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Department of Infrastructure and Regional Development  
Via email: [HVRR@infrastructure.gov.au](mailto:HVRR@infrastructure.gov.au)

## **RE: Land Transport Market Reform**

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the *Land Transport Market Reform: Independent price regulation of heavy vehicle charges*. Transport infrastructure downfalls in rural, regional and remote Australia due to funding shortfalls lead to high logistics costs for farmers. Moving to an independent price regulation for the heavy vehicle user charge would be a fairer and more transparent way to set prices. The NFF is of the view that the suggestions put forward in the discussion paper could lead to a more effective way to fund the construction, maintenance and operation of rural roads.

The NFF is the peak national body representing farmers and, more broadly, agriculture across Australia. 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 is committed to advancing Australian agriculture by developing and advocating for policies that support the profitability and productivity of Australian farmers.

The NFF has identified transport infrastructure downfalls, especially first and last mile issues, as one of the major risks to the competitiveness of Australian food and fibre in the global marketplace<sup>1</sup>. This finding is consistent with the 2014 Deloitte analysis *Positioning for prosperity* that emphasises the enormous economic potential of agribusiness in Australia. However, the analysis outlines that infrastructure shortfalls are a major challenge: “[...] within Australia much of our produce travels from farm to port on relatively inefficient roads, instead of by rail. Improving our transport mix and other infrastructure would greatly improve our competitiveness.”<sup>2</sup>

The rural location of agricultural production in Australia makes transport costs crucial to the revenue of farmers, determining profitability of Australian agriculture. At present, logistics are the largest single cost item in the production of many agricultural industries, amounting to as much as 48.5 per cent of farm-gate cost.<sup>3</sup> Further investment along the supply chain is needed to ensure that Australian produce remains internationally competitive. Well-chosen transport infrastructure projects can boost economic efficiency and raise productivity. As outlined in the

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<sup>1</sup>NFF, *Agricultural Transport Infrastructure – A Discussion Paper* (Canberra: NFF, 2016), available at: <http://www.nff.org.au/read/5328/discussion-paper-transport-infrastructure-report.html>

<sup>2</sup> Deloitte, *Positioning for Prosperity* (Sydney: Deloitte, 2014), p. 27, available at: <https://www2.deloitte.com/au/en/pages/building-lucky-country/articles/positioning-for-prosperity.html>

<sup>3</sup> Garry Goucher, *Transport costs for Australian agriculture* (Surry Hills: Australian Farm Institute, 2011).

Northern Australia White Paper, “[i]nfrastructure plays an integral role in unlocking economic opportunities globally, national and especially in the north”.<sup>4</sup>

The NFF considers the introduction of independent price regulation for road use by heavy vehicles as an important first step in establishing a direct road user charging system. Combining fuel excise and vehicle registrations with heavy vehicle user charging based on historical expenditure is increasingly becoming outdated as a way to fund the road network necessary to help the agricultural industries to prosper. For this reason, the NFF strongly supports a nationally consistent set of principles for setting heavy vehicle road user charges based on the four components of mass, time, distance and location. The NFF is of the view that the ACCC has the expertise and experience necessary to administer nationally consistent price regulation.

In principle, the NFF supports a road user charging system. The NFF considers the current model of raising revenue from a combination of registration fees and fuel-based charges to fund roads inequitable and not reflective of the actual cost of individual vehicles to use the road network. It is also opaque. Hypothecation of revenue is a first step to improving transparency. In addition, the NFF would like to see more evidence about how shifting to direct user charging based on a forward looking assessment of costs over the life cycle of the road network would play out in practice and the effects of road user charging on rural and remote communities.

Bearing in mind that this inquiry will be a test case for the introduction of a cost-reflective road user charge system independent of registration and fuel tax credits not just for heavy vehicles but potentially for light vehicles as well, the NFF would like to highlight that this form of infrastructure funding would in all likelihood require telemetry in all vehicles. At this point in time, the NFF considers that the roll-out of direct road user charging would pose a couple of issues to farmers across the country:

- 1) Farm vehicles are mainly used on farm. The costs associated with installing telemetry might not be aligned with the benefit of having road user charging replace the current system of fuel tax credits for off-road usage of heavy vehicles. In addition, primary production vehicles have access to reduced registration. The NFF would like to see a cost-benefit analysis for primary production vehicles that clearly demonstrates the benefits over the current system, ensuring that any new funding structure is not more expensive than the current system.
- 2) Regional, rural and remote Australia has limited access to mobile voice and data services. This should be considered when looking at the technical requirements of rolling out a telemetry-based road user charging system for heavy vehicles.

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<sup>4</sup> Australian Government, *Our North, Our Future: White Paper on Developing Northern Australia* (Canberra: Commonwealth of Australia, 2015), p.84.