National Farmers' Federation

Submission to the National Transport Commission's Heavy Vehicle Charges Consultation Report

Prepared by Mr Liam Watson

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NFF Member Organisations

AGFORCE

ACGC Australian Chicken Growers' Council

Australian Dairy Farmers

AUSTRALIAN FOREST PRODUCTS ASSOCIATION afpa TREES | WOOD | PAPER

Australian Livestock Exporters' Council ALEC

ALPA

Australian Organic

AUSTRALIAN Pork

AVA AUSTRALIAN VETERINARY ASSOCIATION

BEECHWORTH HONEY

CANEGROWERS

CATTLE COUNCIL OF AUSTRALIA

COTTON AUSTRALIA

FCA FARMERS FOR CLIMATE ACTION

GICA Goat Industry Council of Australia

GrainCorp

Grain Growers

National Farmers Federation Horticulture Council

NSWIC NEW SOUTH WALES IRRIGATORS' COUNCIL

nsw FARMERS

NORTHERN TERRITORY CATTLEMEN'S ASSOC. N.T.C.A

PAWD

PET PRIMARY EMPLOYERS TASMANIA

ppsa PRIMARY PRODUCERS SA

RICEGROWERS' ASSOCIATION OF AUSTRALIA INC

SHEEP PRODUCERS AUSTRALIA

SoilsForLife

Victorian Farmers Federation

WAFARMERS

WOOLPRODUCERS AUSTRALIA

The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 88,000 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

Economic >

In 2017-18, the agricultural sector, at farm-gate, contributed 2.4 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2017-18 is estimated to have reached $60.1 billion.

Workplace >

The agriculture, forestry and fishing sector employs approximately 323,000 people, including full time (236,700) and part time employees (84,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 26 per cent of the employed workforce is casual.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 51 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.4 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the National Farmers' Federation together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national programme with bipartisan support

RECOMMENDATION: That the Road User Charge and the roads component of heavy vehicle registration charges be maintained at their current level in 2020-21 and 2021-22.

The National Farmers' Federation (NFF) appreciates the opportunity to make this submission on the National Transport Commission's (NTC) Heavy Vehicle Charges Consultation Report.

As the peak industry body representing agriculture in Australia, the NFF has a significant interest in transport costs and regulation. The cost of transporting food and fibre from farms to consumers, and logistics generally, are the largest single cost items in the production of many agricultural commodities – amounting to as much as 48 per cent of farm-gate costs for some commodities[1,2].

With over two-thirds of agricultural produce exported, valued at $47 billion in 2018-19, efficient transport systems and supporting regulation are critical to the productivity and international competitiveness of Australia's agricultural industry.

The NFF has articulated a vision to grow our industry from its current $59 billion in farm gate returns to $100 billion by 2030. The NFF *2030 Roadmap* prioritises improvements in value chain logistics and identifies the following actions, amongst others, as critical to achieving increased efficiencies and international competitiveness:

- The design and implementation of consistent national transport regulations.
- The mapping of strategic transport infrastructure for Australian agriculture to identify cost reduction opportunities.
- Establishing Regional Agriculture Deals to provide a multi-government framework for physical infrastructure investment and regional development policy.
- Establishing food manufacturing precincts in key growing regions with access to export facilities.
- Implementing value chain technologies and processes that inform prices and strengthen market signals.

The current metric the NFF has identified as indicative of improved efficiencies in supply chain logistics is: 'Australia's freight cost per tonne-kilometre is competitive with major agricultural exporting nations'.

Freight costs can affect the viability of farm businesses which, individually, can have very little price-setting power. Being at the end of the supply chain means farmers are unable to pass on increased supply chain costs which must be absorbed into a farm business' margins.

The Road User Charge

[1] Freight costs as a share of the Gross Value of Agricultural Production (GVAP) are: 6.4% for beef, 27.5% for grains, 2.4% for cotton, 4.3% for dairy, 2.5% for pigs, 2.1% for sugar, 11.6% for rice, 21% for fruits and vegetables, 5.8% for sheep and goat meat and 1% for chicken meat (*AgriFutures, 2019, 'The Impact of Freight Costs on Australian Farms')*.
[2] Ibid., p. 3.

We note that the 2017 decision to freeze road user charges at their then-current level was made 'in recognition of the need for governments to continue to invest in infrastructure to support heavy vehicle productivity'[3]. This remains the case.

