

NORTHERN TERRITORY CATTLEMEN'S ASSOCIATION



Submission to the Inquiry into National Freight and Supply Chain Priorities

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1. The Northern Territory Cattlemen's Association

The Northern Territory Cattlemen's Association (NTCA) is the peak primary industry advocacy body in the Northern Territory, representing over 90% of the Territory's pastoral industry, which includes small family owned and operated pastoral holdings, Indigenous enterprises and large corporate entities.

NTCA members are custodians of over 700,000km² of the NT landmass, and manage a total herd of over 2.1 million head of cattle. The NTCA comprises four branches, from each of the main regions of the Northern Territory, and works collaboratively with numerous community and industry groups and operates at a Territory, national and international level.

2. The Northern Territory Pastoral Industry

2.1. Economic Contribution

The beef industry laid the foundation for the development of northern Australia and continues to be the fabric that underpins the rural, regional and remote areas of the North through its important contribution to the Australian economy.

Northern Australia punches well above its weight; only 4% of the nation's population occupy the 40% of the land mass that makes up northern Australia, yet this region and its people produce up to half of Australia's exports. The Northern Territory has 223 pastoral leases, which average 3,000km² each in size, and run an average herd of 10,000 head of cattle per property.

The importance of the beef sector in an economic sense continues in the Northern Territory. The latest ABARES data states that the total gross value of production from the beef cattle industry in 2014-15 is \$722 million, which is 85% of the total gross value of agricultural production (\$835 million). These figures, do not include the value of beef sold from the Australian Agricultural Company's Livingstone Beef abattoir near Darwin. With these figures included, industry calculates the NT beef industry's annual Gross Value of Production is close to \$1billion. Furthermore, the private investment by pastoralists in the NT, which includes the value of land, livestock and plant and equipment is estimated to be close to \$5 billion.

According to ABARES, in 2014-15 the beef sector contributed 95% of the total value of agricultural production in the Northern Territory and employed approximately 1800 people. Whilst the industry's share of Territory employment is relatively small, it is vitally important as one of only a few sectors generating and underpinning economic activity and employment in regional areas.

The value of farm land underpins farming businesses and rural communities. Understanding farmland value is important because it reflects the strength and confidence of agricultural industries.

The 2016 Australian Farmland Values report provides analysis at a state and regional level and is based on data compiled since 1995. The analysis tracks the median price of commercial farmland in dollars per hectare by eliminating, where possible, metropolitan and small block sales. The analysis draws on over 230,000 transactions, accounting for 278 million hectares of land with a combined value over 22 years. The average annual growth in farmland median price over 20 years nationally is 6.4%. The Northern Territory leads the way with a 20-year average of 10.5%.



2.2. Opportunities

Rising demands for protein in this area, especially red meat, means there are real and present opportunities for Northern Australia, not seen before in history.

According to the IBISWorld Business Environment Report on Beef and veal production; "Australian beef has enjoyed immense demand growth over the past five years. Rising incomes in Asia, particularly among the Chinese middle class, has contributed to improved purchasing power and strong demand growth for high-quality food products. Australian agriculture produce is typically regarded as high quality around the world, meaning local beef and veal producers have benefited from rising demand in these export markets. Over the next five years, the volume of beef and veal produced is expected to grow overall. Following herd rebuilding, beef cattle producers are likely to have more cattle to sell. Additionally, demand for Australian beef in export markets is anticipated to continue to grow over the next five years. This will place upward pressure on domestic beef prices at the retail level, which will flow back to farmers in the form of higher saleyard prices per head of beef cattle. This should encourage farmers to increase turnoff rates, increasing national production of beef. Over the five years through 2021 -22, beef and veal production is forecast to grow at a compound annual rate of 1.4%, to reach 2.2million tonnes".

The northern Australian beef industry can celebrate a number of advantages including scale, innovation and enterprise, access to quality land, water and pasture, and proximity to the fastest growing and most populous region of the world. While these characteristics may not automatically translate to success they will come increasingly into focus as levers for future growth. How these and other levers are used will determine what the future looks like.

The proximity to Asia provides the Australian economy and Australian business with huge opportunities. There is agreement on the rise of Asia and this is the trend that is of the greatest importance to the North, particularly in terms of burgeoning demand from Asia.

Today there are an estimated 500 million middle-class people in Asia. That figure is expected to rise to 1.7 billion by 2020 and to more than 3.2 billion by 2030 when they will account for 66 per cent of the global middle class. Both the *National Intelligence Council (NIC) – Global Trends 2030* report and CSIRO agree that food production will need to increase greatly. CSIRO states, food production will need to increase 70% by 2050, including beef production from 200 million tonnes to 470 million which indicates the cattle industry will become increasingly important here. NIC is not as specific with regards to percentages, but states that "economic growth in developing countries has led to greater demands for a meat based diet."

