



## **INQUIRY INTO GROWING AUSTRALIAN AGRICULTURE TO \$100 BILLION BY 2030**

### **HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON AGRICULTURE AND WATER RESOURCES**

#### **AUSTRALIAN TRUCKING ASSOCIATION SUBMISSION 28 NOVEMBER 2019**

##### **1. About the Australian Trucking Association**

The Australian Trucking Association and its member associations collectively represent 50,000 businesses and 200,000 people in the Australian trucking industry. Together we are committed to safety, professionalism and viability.

##### **2. Recommendations**

###### **Recommendation 1**

The Australian Government should prioritise improving access for High Productivity Freight Vehicles to incentivise the growth of Australian agriculture.

###### **Recommendation 2**

The Australian Government should introduce independent regulation of landside port charges.

###### **Recommendation 3**

The Australian Government, as chair of the Transport and Infrastructure Council, should ensure reforms to the Heavy Vehicle National Law improve the road access approvals system.

###### **Recommendation 4**

The Australian Government should implement a national fund to deliver a minimum service level standard on rural, regional and remote freight roads.

###### **Recommendation 5**

The Australian Government should fund and deliver a regional road safety improvements project.

###### **Recommendation 6**

The Australian Government should improve the assessment and delivery of infrastructure investments, including the adoption of the Austroads guidelines on the provision of heavy vehicle rest areas.

### 3. Introduction and the importance of trucking productivity to agriculture

The ATA welcomes the inquiry by the Standing Committee on Agriculture and Water Resources into growing Australian agriculture to \$100 billion by 2030.

Trucking is critical to Australian agriculture. You cannot transport agricultural products to consumers, either domestically or exported to global markets, without using trucks in the supply chain. Costs, regulatory red tape and productivity burdens on trucking are ultimately a brake on growing Australian agriculture.

The 2019 Australian Infrastructure Audit found that Australia is well positioned to take advantage of Asia's economic development, but to do so we need to ensure our freight and supply chains operate efficiently and minimise costs for business and consumers<sup>1</sup>

More efficient and competitive supply chains enable increased economic output for other sectors. The Competition Policy Review (Harper Review) found that in relation to road transport:

Even small changes in productivity in this sector can cascade through the economy, boosting productivity and output in other sectors. Also, given the size of the road transport sector, enhanced productivity in road transport can deliver large gains to the economy.<sup>2</sup>

The Productivity Commission has reported on the importance of access to new domestic and international markets, provision of infrastructure, and removal of barriers to heavy vehicle access to encourage and support regional economic transition and development.<sup>3</sup>

But despite the critical nature of trucking to economic growth for agricultural industries, projected productivity gains in trucking have not been realised in recent years.

In 2011, the then proposed Heavy Vehicle National Law was predicted to deliver up to \$12.4 billion in economic benefits. Most of the benefits were to be made in gains from harmonisation of restricted access vehicles, higher mass limits and intelligent access program regulations.<sup>4</sup>

As stated by the National Transport Commission at the time, implicit in the benefit calculation was the assumption that the new decision-making framework would promote better road access.<sup>5</sup>

However, the reality of what has been achieved by the reforms has fallen significantly short of these commendable objectives. The productivity of the transport, postal and warehousing sector has fallen steadily since the law came into force in 2014.<sup>6</sup>

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<sup>1</sup> Infrastructure Australia, June 2019, [An Assessment of Australia's Future Infrastructure Needs: The Australian Infrastructure Audit 2019](#), 322.

<sup>2</sup> Harper, Anderson, McCluskey, O'Bryan, March 2015, [Competition Policy Review Final Report](#), 38.

