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National Transport Commission  
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Dear Mr Coleman

Re: The discussion paper “the role of Government in rail freight investment”

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. NFF also has a number of associate members who participate in the agricultural supply chain. These organisations form the NFF.

Australian farming underpins domestic food consumption and is a significant export industry. Australian agriculture currently produces 93% all food consumed domestically in Australia and 1% of all food consumed in the world. In 2008, Australian farm exports were valued at \$31 billion, accounting for approximately two-thirds of Australia's agricultural production. Despite deep and widespread drought, over 2007-08, agricultural product accounted for 15% of Australia's merchandise exports. Exports are projected to grow to \$32 billion over 2009-10.

It is vital that efficiencies that have been generated within the farm production sector to maintain international competitiveness are not constrained by inefficiencies in related sectors such as transport, processing, retail, food service or export. In effect, our agricultural supply chain is only as strong as its weakest link, and transportation infrastructure must be in line with world's best standards.

Transport of agricultural produce forms a significant cost in the agricultural supply chain, and transport infrastructure is a critical element in being able to move food and fibre efficiently and effectively to market. The challenge of moving the increasing volumes of food and fibre required by domestic and international markets will continue to grow. The NFF maintains that the pricing of transport, including road and rail, should be transparent to ensure that farmers are able to make informed decisions about how to transport their produce in the most efficient and cost effective manner. The NFF has been advocating for the development of a National

Freight Strategy to better inform prioritisation of transport infrastructure planning and investment.

Rail freight needs to be recognised for its role a freight mode which should provide genuine options to agriculture supply chain participants, as well as other businesses in rural and regional Australia, to build efficiencies. The NFF understands that for many agriculture and food businesses trucking is the only option for transporting goods, and this will continue to remain the case. However, traditional rail user commodities such as grain, which uses rail for approximately 84% of its total transport task, are increasingly being transported by road freight.

NFF is concerned at the growing differential in the competitiveness of Australia's rail freight network compared with road transport. In many places Australia's dating rail tracks mean that trains are speed limited and are hampered by unreliability and the lack of passing lanes on rail routes. The current state of many grain branch lines, most of which were built in the late 19th or early 20th century, have also impinged on the reliability and flexibility of the rail network. As a result, the total capacity of our rail infrastructure is lacking and its competitiveness is suffering. This is exacerbated by the fact that much of rail's infrastructure has elements of a natural monopoly that provides little incentive for the infrastructure owners to make the necessary investment to increase capacity and service provision.

Business in regional and rural Australia also faces challenges in the cost of their operations which need to be acknowledged, and this includes the costs of transport and freight. We believe that Governments have an obligation to promote competition for services, including freight services, in rural and regional areas. 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.

An efficient and effective rail freight system can also deliver a range of broader societal objectives, including externalities including road accidents, environmental impacts, greenhouse gas emissions and congestion. Many of these externalities relate to broad policy issues, not just to the freight sector, or they may be the subject of regulation. In this context it is important that Government has clear policy relating to the role rail freight plays in meeting the national freight task and has a policy framework which can recognise and account for these externalities and the broader societal costs in decision making.

At present the Federal Government's economic and societal objectives around its investment in rail freight do not appear to be well articulated. In the absence of clear objectives it is difficult to determine if Government's policy has been successful in this area, as there are no measures of success which can be related to performance against objectives. This lack of clarity has resulted in uncertainty about Government's role in investing in rail infrastructure, which has led to the need for processes such as the "Commonwealth Review of the NSW Grain Network". It could be argued that this uncertainty makes it difficult for private investors to cooperate in these markets, and may well have delayed both private and public investment in rail infrastructure.

The NFF has continued to call for a strategic, integrated and highly competitive freight transport system in Australia, ensuring that the freight task is coordinated and that a plan exists to ensure the freight network can meet future transport challenges. It is difficult to see how the discussion paper links to the development of the National Freight Strategy by Infrastructure Australia, or to the National Ports Strategy which highlighted the need for appropriate 'land side' planning and investment in transport infrastructure. A coordinated National Freight Strategy which considers the role of rail in addressing key transport bottlenecks and the Government's role as an investor is required to underpin the National Freight Strategy.

As a general observation, we note that the discussion paper focussed on the theory and concepts behind the Government's role in rail infrastructure investment, and asked respondents for specific examples related to successes and failures in markets and policy. Informal feedback to NFF from our members indicates that the technical language and narrow scope of questions made it difficult for them to respond. The use of examples and framing questions in more open terms may have assisted in making the discussion paper more accessible to freight users, particularly those in the agricultural industries.

Australian farmers need access to competitively priced freight solutions. Both road and rail play important roles in delivering this solution. As mentioned earlier, the NFF has maintained that the pricing of transport, including road and rail, should be transparent to ensure that farmers are able to make informed decisions about how to transport their produce in the most efficient and cost effective manner. Rail freight has an important role to play in meeting future freight transport challenges, and the NFF looks forward to further engagement as policy is developed to inform future investment in rail freight infrastructure.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Fargher', written in a cursive style.

**BEN FARGHER**  
Chief Executive Officer