

22 August 2011

Mr Neil Aplin
CRRP Directorate
COAG Road Reform Plan
Level 6, 121 Exhibition Street
MELBOURNE VIC 3000

Dear Mr Aplin,

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. 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 per cent of Australia's merchandise exports. Exports are projected to grow to \$32 billion over 2009-10. Australian agriculture currently produces 93 per cent of all food consumed domestically in Australia and 1 per cent of all food consumed in the world.

Transport of agricultural produce forms a significant cost in the agricultural supply chain, and road 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 also focussed on the need for an ongoing commitment to transport infrastructure investment, based on transparent decision making that addresses both strategic infrastructure needs and the continued maintenance of the infrastructure.

The NFF has noted previously that it supports road pricing reform as it will provide a better framework for informing transport choices and transparency in the pricing and re-investment in road infrastructure. The NFF believes that the principles behind road pricing reform remain valid; however questions exist around the implementation of the reforms and particularly the mechanisms used for charging and the provisions of road infrastructure in response to the charges collected.

The NFF has provided responses to the "Heavy Vehicle Pricing Options" paper issued in September 2010 and the "Funding and Implementation Issues Paper" issued in May 2011. These papers have set out options for charging heavy vehicles for road use, and considered how these charges could be effectively re-invested in roads at the same level of detail that charging information is applied. The NFF notes that this earlier work highlights that the greatest benefits from the COAG Road Reform Project (70 per cent) can be attributed to road funding ('supply side') reform, rather than pricing. The Preliminary Findings Consultation Paper issued for comment on 27 June 2011, focuses on issues related to the introduction of more direct heavy vehicle road use charges but fails to address 'supply side' reform related to the provision and maintenance of road infrastructure. A basic premise of the COAG Road Reform Project is the need to shift away from the current road funding and management model towards a demand and supply driven model. There has been very little work to examine the supply side of the reforms including how charges collected for road use would be reinvested in roads in a transparent way, and how road asset managers across Australia's States and Territories would be accountable for maintaining and developing road assets.

Fundamental questions exist regarding how road users charges collected under the proposed scheme would be reinvested in the road network. The NFF is aware that there is a lack of consistent data on road use and wear across the States and Territories. This was highlighted in a number of reports including Infrastructure Australia during the development of its National Freight Strategy. Clearly, better information is required to inform investment in road infrastructure. Given the majority of the benefits have been previously reported to accrue from supply side reform, it is appropriate to give significant focus on how to maximise these returns. Questions exist regarding how the condition of road assets could be reported transparently and consistently across States and Territories, and then transparent processes for investing in the assets and setting appropriate prices. It would seem that a significant shift would also be required in the expertise and culture of road asset managers, to move away from a philosophy of protecting road assets to a situation where investment in road assets occurs in response to their use and strategies to maximise productivity. For this reason it is appropriate that supply side reform be further developed, with a view to implementing supply side reform prior to any changes in the road pricing mechanisms. This would have the advantages of increasing stakeholder confidence that road charges would be invested appropriately, whilst developing skills and changing the culture in road asset managers. Understanding the cost of road supply and better data on vehicle use and movement would also inform road pricing and ensure there is not an 'over collection' of road charges. The NFF also has concerns at the incorporation of compliance and enforcement costs in the road charging framework, as there is little transparency in how this charge is developed, it does not focus on driving efficiency in Governments enforcement activities, and the extent to which enforcements costs can be attributed to heavy vehicle operators is not clear.

The NFF has a particular interest in the management of local roads in regional Australia. The condition of local roads can have a significant bearing on the types of vehicles used and the efficiency of an entire journey. Improving road supply may allow for better access for higher productivity vehicles, which would have significant benefits for the agricultural industries. The Preliminary Findings Consultation Paper also highlights in Finding 4 that inequities exist in charging for local road use in rural areas, as the opportunity for rural road users to switch

routes to reduce costs is likely to be limited. While the concept of a community service obligation to offset this cost is explored in the paper, there is very limited information to explain how this would work, particularly in regional and rural areas. The NFF would have concerns if the community service obligation became a discretionary funding mechanism that could be altered on the whim of government and offered no security to road asset managers. It is also unclear as to how road funding would occur for local roads under the proposed charging arrangements, if it would relate directly to vehicle use (which could change from year to year depending on agricultural productivity from year to year, and even season to season) or if it would be on some average over years or annualised figure. If averaging does take place then questions need to be asked if the use of continuous in-vehicle monitoring, as proposed in the discussion paper, is cost-effective for vehicles that are predominantly used for local trips. Questions also exist on how the proposed road funding mechanism would relate to the council rates currently charged across Australia and which are currently used by councils to maintain local roads. It seems inappropriate and inefficient for multiple charging mechanisms to exist for local roads.

Questions exist on the practicalities of the proposed system for agricultural vehicles. Farmers often do not use heavy vehicles on road over the full year, and the potential cost of installing in-vehicle monitoring systems and the transaction costs of keeping records and complying with the charging system may not be proportional to the benefits derived from the proposed reforms. It is a particular concern if the charging reforms are mandated but road supply reforms do not bring benefits to local roads, or if the ultimate funding mechanisms developed for local roads do not require accurate mass-distance-location information. Concerns have also been expressed at how data collected through the in-vehicle monitoring system will be managed to maintain privacy, and that in-vehicle monitoring systems should not become a compliance tool.

While the NFF supports the principles behind the road funding reforms, significant questions exist on how road charging will occur but most importantly how the benefits from supply side reform will be realised. Significantly more work is required to develop the road supply reforms, with a view to implementing supply side reforms prior to the pricing reforms in order to build industry confidence in the measures and demonstrate the benefits of the reforms.

The NFF looks forward to continuing its engagement with the COAG Road Reform Plan on these issues. For further information regarding this submission, please contact the NFF Rural Affairs Manager, Dr Sam Nelson.

Yours sincerely



MATT LINNEGAR
Chief Executive Officer