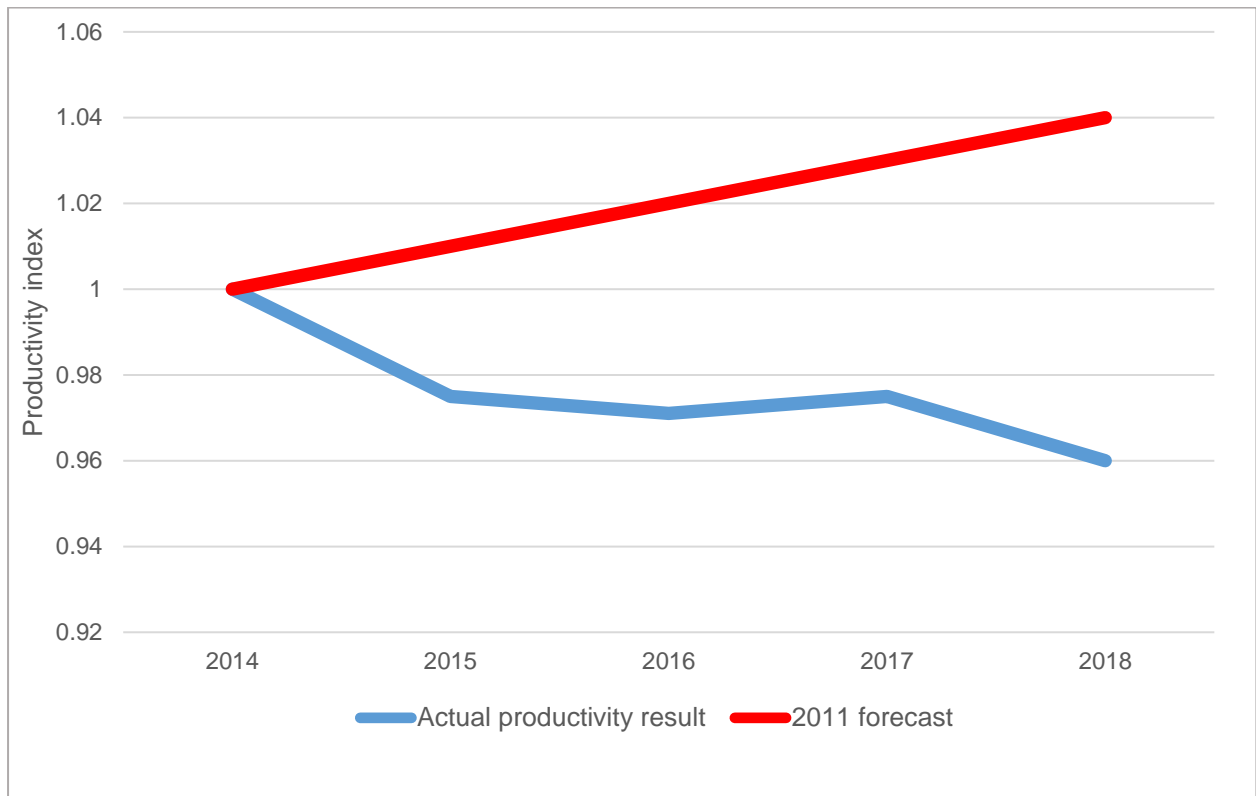
<sup>3</sup> Productivity Commission, April 2017, [Transitioning Regional Economies Initial Report](#), 121-127

<sup>4</sup> Deloitte Access Economics, March 2019, [Economic benefits of improved regulation in the Australian trucking industry](#), 17.

<sup>5</sup> NTC, September 2011, [HVNL Regulation Impact Statement](#), 57.

<sup>6</sup> Deloitte Access Economics, *ibid*, 21.

Figure 1: forecast and actual changes to industry productivity, 2014-2018



Source: Deloitte Access Economics.

Deloitte have also modelled the economic benefits from addressing the policy challenges on heavy vehicle access that remain unresolved with the Heavy Vehicle National Law. Deloitte report on the potential annual cost savings for a number of industries from potential reforms to shift a greater proportion of trucking services to more productive vehicles. These include:








Industry	Savings (\$m)
Agriculture, Forestry and Fishing Support Services	2.73
Aquaculture	0.35
Bakery Product Manufacturing	4.95
Dairy Product Manufacturing	15.40
Fishing, hunting and trapping	0.48
Fruit and vegetable product manufacturing	5.25
Grain mill and cereal product manufacturing	8.83
Meat and meat product manufacturing	30.59
Other agriculture	6.46
Other food product manufacturing	8.56

Poultry and other livestock	4.38
Processed seafood manufacturing	0.77
Sheep, grains, beef and dairy cattle	25.71
Sugar and confectionery manufacturing	3.88

Source: Deloitte Access Economics

High Productivity Freight Vehicles (HPFVs) can move more freight on less trucks. The following chart illustrates that to move a 1000 tonne freight task it would take a 19-metre semi-trailer 42 trips, where a 35-metre B-triple could do the same task in just 19 trips.