3. The Freight Task in the Northern Territory

In 2016 over 1.6 million cattle were moved via road transport in the Northern Territory. Cattle are transported almost exclusively via road in Type Two Road Train configuration; a prime mover pulling three double-deck trailers (totalling 6 decks). The distances involved in transporting cattle to market or further down the supply chain (i.e. to fattening properties or feedlots), combined with an absence of other transport options i.e. rail, make road train configurations the only economically viable method of transport in much of Northern Australia.

According to the Australian Bureau of Statistics, the Northern Territory road network is approximately 22,000km in length. Of this total distance, approximately 70% (15,000km) is unsealed. This poses three significant challenges to industry:



1. Limited market access,
2. Increased cost of sales (transporting stock to market)
3. Increased general freight costs i.e. fuel, mail, etc.

The Northern Territory experiences significant rainfall events during the tropical monsoon period, which runs from October to April the following year. This heavy rainfall renders the vast majority of the Northern Territory completely inaccessible by heavy vehicles, and many pastoral leases become completely isolated and are only accessible by air or small boat.

This has significant implications for supply chains accessing both international and domestic markets. Demand for Australian beef and live cattle is year-round. The AACo abattoir, for example, shuts for ten days each year to conduct maintenance on its plant, ensuring 150 people are almost constantly employed throughout the year, provided the facility has access to livestock.

Transport costs are among the largest expenses to pastoral enterprises, and can be up to 40% of the sale price of an animal in the NT given the average distance to port or slaughter for NT stations is 1135km, so the additional costs to pastoralists are significant.

The Northern Territory Road Transport Association (NTRTA) has calculated the cost of transport for heavy vehicles on unsealed roads in the NT as 30% higher than those of sealed roads, with many transport operators charging a fee of \$0.10/deck/km (can be as high as \$1.80/deck/km on some very poor roads) for working on unsealed roads in addition to the standard cartage rates.

In addition to the extra charges for transport of freight and livestock, a number of transport operators simply refuse to operate on certain roads, such as the Sandover Highway in Central Australia or the Duncan Road in the Victoria River region due to the damage these roads cause to equipment. This reduces competition amongst transport companies, allowing charges to rise, which are then passed on to the pastoralists.

The pastoral industry already contributes enormously to the transport of livestock to market. The average pastoral lease in the Northern Territory covers 3,000 km², dwarfing those of other states, and requiring hundreds of kilometres of internal station trucking roads (roads on the property linking points of loading i.e. cattle yards) to access the public roads that service the property. These internal station roads are built and maintained by the pastoralist, despite the fact that the pastoral estate in the Northern Territory is owned by the crown.

Maintaining these roads requires significant capital investment in earthmoving machinery (or contractors), and road materials in some cases. Without this private investment in the transport network, the contribution to both the NT and national economies by the NT pastoral sector would be significantly reduced.

4. Response to Discussion Paper (May 2017)

Questions

4.1. What is moving where, why and how?

4.1.1. *What infrastructure is used in your supply chain and how well does it perform?*



The Northern Territory's publicly accessed road network is approximately 22,000km in length, but only approximately 30% of this is sealed, with the majority of the sealed networks being along the Stuart Highway and the built-up areas of Darwin City and the greater Darwin region.

This creates two major issues for the industry;

1. **Access to market is limited to seasonal access;** for up to six months of the year, many pastoral leases cannot deliver livestock to market. Demand for livestock and beef from Northern Australia is not limited to seasons, and is now all year round. Live exports continue during the wet season, and the AACo abattoir is geared to process cattle for 50 weeks of the year. This ensures that employment at the meatworks, as well as trucking companies, mustering contractors, fuel suppliers etc. continues all year round. The fact that the majority of pastoral production areas are inaccessible for many months of the year limits the economic activity in regional and remote communities, as well as the Northern Territory's economic output.
2. **Increased transport costs.** According to CSIRO transport costs in the cattle industry can be as high as 40% of the total sale price of an animal. The large distances from NT pastoral leases to market destinations contribute to high transport costs already, but unsealed roads add a further 30% to the freight costs in cartage rates alone, not including the stress and bruising to livestock caused by rough roads, which results in significant price penalties at market.

In addition, the majority of beef roads that are sealed, such as the Buntine Highway and the Tablelands highway, were sealed in the 1970's and 80's. The specifications of that time were designed to handle a freight task that is a fraction of what it is in the present day; the weight of trucks and trailers has increased dramatically, as has the volume of heavy traffic on these roads with the development of the beef industry and the mining and petroleum exploration industries. As a result of the combined increase in volume and average tare weight of the heavy traffic load, the road network, both sealed and unsealed, is deteriorating rapidly. This creates cost inefficiencies, but also creates a real and present danger to truck drivers and stock alike. For example, on one corner of the Buntine Highway, four road trains have overturned in the space of one year, resulting in the deaths of many livestock on board and a serious danger to the drivers.

