INFRASTRUCTURE AUSTRALIA

NFF SUBMISSION

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The National Farmers' Federation

The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly agriculture across Australia.

The NFF's membership comprises of all 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 collectively form the NFF. Each of these state farm organisations and commodity council's deal with state-based 'grass roots' issues or commodity specific issues, respectively, while the NFF represents the agreed imperatives of all at the national and international level.

Introduction

The National Farmers' Federation (NFF) has welcomed the establishment of Infrastructure Australia to audit, and make recommendations on, "nationally significant" infrastructure development. The NFF believes that this is an important step forward in building the capacity of the Australian economy and ensuring that we can enhance our competitiveness within the global trading environment.

The NFF notes that Infrastructure Australia will focus on issues including water, energy, transport and communications. Each of these infrastructure issues is of vital importance to the agriculture sector and its supply chain, which collectively comprises over 12% of Australia's Gross Domestic Product.

Rarely before has the importance of having efficient infrastructure in regional Australia, particularly in water and transport, been as clearly identified across the broader Australian community. Metropolitan based Australians are now attuned to the fact that regional infrastructure in these key areas has a significant impact on their own access to water as well as the availability and prices of the food they eat. Infrastructure in regional Australia is therefore a key element to keeping the increasing threat of agflation in check.

Agriculture is a key stakeholder across a multitude of vital infrastructure areas, and therefore it is important that the needs of agriculture be given close attention by the Infrastructure Australia statutory advisory council. The NFF looks forward to working in conjunction with Infrastructure Australia in promoting the infrastructure needs of agriculture and the Australian economy in general.

Community service obligation

As reported by the Department of Transport and Regional Services, the costs for regional businesses are considerably higher than in metropolitan areas. Over the five years to 2000, the expenditure for every dollar of profit increased for the average

regional business by almost 8%, while in the cities, it decreased by 11% in the same period.[1] Therefore, regional businesses are already facing cost pressures not felt by their urban counterparts.

The NFF argues the existing cost challenges of doing business in regional and rural Australia must be acknowledged. We believe that reliable provisions of transport, telecommunications, energy services and water access are all community service obligations (CSO), or basic essential service that government is expected to deliver. Neglecting to do so could be an additional disincentive to doing business in rural and regional areas, placing additional stresses on our already overcrowded capital cities.

It is vital the Infrastructure Australia clearly acknowledge this CSO in determining its infrastructure spend agenda.

Australian agriculture's dependence on supply chain infrastructure

There is a growing awareness of the importance of the Australian agricultural sector being coordinated along the supply chain, ensuring that productivity efficiency is maintained throughout all participating sectors. Therefore, the Australian resource, food and fibre production communities have a strong vested interest in telecommunications, energy and water efficiency and transport infrastructure with a view to increasing productivity and our competitiveness in world markets.

With agricultural produce facing steadily declining terms of trade in world markets, the sector has been challenged to maintain a low cost base in order to remain competitive. Indeed, Australia's balance of payments is strongly dependent on this being the case.

However, Australian farmers have been able to meet the terms of trade challenge and have remained internationally competitive largely through productivity growth. The productivity of Australian agriculture has more than doubled over the past 14 years, and with annual average productivity growth of 2.8%, is consistently outperforming other sectors of the Australian economy.

Too often farmers invest in on-farm infrastructure only to face supply chain infrastructure that is not up to the same level of international best practice. It is vital that farmers have this commitment to ensure the future of our rural export sector.

Transport

A new model for determining the future transport infrastructure needs of agriculture

[1] DOTARS, *Regional Business – A Plan for Action*, 2003,

Too often in the past, transport infrastructure decisions have been based on short term political outcomes rather than a long term strategic prerogative. This has been demonstrated by the fact that the vast majority of the $22.3 Auslink II program has already been committed in the space of the six week 2007 election campaign.

For this reason, the NFF is reluctant to point Infrastructure Australia towards specific transport infrastructure projects for funding in the first instance. Instead, the NFF encourages Infrastructure Australia to undertake or fund a comprehensive analysis of the agricultural transport infrastructure needs and indeed, the freight needs of regional Australia in general. To this end, we note that the Australian Farm Institute has put together a preliminary work program to address the analytical needs outlined below and we commend this work to Infrastructure Australia.

Undertaking this task should involve the following:

- *Identify the current freight flows of agricultural production* – Analysis should be undertaken on the major agricultural trade flows by examining volumes entering and leaving major processing, collectivisation and/or sorting infrastructure. This may include:
    - Identifying the location of major livestock processing plants, grain silos, horticulture sorting facilities and other agricultural infrastructure.
    - Identifying the locations of the major source of inputs to this infrastructure. i.e. Is the agricultural produced sourced locally, from interstate or elsewhere?
    - Identifying the capacity of this infrastructure and how non-drought affected, average trade flows match against these capacities.
    - Identifying the location of major end markets for this production.