### High Productivity Freight Vehicle configurations

Configuration	Nominal Payload (tonnes)	Payload Equivalency	No Trips to transport 1000 tonnes (GML)	CO2 (tonnes) emitted per 1000 tonne transport task	Road space equivalent (kilometres) with 3 second spacing
 19metre (24 pallet) Semi-trailer	24.04	1.00	42	28.78	4.3
 26metre 36 pallet B-double	38.84	1.62	26	23.48	2.84
 PBS Level 2A truck and dog (8x4 with 6 axle dog)	39.92	1.66	25	25.10	2.73
 PBS A-double	48.73	2.03	21	20.53	2.38
 35metre Modular B-triple	52.35	2.18	19	19.14	2.25
 36.5metre Type 1 Road Train	51.43	2.14	19	19.43	2.28
 36.5metre AB-triple	66.7	2.77	15	16.56	1.8



#### Recommendation 1

The Australian Government should prioritise improving access for High Productivity Freight Vehicles to incentivise the growth of Australian agriculture.

#### 4. Challenges for the regional and rural road network

Despite the importance of road freight to the Australian economy, the 2019 Australian Infrastructure Audit finds that our agricultural, non-bulk and urban supply chains face significant challenges.

These challenges include:

- Agricultural supply chains suffer from poorly maintained infrastructure that often lacks capacity and suffers from bottlenecks, whilst also suffering from inconsistent and prescriptive regulation<sup>7</sup>
- Australia's international trade costs are higher than many other high-income OECD countries, including New Zealand, Japan, Canada and the United States<sup>8</sup>
- Regulations controlling access to the freight network are fragmented, inefficient and confusing for transport operators<sup>9</sup>
- The Heavy Vehicle National Law is not so much a national law as a merging of various highly prescriptive, jurisdictional laws with many variations in requirements.

The audit also places much-needed focus on high productivity freight vehicles:

- IA report that HPFVs reduce total vehicle movements, reduce congestion growth, lower costs of freight, enable faster delivery times and are more likely to be safer, quieter and be less emissions intensive<sup>10</sup>
- Despite their benefits, the use of HPFVs on our roads has been limited
- Time consuming and costly case-by-case decision-making on access permits can discourage the uptake of HPFVs
- **Restricting the use of HPFVs locks in high freight costs for businesses and consumers, and limit benefits to road safety, air pollution and amenity.**<sup>11</sup>

#### Provision of roads

The audit identifies a number of key issues and challenges affecting the provision of roads. These include:

- Road funding and maintenance are not directly linked to use or road-related revenue. Funding and maintenance are susceptible to budget limitations and **regional roads in particular lack funding consistency**<sup>12</sup>
- Road expenditure should be sufficient to maintain a pre-determined service level and should be part of a detailed asset management plan

<sup>7</sup> Infrastructure Australia, June 2019, [An Assessment of Australia's Future Infrastructure Needs: The Australian Infrastructure Audit 2019](#), 324, 353.

<sup>8</sup> Ibid, 331.

<sup>9</sup> Ibid, 343.

<sup>10</sup> Ibid, 344.

<sup>11</sup> Ibid, 345.

<sup>12</sup> Ibid, 291, 297.

- Smaller projects, such as better use interventions to improve the productivity of existing assets, cost less and generally produce better economic returns<sup>13</sup>
- Infrastructure projects can improve people's quality of life, increase productivity and kick-start economic development. However, to achieve these outcomes, projects need to be carefully assessed, designed and timed. Getting our infrastructure decisions right is crucial to our future success<sup>14</sup>
- Early announcement of infrastructure projects, prior to effective problem identification and robust assessment, narrows choices and excludes the possibility for more efficient and less expensive solutions
- Big capital fixes often take undue priority over smaller and more frequent maintenance spends. This is often the by-product of a lack of clear long-term policy objectives
- Projects are often announced without a detailed assessment of needs and analysis of a range of potential solutions. Business cases are not always published to allow for public consultation and scrutiny. Post-completion reviews are rarely undertaken<sup>15</sup>
- Four-year forward estimates make it difficult to plan for the future of assets and can lead to patch up problems, rather than more efficient long-term solutions<sup>16</sup>
- Infrastructure is not an end in itself. It is not so much an engine of growth as an enabler of growth. It exists to provide services to users in a way that best meets their immediate and future needs<sup>17</sup>
- Governments and service providers do not always adequately measure and report on access, quality and costs for users.

## 5. Independent regulation of landside port charges

The IA audit also identifies another key challenge for freight in the significant increases in charges paid by land transport operators for collecting and delivering containers to and from ports. The audit identifies concerns that:

- Landside operators face practical constraints and limited market power, so they cannot avoid these costs
- **Increasing stevedore costs may lead to increasing costs for exporters and consumers**
- The benefits of increased stevedore competition may not be realised equally across the supply chain.<sup>18</sup>

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<sup>13</sup> Ibid, 298.

<sup>14</sup> Ibid, 212.

<sup>15</sup> Ibid, 216.