The Northern Territory has been utilising its existing rock and gravel resources for decades to service and maintain the unsealed road network. These supplies, on crown land (mostly pastoral leases) are being depleted, and the gravel is required to be carted longer distances to the roads being maintained. This is driving up the cost of maintaining what is already an ailing road network.

Another factor that hinders the performance of the supply chain is the lack of dedicated and critical infrastructure for livestock transport in urban areas, near abattoirs and ports. In many cases around Australia, Type Two road trains (three trailer, six deck road trains) are not able to continue through to their market destination and must break down into smaller combinations or cross-load cattle onto smaller combinations. In many cases, there is no infrastructure to allow this cross loading to occur. This is highlighted by the death of a truck driver in 2014 at Gracemere in Queensland who was cross loading cattle for transport to an abattoir through Rockhampton.

The inability for high-productivity vehicles, like six deck road trains, to reach end destinations such as ports or abattoirs in many parts of Australia adds significant cost to the cartage rates, and results in increased bruising and downgrading of product, as well as adverse animal welfare outcomes through longer time periods off feed and water, additional stress and bruising.



4.1.2. What changes would you like to see to make your supply chain work better?

The NTCA has developed a list of road infrastructure priorities, which require joint funding from the Federal and Territory governments over a significant time period (30+ years) to be realised. The improvements centre around:

1. Identifying key beef roads
2. Upgrading these roads to provide all-weather, year-round access to market
3. Improving the sealed network to handle the present-day and future freight task

To achieve this, a dedicated, targeted, strategic and long-term annual funding program, such as the Northern Beef Road Program, needs to be implemented and funded on at least an annual basis. The Northern Territory Government is unable to commit to maintenance and upgrade programs without long-term certainty of funding from the Federal Government.

4.1.3. What data gaps are you aware of in relation to Australia's freight and supply chains?

The projected return on investment for upgrading critical beef road infrastructure has not been calculated over a long-term period (30+ years). This prohibits proper economic analysis of a long-term funding program to provide the necessary upgrades to unlock the potential production and economic output of the Northern Australian beef industry.

4.2. Competitiveness in the Australian freight sector

4.2.1. In your view, is Australia's freight system internationally competitive?

No. The combined costs of fuel, labour (truck drivers, stevedores etc.) and regulation, as well as the poor quality of existing infrastructure makes freight one of the single biggest expenses in the beef value chain, and severely undermines the competitiveness of our product compared to that of our subsidised competitors.

For example, it is common for many products (both agricultural and non-agricultural) from the Northern Territory and destined for the burgeoning South East Asian market to be freighted by road to Adelaide, and shipped via the Adelaide port to the market destination. The extra kilometres number in the thousands, but the lack of available shipping facilities as the closest port (Darwin) forces product to be shipped via much longer routes.

4.2.2. What are the key indicators that tell us this?

The key indicator of international competitiveness is the cost incurred by Australian producers to get their product to market destination compared to competing countries.

Another indicator is the proportion of the cost of transport (as a cost of sale) within the total value of the product, which in Australia can be as high as 40%.

4.2.3. How important is freight movement to the competitiveness of your business?

The ability to send product to market is critical for the pastoral industry. Pastoral enterprises produce livestock to target specific markets, but are also able to capitalise on spikes in prices, or to respond to changes in environmental aspects, such as seasonality of rainfall.

The movement of general freight also needs to be considered in this regard.



The ability to move livestock efficiently not only has fiscal implications, but also environmental implications. Should a property not receive adequate rainfall, there may be a requirement to lessen the stocking density at a particular time to maintain a sustainable utilisation rate of the natural rangelands on the property. Sustainable grazing management is critical to long-term sustainability of natural resource management, which is a key driver of profitability.

4.2.4. Are regulatory factors affecting productivity for your business? How could this be improved?

Yes. There are two critical regulatory factors adversely affecting, or threatening to affect, the NT pastoral industry.

1. Absence of volumetric loading in the NT; the Northern Territory Livestock Loading Scheme (NTLLS) has served the pastoral industry well in years gone by, and was a fair compromise to accommodate the critical time element of the transport time and the shrink occurring in cattle during the journey. However, as modern prime movers get heavier as a result of needing stronger components to withstand the rough NT's rough roads, better accessories (such as sleeper cabs and ice boxes) to ensure driver comfort and safety, and more fuel to increase efficiency, the NTLLS has become an unnecessary burden on the livestock freight task.

