



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





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 proposed 2.5 percent increase in the Road User Charge be deferred until 2022-23.

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 \$45 billion in 2020-21, 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 \$65 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.

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.

The Road User Charge

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 2010-2018⁴. 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 2020 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 Australia⁵.

While the drought has abated in much of Australia, its devastating impacts have been replaced by the effects of COVID-19 and recent disruptions to Australian exports to China.

The effects of COVID-19 on the agricultural industry are unprecedented. International supply chains - particularly those reliant on air freight - have faced severe disruptions. Industries such as seafood, horticulture and chilled meat have only retained their export markets because of the Australian Government's International Freight Assistance Mechanism (IFAM), which has allowed supply chains reliant on air freight to remain operational.

The closing of international borders has created a massive workforce shortage for the sector, which is highly dependent on overseas labour. Recent estimates indicate that horticulture alone will face a shortage of 26 000 workers by March 2021. This has already resulted in fruit and vegetables being left to rot in fields.

Compounding these effects is the range of bans and restrictions facing agricultural exports to China, the industry's top export market, accounting for 28 per cent of total exports. China imposed a range of tariffs and other barriers in 2020 on barley, wine, seafood, forestry products and other commodities. These barriers are estimated to reduce Australia's agricultural exports by \$4.5 billion in 2020-21⁶.

These are significant headwinds for the industry. Any increase to freight costs - which equate to 21 per cent of the value of farm production - would exacerbate

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-outlook>

these headwinds and seriously impede the ability of farm businesses to recover from recent setbacks. The Australian Government has demonstrated that it recognises the severity of current challenges, through the allocation of \$669 million to IFAM, \$73 million to assist Australian farmers impacted by trade disruptions via the *Agri-Business Expansion Initiative* and a range of other programs. To increase the Road User Charge would directly contradict the stated purpose of these initiatives.

RECOMMENDATION: That the Road User Charge and the roads component of heavy vehicle registration charges be maintained at their current level in 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 2021-22 an appropriate time to do this, given the challenges outlined above. We would like to see the 2.5 per cent increase deferred to 2022-23.

Should you have any questions regarding this submission please do not hesitate to contact Mr Liam Watson, Policy Officer (Trade and Economics) on 02 6269 5666 or at lwatson@nff.org.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tony Mahar', is positioned above the printed name.

TONY MAHAR
Chief Executive Officer