<sup>16</sup> Ibid, 228.

<sup>17</sup> Ibid, 166.

<sup>18</sup> Ibid, 333.

The IA audit states, in relation to landside port charges, that the challenge for government will be to know if and when a regulatory response is required.<sup>19</sup> This point has already arrived.

The ACCC has reflected on the strong financial motives for governments to structure privatisation processes in order to maximise the sale price of their assets, and that as a result, governments have little incentive to closely examine whether the market structure and regulatory arrangements that will apply post-privatisation are conducive to competition and appropriate outcomes.<sup>20</sup>

ACCC Chair Rod Sims has commented that infrastructure fees imposed by stevedores on transport companies have gone up a lot more than costs have gone up, and that apart from increasing profits it is unclear what rationale there is for the increased charges.<sup>21</sup>

Surcharge increases introduced in 2017 have ranged from \$20 to \$30 per container, and in some cases have increased twice within the one year. DP World imposed a surcharge in Sydney of \$21.16 per container in early 2017, and then almost doubled the charge to \$37.65 per container from 1 January 2018.

Dramatic increases to these surcharges continue to spread, with DP World announcing a 447 per cent increase to commence in 2020 at Fremantle Port.<sup>22</sup> The ACCC has reported that in 2018-19 the revenue generated by stevedores from infrastructure charges increased by 63 per cent to \$267 million.<sup>23</sup>

There is no effective constraint on these increasing charges and their impact on the cost of getting goods to ports for export to global markets.

## **Recommendation 2**

The Australian Government should introduce independent regulation of landside port charges.

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<sup>19</sup> Infrastructure Australia, June 2019, [An Assessment of Australia's Future Infrastructure Needs: The Australian Infrastructure Audit 2019](#), 333.

<sup>20</sup> Sims, Rod, [How did the light handed regulation of monopolies become no regulation?](#) Speech to the Gilbert + Tobin Regulated Infrastructure Policy Workshop, 29 October 2015.

<sup>21</sup> Rod Sims as quoted by Ewin Hannan, [Spotlight on stevedores over hikes in charges](#), The Australian, 9 April 2018.

<sup>22</sup> ATN, 6 November 2019, [DP World in 447 per cent hike for land transporters](#).

<sup>23</sup> ACCC, [Container stevedoring monitoring report](#), October 2019, 5.

## 6. Improving heavy vehicle access decisions

In the eastern states and South Australia heavy vehicle access decisions are governed by the Heavy Vehicle National Law. A co-operative national law that is hosted by Queensland, the Transport and Infrastructure Council (COAG meeting of transport ministers, chaired by the Deputy Prime Minister) has launched a review into the HVNL.

There are multiple problems with access decisions under the HVNL. The National Transport Commission has reported that:

- The current access system results in too many permits, delays for operators and inconsistent outcomes
- Even when journeys are low risk or routes pre-approved, where risks are already known, operators still need to apply for permits
- Matching vehicle classes to networks for access is complicated. Road managers do not necessarily have expertise with heavy vehicle classifications, which can complicate and protract access decisions
- The decision-making process is prescriptive and inflexible. There are many opportunities for parties to lose sight of or delay a permit application
- The access decision-making process challenges road manager resources and they are unable to delegate this role
- Only the National Heavy Vehicle Regulator's access decisions are subject to external review. There is no provision for external review of decisions made by road managers.
- There are challenges outside the HVNL, including slow third-party approvals and inconsistent pilot and escort arrangements.<sup>24</sup>

The ATA has made detailed recommendations for reforming this system.<sup>25</sup> These reforms should include:

- Establishing enforceable standards and orders for persons exercising powers under the HVNL
- Greater consistency of access conditions
- Permit process improvements
- Reduced processing timeframes
- External review of access decisions
- Expanding as-of-right access
- Extending the period and applicability of authorisation
- Transition of routes from permit approvals to as-of-right access
- Replacing pre-approvals with a notification network
- Improving access for Oversize Overmass vehicles
- Reforming farm gate/ low volume access.

<sup>24</sup> NTC, June 2019, [HVNL review issues paper: Easy access to suitable routes](#), 37.

<sup>25</sup> ATA, August 2019, [Submission to HVNL review on easy access to suitable routes issues paper](#).



Last mile access, in particular on rural and regional roads, needs a new regulatory approach. This is critical to providing better access between established freight routes and local farms and businesses.

As an example, the NSW Government is trialling the Farm Gate Access Project, developed in conjunction with the Livestock, Bulk and Rural Carriers Association. LBRCA is a member of the Australian Livestock and Rural Transporters Association (ALRTA), who are a member of the ATA.

