban traffic movement routes.</i>
R2	<i>R2 roads are urban highways or major roads that are not a freeway but may have divided carriageways and two or more lanes in each direction. These roads always have sealed shoulders.</i>

¹ Grain Growers – State of the Nation 2016

Road Category	Description
R3	<i>R3 roads are urban arterials and rural highways that have single carriageway with one lane in each direction. These roads may have sealed or unsealed shoulders.</i>
R4	<i>R4 roads are collector or distributor roads. These are roads with no requirements for shoulders.</i>
R5	<i>R5 roads are local or access roads which provide property access.</i>

Historically, the Australian grain supply chain operated under a simple aggregation system with farmers delivering their produce approximately 10-30kms at harvest time to local collection points from where the grain would, over time be delivered to domestic and export destinations. This model has now changed with the industry increasingly moving to a disaggregated market with:

- Increased use of farm storage, with the Australian Bureau of Statistics reporting approximately 15mmt of farm storage available to the industry in the 2008-2009 Agricultural Survey and currently is likely to be significantly higher.*
- Rationalisation of bulk handler receival sites and service arrangements.*
- Privatisation of the above rail operating companies and their rolling stock assets and some of the below rail track networks. Removal of government ownership and in some states Community Service Obligations (CSOs) for rail leading to a transport modal shift from rail to road.*
- Increased use of containers for export tonnage due to favourable back freight opportunities combined with international markets preferences in delivery and order size.*
- Increased commodity trading activity with multiple aggregators for most sales contracts and a dramatic increase in supply chain participants resulting in competing demand for common use infrastructure.*

The increased complexity in the grain supply chain has created challenges and constraints in peak periods. This evolving model and its complexity need to be understood and factored into the governments supply chain planning frameworks.

4.0 Grain Industry Capability and Competitiveness

Increasingly sophisticated global markets dictate the fortunes of the Australian grain industry. Australia does have some inherent advantages in the global market on account of our reputation for producing a clean quality product and the sea freight advantage accorded by our proximity to key south East Asian markets.

However, current depressed sea freight rates and increasing competition from the Black Sea region has dramatically reduced the inherent competitive advantage afforded to Australian grain.

Supply chain related innovation is essential, and requires leadership, planning and capital investment to ensure an efficient globally competitive grain industry for Australia. Critical to the value proposition for Australian grain in the export market, is the ability for market participants to “front-end” (i.e. heavily concentrate the shipping program in the immediate six months following harvest) their sales and shipping programs prior to new season northern hemisphere grain being available to compete. This peak demand requirement has resulted in the grain supply chain demanding overcapacity with resultant cost implications.

GPA specifically supports the following recommendations:

- The Inquiry is resourced adequately to include extensive industry engagement, and the analysis and review of past industry reports.
- Supply Chain Funding is prioritised on economic value principles.
- Ensure a standard investment methodology.
- Engage further with industry to forecast, plan and prepare for change.
- Ensure the consideration of value uplift when scoping projects to consider expansionary value.
- Continued use of independent agencies and structural reform of the different government sectors within the supply change is required.

While GPA is broadly supportive of the GTA submission and recommendations, it is important that there is capacity for ongoing representation and consideration of the issues in the context of their impact and relevance specifically to the production sector.

Regulatory consistency

GPA supports the work to achieve regulatory consistency across all States that have signed up to the National Heavy Vehicle system, where it does not disadvantage growers who currently have access to and the benefit of exemptions that provide greater benefit than the proposals under the NHVR.

Flexibility and risk based regulation

GPA supports the development of harvest mass management systems subject to the support and involvement of State Farming Organisations in each state.

Improving efficiency

The aim of an infrastructure review should be to improve the efficiency of freight movement. The ultimate goal must be to improve the competitiveness and profitability of the Australian grains industry within the global market.

Road Funding

Government have on a number of occasions expressed a view that the current process of raising road related funding through a crude fuel excise tax should be changed to a more measured and economically sustainable revenue raising process, such as a user-pay system. This methodology has been under review and discussion for some time within government and industry bodies.

No funding model will work unless the funds raised are hypothecated and reserved solely for investment in roads and improving related infrastructure.

There is a need to ensure the design of the funding model provides funds to local government to undertake assessment and improvement of local roads, bridges and other key infrastructure.

There are currently insufficient funds being made available to local government to allow them to make long-term investment in key infrastructure. A “patch it and keep your fingers crossed” culture has developed which is leading to serious deterioration of Australia’s rural road network to the detriment of freight movements and general safety of road users.

The distribution of capital for road investments should be assessed and prioritised based on the comparative economic value of the infrastructure rather than a simplistic measure of population.

GPA has considerable concerns regarding the increasing cost of registration and associated road costs. It is of particular concern that monies raised do not go solely back into roads and associated infrastructure.

Coordination of Road and Rail

Cost benefit assessment to determine retention or cessation of rail service and infrastructure must genuinely reflect the associated road infrastructure upgrades borne by all levels of government, particularly local government.

Anecdotal evidence and local experience suggest that reducing rail freight options often result in disproportionate increases in road maintenance costs or significant unmitigated road damage.

Freight Flow

Investment needs to ensure successful flow of container freight through urban areas and out through the port. This improves markets access and reduces costs to the growers and the industry. Innovation cannot be achieved without complimentary infrastructure planning and investment.

Rail connectivity, standardisation supports and enables competition between ports. Better coordination of investment in rail hubs between state and federal governments can help achieve real time efficiency.

The costs and difficulty of grain movement to port is impacting Australia competitiveness in the global market.

Government must provide early access to technology, including automated facilities and transport options which include larger configurations and higher total mass limits. Higher configuration mass units will reduce overall truck movements, improving safety and congestion outcomes while improving efficiency.

Closing Comments

Flexibility is key to an efficient grain supply chain. Unfortunately, there are many examples of significant costs imposed on the industry, particularly demurrage, through delays imposed purely as an exercise in union power with no ability for the industry to enforce accountability back onto the unions for costs they incur.

Burdensome, non-risk based, and impractical regulatory impositions such as chain of responsibility requirements and other easy target regulatory imposts are adversely impacting profitability and productivity.

The aim of the National Freight Strategy should focus on infrastructure and regulatory changes that improve consistency, productivity and profitability.



Andrew Weidemann
Chairman - Grain Producers Australia