The NTCA is advocating the introduction of a volumetric loading scheme, in line with The Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock (the Welfare Standards), to regulate the mass limits of livestock vehicles, and remove the requirement for livestock trucks to be weighed at a weighbridge. As proven in data provided during a survey conducted by the Northern Territory Government, the main issue of over-mass combinations occurs on the drive axles, and within the current limits of the NTLLS, the only way for the driver to rectify this before proceeding is to move cattle backward in the lead trailer. This action not only compromises driver safety, but compromises the welfare of livestock on the lead trailer.

Moving to a volumetric loading system for livestock transport will improve driver safety by removing the need to climb onto the trailer during the journey as well as reducing the travel time. This change will also improve animal welfare outcomes by reducing the time animals are on trucks and off feed and water, and will improve the efficiency of the livestock transport system in the NT without compromising the safety of the machinery being used or facilitating further damage to the pavement on the road network. The efficiency gains, in turn, will provide a further boost to an industry that contributes over \$1 billion to the NT economy.

2. Chain of Responsibility Laws; even though the NT has not adopted the HVNL, the implications of including producers and livestock handlers at loading facilities as “parties in the chain of responsibility”, as proposed in the *HVNL – Effluent and load restraint Discussion Paper (July 2017)* will adversely impact the efficiency and cost of the supply chain. These proposals potentially place producers' obligations under *The Australian Animal Welfare Standards and Guidelines for the Land Transport of Livestock* at odds with the proposed responsibilities under the Chain of Responsibility laws.

To avoid compromise of animal welfare outcomes, it is strongly recommended that all livestock handlers **be excluded from Chain or Responsibility laws during the transport of livestock.**

4.3. Urban Growth Pressures

4.3.1. What are the key issues for freight in Australia's major cities?



The key issue for livestock transport is the lack of dedicated infrastructure that enables livestock to be delivered to abattoirs and ports efficiently, and without being subject to road congestion, and stringent effluent control laws etc.

For example, in many major centres, high-productivity vehicles, such as Type 2 road trains, cannot reach end-destinations, and in some cases, such as Rockhampton, livestock transport vehicles are forced to transit built-up metropolitan areas and face community backlash from noise, effluent loss etc.

4.3.2. NA

4.3.3. NA

4.3.4. NA

4.4. Port Corridor Pressures

4.4.1. *Do you face, or expect to face, problems moving your freight through Australian air, land or sea ports?*

Australia's exports are set to increase, especially from Northern Australia to the burgeoning markets of south east Asia. This will place more pressure on ports, and agricultural produce will be forced to compete with minerals and other products for shipping berths, key line storage etc.

Shipping live animals is different to moving non-living freight, and any delays to loading of ships can create adverse welfare and product quality outcomes.

4.4.2. NA

4.4.3. NA

4.5. End-to-end supply chain integration and regulation

4.5.1. *How effective is your supply chain at transitioning your freight between modes and across boundaries?*

Crossing state and territory borders is not generally an issue in the livestock industry. The biggest challenge is the points around Australia's freight network where Type 2 road trains are forced to break down to smaller combinations or cross-load onto smaller vehicles.

Ineffective regulation, such as that being enforced by the NHVR in all states and territories except for the NT and WA, are adding to the regulatory burden. For example, the fatigue laws introduced by the NHVR are not suitable to be applied to the remote transport industry, especially the livestock transport industry. The fatigue laws are not flexible enough to take into consideration the long distances involved, animal health and welfare concerns, environmental factors, and the changing nature of the logistical task in general.

4.5.2. *What regulations do you have to deal with in your supply chains?*

Examples of regulation applying to the supply chain;

- Livestock Production Assurance
- National Vendor Declaration
- National Livestock Identification System
- NT Waybill and Health Certificate
- The Australian Animal Welfare Standards and Guidelines for the Land Transport of Livestock



- Axle Mass Limits

No further questions are relevant in the context of the NTCA's submission.

5. Conclusion

Road and transport infrastructure is critical to not only the present viability of the pastoral industry, but is a major factor in the nation's ability to maximise the production potential identified in the NT and spoken about in discussions about the "Development of Northern Australia".

Livestock transport by road is a unique and challenging aspect of the pastoral industry in the Northern Territory. Long distances, poor roads, seasonal variability, driver fatigue management, animal welfare management, and cost efficiency are all contributing factors in making livestock logistics a difficult yet everyday component of doing business on remote cattle stations.

Despite these challenges, the industry continues to strive toward achieving maximum efficiency of the road transport system, without compromising animal welfare, driver safety, or the integrity of the road network.

The Northern Territory Cattlemen's Association (NTCA) is committed to assisting the Federal Australian Government in unlocking the potential of Northern Australia through strategic, nation-building investment in critical road infrastructure through the Northern Australia Beef Roads initiative.