The project introduces a road access assessment framework, including a third-party risk assessment tool. It aims to provide greater information on the road and roadside as part of the access application to assist local councils in their responsibility as road manager when considering access requests on low volume roads to farms that operate small-scale primary production activities.

The model aims to benefit local farmers, businesses, participating councils and the broader community by fostering safe and legal access for heavy vehicles.<sup>26</sup>

### **Recommendation 3**

The Australian Government, as chair of the Transport and Infrastructure Council, should ensure reforms to the Heavy Vehicle National Law improve the road access approvals system.

## **7. Upgrading rural, regional and remote road infrastructure**

The 2019 Australian Infrastructure Audit establishes the need to upgrade rural, regional and remote road infrastructure.

Additionally, the Australian Livestock and Rural Transporters Association (ALRTA), an ATA member association, has highlighted the chronic under investment in rural and regional roads and the resulting impact on heavy vehicle access and the ability to capture the economic benefits of agricultural growth.<sup>27</sup>

There are existing policy proposals to upgrade rural, regional and remote roads. These include:

- **Invest in improving the standard of key rural freight roads**, including the ALRTA recommendation of a national fund to deliver a minimum service level standard on rural freight roads<sup>28</sup>
- **Deliver the regional road safety improvements project** identified by Infrastructure Australia in the 2019 Infrastructure Priority List<sup>29</sup>
- **Deliver funded investment strategies, with timelines, to seal additional remote routes and improve the flood resilience of regional and remote freight corridors.**

<sup>26</sup> NSW Government, [Farm Gate Access Project](#), accessed 13 August 2019.

<sup>27</sup> ALRTA, October 2019, [Submission to Senate inquiry on the Importance of a Viable, Safe, Sustainable and Efficient Road Transport Industry](#), 11-13.

<sup>28</sup> Ibid, 14.

<sup>29</sup> Infrastructure Australia, February 2019, [Infrastructure Priority List](#), 44.

**Recommendation 4**

The Australian Government should implement a national fund to deliver a minimum service level standard on rural, regional and remote freight roads.

**Recommendation 5**

The Australian Government should fund and deliver a regional road safety improvements project.

**8. Improving infrastructure investment**

The ATA recommends that governments should undertake significant reforms to infrastructure investment, including:

- **Transitioning the National Land Transport Network (NLTN) to a gazetted A-Double High Productivity Freight Vehicle (HPFV) network.** The Australian Government should provide national leadership on achieving road freight productivity gains by establishing HPFV access as an outcome from NLTN investments. This should commence HPFV access to the Hume Highway, to ensure the value of the existing investment in this corridor is maximised
- **Use of corridor and investment strategies to guide infrastructure upgrades. A strategy should be in place for each NLTN and major freight route by 2024<sup>30</sup>**
- **Ensuring future infrastructure investments:**
  - **Adopt safe roads principles and design and minimum road safety standards**
  - **Adopt the Austroads guidelines on the provision of heavy vehicle rest areas.**<sup>31</sup> The NLTN and major freight routes should be immediately assessed against the guidelines to identify gaps in service provision
  - **Require productivity projects to be linked to improvements in as-of-right heavy vehicle access.** Projects that are funded to provide better access should be tied to delivering this outcome

The ATA strongly supports reforms by governments to improve the transparency of infrastructure project assessment and in particular the improved use of business case assessment by Infrastructure Australia.

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<sup>30</sup> For example, the [ATA submission on the development of the Newell Highway corridor strategy](#), April 2019, makes recommendations about the need for a national corridor investment strategy, 8, 9.

<sup>31</sup> For further information see [ATA submission on the development of the Newell Highway corridor strategy](#), April 2019, 6.

**The ATA recommends that this process should be strengthened by:**

- Adopting willingness to pay valuation of safety costs, including injury costs<sup>32</sup>
- Inclusion of connectivity, social and economic development outcomes for regional and remote projects<sup>33</sup>
- Increased support for business case development, including for regional projects
- Strengthening the legislative requirements for business cases to be prepared and published before infrastructure funding can be committed.

**Recommendation 6**

The Australian Government should improve the assessment and delivery of infrastructure investments, including the adoption of the Austroads guidelines on the provision of heavy vehicle rest areas.

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<sup>32</sup> For further information see [ATA submission to the Inquiry into the National Road Safety Strategy](#), March 2018, 5, 6.

<sup>33</sup> For further information see [ATA submission to the Inquiry into National Freight and Supply Chain Priorities](#), July 2017, 11, 12.