Heavy vehicle productivity has not demonstrated any significant improvement since this decision was taken. Heavy vehicle productivity has, in fact, declined by 0.6% from 2010-2018[4]. The reasons for the decline are numerous and complex. Lengthy and difficult processes for acquiring access permits, a lack of uptake for the Performance-Based Standards scheme, and cost issues with the Intelligent Access Program have been identified as contributing to stagnant productivity exhibited by the industry in recent years.

We also note that the recent decision by the Transport and Infrastructure Council to not implement the recommended 11.4% increase in charges was made in consideration of:

1) Difficult economic conditions facing the industry;

2) The impact of drought and bush fires on the community; and

3) The experience of reduced freight volumes in many parts of regional Australia[5].

The common factor underpinning these three developments – drought in large areas of Eastern Australia – continues to impact on Australia's agricultural production in these regions. While there has been some rain along coastal regions and some inland areas, many drought-impacted regions have received no significant rainfall. For those that did receive some relief, ongoing rainfall is required to end the drought in these areas. And even once average rainfall returns, it will be between 6 to 24 months before drought impacted farm businesses are able to generate income following the breaking of the drought.

The output of the Australian grains sector (including oilseeds and pulses) - to give just one example - was 49 per cent higher six years ago (in 2013-14)[6]. Since every tonne of grain harvested in Australia will undertake part of its journey from paddock to plate on a truck, the inference can be made that the freight task for the grains sector was also 49 per cent higher six years ago. Other commodities have exhibited similar declines in output correlated with drought conditions.

The total value of farm production is forecast to decline by 3 per cent this year. This will mark the third consecutive year of falling production[7]. The true extent of the contraction is likely to be much greater and is masked by high global commodity prices and the slaughter of livestock which are not being replaced. The national cattle herd is forecast to reach its lowest level since the early 1990s[8].

Over 7000 farmers are currently receiving the Farm Household Allowance, a Commonwealth Government support payment for farmers in dire financial situations[9]. The recent bush fires have compounded this hardship, with over 16,500 farms affected as of 24 January 2020.

In short, many farm businesses across the country are already managing difficult financial circumstances due to one of the worst droughts in Australia's history and unprecedented bushfires.

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[3] Transport and Infrastructure Council, 10 November 2017 communique.
[4] Productivity Commission 2019, *National Transport Regulatory Reform,* p. 177
[5] National Transport Commission 2019, *Heavy vehicle charges consultation report, p. 18*
[6] https://www.agriculture.gov.au/abares/research-topics/agricultural-commodities
[7] https://www.agriculture.gov.au/abares/research-topics/agricultural-commodities/dec-2019/agriculture-overview
[8] https://www.agriculture.gov.au/abares/research-topics/agricultural-commodities/dec-2019/agriculture-overview
[9] https://www.agriculture.gov.au/ag-farm-food/drought/assistance/farm-household-allowance/dashboard

When decent rain does enable farming businesses in Eastern Australia to return to full production, the strain on business finances will be further challenged in securing seed, fertiliser, and weed control applications, and replacement stock when demand for these inputs is strong. Any increase to the cost of freight will further reduce farm business margins already impacted by drought and the costs of drought recovery.

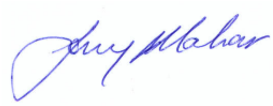
Due to the current financial challenges facing many primary producers In Eastern Australia - challenges that will only increase when the current drought does break - in conjunction with the continuing validity of the rationale for freezing heavy vehicle charges in 2017, the NFF strongly recommends that the current freeze on charges remain in place at this time.

RECOMMENDATION: That the Road User Charge and the roads component of heavy vehicle registration charges be maintained at their current level in 2020-21 and 2021-22.

We recognise and accept that the revenue shortfall will need to be recovered from heavy vehicle users at some point in time, but do not believe that the next two years are an appropriate time to do this, given the challenges outlined above. We would like to see heavy vehicle charges increased at a gradual pace at a time when industry is better placed to absorb these additional charges. The NTC should consult with industry when determining an appropriate schedule for these increases.

Should you have any questions regarding this submission please do not hesitate to contact Dr Prudence Gordon, General Manager of Trade and Economics, on 02 6269 5666 or at pgordon@nff.org.au.

Yours sincerely,



Tony Mahar
Chief Executive Officer