- *Identify the current freight flows of production from other regionally based sectors* – Analysis should be undertaken on the major non-agricultural trade flows by examining volumes entering and leaving major processing, collectivisation and/or sorting infrastructure. This will predominantly include analysis on trade flows in the mining sector. Analysis should be overlayed onto those of agriculture to examine the aggregate need of regional Australia.

  The pressure that the mining sector is having on agricultural freight transport needs can be seen by the coal sector in northern NSW. Coal exports out of the Newcastle Port have grown significantly - in 2005-06 a new record of 80.2 million tonnes of coal export was achieved. This compares with 37.8 million tonnes exported during the 1991-92 financial year, equating to an increase of 112% in that 14 year period. The implications of this growth on freight infrastructure supplying the Newcastle Port has been significantly masked in the past five years by poor weather conditions resulting in a considerable reduction of total grain production. Should Australia's grain farmers return a good crop this harvest, the fast emerging bottleneck will cause substantial problems.

- *Identify how regional freight flows have changed or are likely to change* – Factors identified in preliminary analysis by the Australian Farm Institute include:
    - The movement away from agriculture being a supplier of large volumes of bulk undifferentiated commodities towards markets that require a much greater degree of differentiation.
    - The development of Genetically Modified (GM) crop varieties and associated demand for product segregation.
    - Consolidation of agricultural processing industries.
    - Movement of the traditional urban fringe sectors of agriculture away from coastal areas to inland locations.
    - Climate change and climate change policy.
    - Increased investment in northern Australia.

- *Examine the current transport infrastructure servicing these freight flows, any deficiencies in these services and the costs incurred by these deficiencies* – This will allow potential bottlenecks and other inefficiencies to be identified that may inhibit the future growth potential of regionally based industries. It will also allow appropriate cost to be apportioned to delivering future infrastructure projects.

- *Examine the additional transport infrastructure needs (including road, rail, air, and associated loading, shipping and intermodal facilities) to effectively service future regional freight flows.*

- *Make recommendations about priority of investment to ensure that agriculture's future transport infrastructure needs will be met.*

Immediate freight infrastructure needs

Grain branch lines

While the analysis detailed above is a necessary part of identifying future transport infrastructure needs for regional areas, the current state of disrepair of many grain branch lines across the country, most of which were built in the late 19th or early 20th century, has called for urgent action in resolving the resulting problem. Failure to act urgently will inevitably lead to the closure of regional rail lines with no viable substitutes, which in turn would increase grain transport costs by over 50% for grain moved from silos along the effected rail lines.[2]

The situation is critical as demonstrated by the fact that Pacific National has already announced its intention to sell/close or downsize its grain operations in Victoria and NSW. This has been attributed to the drought and the volatility of the grain task. The NSW and Victorian Governments have also undertaken numerous reviews on

[2] Australian Grains Industry 2008, *Submission in response to Australia's future infrastructure requirements*

the investment needs of their grain lines, with the prospect of line closures being floated to industry stakeholders.[3]

The National Transport Commission has also noted that the Commonwealth Government is committed to establishing grain taskforces in WA and NSW ($6 million has been allocated for these two taskforces). However, each of the major grain-growing jurisdictions (WA, SA, NSW, Queensland and Victoria) face common issues and are likely to require a common solution. Further, the major participants in the grain industry generally operate national businesses.[4]

In essence, this indicates that a national review of the grain branch lines is urgently needed as an integral part of a broader structural reform package for the grain industry, not just a review of two states. The NFF believes that through Infrastructure Australia, the Commonwealth Government branch line review should be extended to cover NSW, Victoria, Western Australia, Queensland and South Australia in order to determine an appropriate course of action.

North-South Railway

The NFF has been supportive of the concept of a North-South Railway between Melbourne and Brisbane, using the far western sub-corridor as the preferred route. In our view, this is a genuine nation building project that will give farmers and the rural economy a greater capacity to get their produce from farms to markets in the most efficient manner possible.

The NFF recognises that a scoping study on the project is being undertaken by the Australian Rail Track Corporation. The NFF encourages Infrastructure Australia to keep abreast of this study and ensure that its infrastructure planning is complementary to the development of the North-South Railway.

Improved access to the road network for higher productivity vehicles

The NFF believes that improved access to the road network for higher productivity vehicles such as B-triples would be a key to unlocking productivity gains, offsetting additional costs and improving Australian farmers' competitiveness on domestic and global markets. Regional industries and businesses have numerous examples of limitations on vehicle access to the road network adding costs to their operations. The NFF urges Infrastructure Australia to look at this problem and identify where infrastructure enhancements can induce greater access to the national road network.

All transport modes will play a vital role

[3] NTC 2008, *National Transport Policy Framework*
[4] NTC 2008, *National Transport Policy Framework*

The NFF must emphasise that all modes of freight transport will play a role in meeting the future freight requirements of agriculture and regional Australia. No mode of transport can be allowed to be neglected.

Indeed, it should be recognised that the majority of the agricultural freight task is not contestable, in particular between road and rail, which often compete for infrastructure resources. Supporting this are reports from the Productivity Commission that state that even substantial increases in road user charges are unlikely to have any significant impact on rail's modal share of freight. For many agriculture and food businesses, particularly those which are perishable or time-sensitive, trucking is the only option for transporting their goods and will remain so. However, commodities such as grain, which use rail for approximately 85% of its export freight task, depend upon rail to get their produce to market. It is also commonly the case that multiple modes are effectively used in conjunction.

Successful outcomes in the area of regional transport development depend on coordination between roads, rail, air and ports, and the variety of competing commodities utilising the infrastructure. The NFF believes that by undertaking the above analysis, we have an opportunity to break away from the current fragmented system where road, rail, air and port infrastructure decisions are often made autonomously from each other. Likewise, there is work to be done to ensure that sectors like agriculture and mining work together to ensure that the investment emphasis is being placed on the optimal areas for economic prosperity.

Telecommunications

Quality, affordable (provided at prices comparable to metropolitan areas) telecommunication services now and into the future are absolutely vital for farmers and rural communities. Whether it be for business, family, social, health, education or other needs, rural Australians require - and are entitled to - access to the latest telecommunications services.

Modern farming practices in Australia are demanding an ever increasing technical dimension. This is not just about fixed or mobile phone services or broadband, but also telemetry and other process control service solutions. New environmentally sustainable farming systems require telecommunications services on an equitable basis.

The NFF asserts that it is the role of Government to facilitate through, where necessary, a robust legislative framework, the delivery of quality affordable telecommunications services in a competitive marketplace and, where this is not achievable, for Government to intervene through strategic telecommunications infrastructure incentive programs.

The NFF seeks future developments in regard to telecommunications infrastructure being technology neutral, competitively accessible and at the upper end of global broadband capacity trends.

The NFF seeks to ensure there is a telecommunications carrier with sufficient scale and scope to deliver the Government's telecommunications social obligations now and into the future and also the facilitation of an ongoing competitive telecommunications marketplace that results in tangible benefits for farmers and rural communities.

Water

Urban water infrastructure

Until recently, there has been little investment in urban water infrastructure. As a consequence of drought and significantly increased city populations (compared to when urban water infrastructure was established), there is an urgent need to invest to secure water for cities. Not doing so will place additional and unsustainable pressure on the national water resource base, to the expense of all water users – urban and regional, commercial and non-commercial alike.

The Federal Government's *Water for the Future* program includes a $1.5 billion program for urban water (mainly desalination), rainwater and greywater initiatives and water plan for cities and towns (mainly non-metropolitan). While these initiatives go some way to address the lack of historic investment, it may not go far enough.

There is an urgent need for a review of urban water infrastructure in the first instance. This may include assessment of the leakages occurring in the pipe systems (many fully pipe urban water systems have greater levels of leakage than open channels for irrigation), feasibility studies to assess dual piped systems (i.e. so that high water quality is delivered for drinking water and low water quality is used for other uses e.g. sporting grounds), and the sufficiency of current storage facilities.

On-farm water infrastructure

The economic, social and environmental implications of no investment or little investment in on-farm water infrastructure are enormous. While Australian irrigators are competitive on highly distorted global markets, with significant government investment in acquisition of water for the environment, this competitive position is being threatened.

The NFF does not dispute that environmental water needs are important, but argues that investment in on-farm water infrastructure can ensure that the economic viability of irrigators can be maintained in conjunction with positive environmental outcomes. At the same time, improving the productivity of Australia's irrigation

farms will underpin the flow-on economic benefit to local and regional economies and industries.

The option of converting irrigation farms to dryland cropping production is often untenable as many of these properties are located in arid or semi-arid areas. Inadequate on-farm investment in irrigation infrastructure will inevitably mean unviable farm businesses and communities. The NFF therefore strongly recommends on-farm investment to underpin farm business and regional economic and social viability.

The types of on-farm investment may include high capacity irrigation systems (channels and bay outlets), piping of horticulture and other channel delivery systems, recycling systems, storage dams, conversion to centre pivots and lateral move irrigators, conversion of open channels to pipes for stock & domestic supplies, laser levelling of flood irrigation and so on. In situations where high flow is not an option or where returns cannot justify the extra investment, infrastructure such as surface and sub-surface drip systems should be eligible. Such examples of on-farm investments and the water savings achieved could be shared between governments and farmers.

The Federal Government's *Water for the Future* package does not includes a specific program for on farm water infrastructure. However, through the Inter-Governmental Agreement (IGA) priority projects, some state governments will be implementing on farm infrastructure investment. On-farm irrigation infrastructure investment is now being viewed as the "poor cousin" of the Government's water acquisition program – largely the remit of the State Governments through priority projects. Implementation of on-farm infrastructure projects is some way off but needed now to underpin and maintain irrigation productivity at a time of drought and when many irrigators are "distressed" sellers. i.e. selling entitlements to pay off drought related farm debt.

Irrigation delivery infrastructure

The Federal Government's *Water for the Future* package also includes a component of off-farm irrigation infrastructure investment (i.e. delivery systems). In many cases, the cheapest options for investment in this area have already been implemented. The remaining projects will be more expensive to undertake. However, delivery system upgrades could include automation (telemetry), lining of leaky channels, metering and telemetry of pumps or farm gate delivery sites, division of large high evaporation dams such as the Menindee and the Lower Lakes (i.e. similar to Barren Box Swamp west of Griffith), off river storages and so on. The Hot Spots assessment and irrigation infrastructure operators programs will assess the need for such infrastructure. However, the non-Basin irrigation areas have been largely forgotten and require an urgent investment plan.

Environmental water infrastructure

The NFF believes that effective environmental outcomes can be attained by strategic infrastructure investment. This investment, in turn, can relieve the pressure on Australia's entire water resource.

Too often, key environmental resources of national and international significance are completely dependent upon river system flows. In recent years, these flows have been under stress, leading to adverse environmental outcomes in areas such as the Coorong wetland ecosystem in South Australia. In other situations, constant high levels of flows lead to permanent inundation of wetlands and adverse ecological decline.

Rather than the environmental resource being completely dependent upon river system flows, the NFF believes that infrastructure projects can provide longer term security for environmental resources and ensure greater efficiency of the complete water resource. Projects may include the building of weirs to de-connect wetands and using these structures to re-introduce the natural wetting and drying cycle, or alternatively engineering solutions such as pump sites to flood wetlands that are totally dependent on large flood events.

Existing examples of where such infrastructure has been used to deliver positive environmental benefits include the Moira Lakes in New South Wales and the Koondrook-Perricoota Forest along the Murray.

Look beyond the Murray-Darling Basin

The Federal Government's *Water for the Future* program is largely aimed at the Murray-Darling Basin. The Northern Australia Futures Assessment is investigating the feasibility of development (including irrigation) in Northern Australia. Irrigation in the non-Basin states has largely been omitted, with the exception of some projects funded under the $5.8 billion water infrastructure program. There is a need to look at the remainder of Australia and fund investment in particularly irrigation delivery systems (including decommissioning where agreed with affected communities).

Energy

Regional Australia is uniquely positioned to be utilised as a key contributor to the development of scale renewable energy. In general, regional and remote towns are the least efficient to supply with coal-fired electricity (because of transmission line costs and losses). They are also the easiest to supply with renewable electricity due to the availability of land for solar and wind generation facilities. The NFF believes that it would be strongly in the nation's interests to provide policy incentives for utility scale renewable power stations based in regional centres. These power stations could be associated with manufacturing facilities for renewable technology,

further increasing local employment, and collocation with intensive agriculture and processing that would benefit from cheap renewable, power, steam and desalinated water (a byproduct of solar thermal plants).

Smaller scale renewables (e.g. methane conversion, solar industrial steam, cogeneration, biochar, organic recycling in fertiliser) can also help to radically reduce the emissions profile of regional Australia.

To facilitate this dialogue, the NFF requests the Infrastructure Australia to commission modelling of Australia's transmission line network and energy demand in regional centres so as to develop a robust integrated least-cost planning model for Australia's transition to solar, wind and other renewable energy supply.

Regional renewable power stations can also generate base load power for regional requirements and can feed any excess into the national grid. Early roll out of bulk renewable energy in regional Australia would also enable a smooth and more rapid transition from coal power to renewable power for urban Australia. It would also facilitate electrification of regional rail networks and, potentially, a transition to electric road transport and farm vehicles.

Policy measures that Infrastructure Australia should consider in this field include loan guarantees for the builders of utility scale renewable power stations and a strategy for investment in new transmission line infrastructure.

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