



National Farmers' Federation

Submission to the National Freight and Supply Chain Strategy

4 August 2017

NFF Member Organisations



CANEGROWERS





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 across the breadth and the length of the supply chain.

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 132,000 farm businesses in Australia, 99 per cent of which are Australian family owned and operated.

Each Australian farmer produces enough food to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 per cent of the total volume of food consumed in Australia.

Economic >

The agricultural sector, at farm-gate, contributes 2.4 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2016-17 is forecast at 58.5 billion – a 12 per cent increase from the previous financial year.

Together with vital value-adding processes for food and fibre after it leaves the farm, along with the value of farm input activities, agriculture's contribution to GDP averages out at around 12 per cent (over \$155 billion).

Workplace >

The agriculture, forestry and fishing sector employs approximately 323,000 employees, including owner managers (174,800) and non-managerial employees (148,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 40 per cent of the employed workforce is casual.

Approximately 60 per cent of farm businesses are small businesses. More than 50 per cent of farm businesses have no employees at all.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 52 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 per cent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which recently celebrated its 20th anniversary.

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Executive Summary

The NFF congratulates the Australian Government for adopting the recommendation in Infrastructure Australia's *Australian Infrastructure Plan* to develop a national Freight and Supply Chain Strategy and is grateful for the opportunity to provide a submission.

The NFF acknowledges that plans have been developed in the past focussing on particular aspects of the freight system. For example plans have been developed for ports, cities and rail at both the national and jurisdictional levels of government. NFF commends the vision and foresight in the plans. However, the lack of coordination across modes and jurisdictions means national objectives may be compromised.

Transport Infrastructure in Australia is at a crossroads. Ageing infrastructure, a mounting maintenance bill, lack of new investment and a lack of a clear national strategy has hampered development in one of Australia's most critical areas. The development of the *Australian Infrastructure Plan* was a pivotal moment as it set out a clear vision for Australia's overall infrastructure investment.

The development of this strategy presents very real opportunities to build on the *Australian Infrastructure Plan*, piece the links of the national freight system together, identify key areas for future investment and identify appropriate strategies for maximising the current network.

In "Agricultural Transport Infrastructure – A Discussion Paper" prepared as our submission to the development of the *Australian Infrastructure Plan*, the NFF argued:

"Australian agriculture is a significant export industry with roughly two thirds of food and fibre sent to overseas markets. It is expected that global food demand will rise as the world's population increases over the next 20 years, creating new growth opportunities for the export of Australian produce.

One of the key determinants in ensuring that Australian agriculture can reach its full potential are least-cost pathways to transport food and fibre from paddock to port. 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.

Key to improving transport infrastructure for agriculture is to invest strategically in infrastructure. When planning freight routes, it is crucial to use supply-chain modelling tool. ...there is very little information on how much farmers pay for transporting their produce to consumers. This information, however, is crucial to measure the competitiveness of Australian farmers and to find out where the transport of agricultural goods faces pinch points and bottlenecks."

We agree that this strategy must be developed in the context of a growing Australia. Australia is a net exporter of its commodities and therefore key to our competitiveness is a world class logistics system. We also believe that the strategy must be developed with agriculture front-of-mind.

1. Introduction

There are countless projects that could at a practical level streamline our freight movements and unlock bottlenecks. However, the NFF believes that for a national freight and supply chain strategy to be meaningful in its legacy, it must do more than focus on individual projects and avoid perpetuating the politicisation of our infrastructure investments.

For too long our key nation building projects have been identified and committed to as part of political cycles such as elections and budgets. The scale of construction, the magnitude of public expenditure and the legacy of projects warrants consideration beyond political cycles. The NFF believes solutions reside in the systems and architecture that governs infrastructure investment and coordination.

2. Previous NFF Statements

In previous public statements the NFF has, alongside other infrastructure peak bodies such as the Australian Local Government Association and the Australian Logistics Council, proposed some guiding principles for infrastructure investment in Australia, and believe these remain relevant in developing this strategy. The key points of these statements from an agricultural perspective are:

- The consequence of under-investment is that much of the nation's public infrastructure is struggling to meet the needs of Australian businesses and communities and will be further constrained into the future;
- Modern, reliable and affordable infrastructure is fundamental to enhancing Australia's productivity, international competitiveness and workforce participation and is essential to maintaining the living standards that Australians have grown to appreciate;
- We recognise the important role of the private sector in the provision of infrastructure, but we also acknowledge the central role of the Australian Government in the development of infrastructure through necessary regulation and planning, the establishment of adequate safeguards for consumers and, where appropriate, the provision of adequate funding;
- We acknowledge the financial challenges facing the Australian Government in the provision of services and infrastructure and we call on all Federal political parties to commit to working together with all levels of government and industry on sustainable long-term funding solutions;
- Infrastructure investment is needed in both our cities and our regional areas. Cities are fundamental to Australia's economic prosperity and are where the majority of people live and work. Our regional industries, in particular agriculture, are a central pillar of the national economy and must be more efficiently connected to markets here and overseas. Investment in infrastructure is needed to ensure our cities and regions remain competitive, liveable and sustainable;
- We urge cross-party support for improved long-term infrastructure planning, action on a funding mechanism to support investment in priority projects, and strengthened Parliamentary oversight of public investment decisions;

- At a time when interest rates are low, and Australia’s economic credibility remains competitively high, the Federal Government should be prepared to borrow for public infrastructure investment;
 - We support fiscal discipline to reduce budget deficits, however this discipline should not come at the expense of good debt used to invest in productivity-enhancing nation-building;
- We believe that Infrastructure Australia has made a good start on project identification and prioritisation of national infrastructure projects, but despite their best efforts, there is an urgent need for a long-term funded pipeline of quality infrastructure projects. Australia’s project pipeline of infrastructure projects should extend for 30 years, not the current 15 years;
- Transformational projects that are under Infrastructure Australia’s threshold should have a pathway for assessment and investment. In addition, often a number of smaller projects and strategic investments can optimise the utilisation of existing infrastructure, catalyse urban regeneration and avoid the need for major new investments.

3. Agriculture’s Freight Contribution and Future Needs

The NFF is keen to focus discussion on the contribution and role of agriculture in our freight system. As a commodity rich economy, often the focus of priority investment is the movement of natural resources. While the contribution of the natural resources sector to the Australian economy cannot be understated, agriculture has recently experienced something of a revival in its growth and optimism, underpinning its status as one of the fundamental pillars of the Australian economy.

Currently the Australian Agricultural Sector is valued at over \$60 Billion with exports valued at nearly \$50 billion in 2016-17. The sector consistently contributes approximately three per cent of the National GDP.

This value is anticipated to grow significantly. Based on growth figures the NFF believes the value of Australian Agriculture will reach \$100 billion by 2030. Fundamental to achieving this goal will be building our international competitiveness underpinned by increased market access and accelerated productivity. To capitalise on this we must have a world class logistics system that facilitates the sector’s growth.

However, agriculture’s capacity to facilitate private investment in the freight network can be constrained by its lack of geographical consolidation and the seasonality of its produce (restricting year-round capacity and prioritisation on the network). However, this is potentially beginning to change as acknowledged by Graingrowers Limited in its *2016-17 State of the Industry* report:

Ownership in the supply chains has changed considerably over time with corporate and international ownership now characteristic of the sector. Efficiencies can result from corporatisation and the new investment international ownership can bring.

It is also important to consider that the majority of agricultural produce in Australia is integrated within global supply chains. This is an important consideration from two perspectives. The first is that this presents opportunity for private sector investment as illustrated by the experience of the grains industry. The second is it highlights that our freight systems and networks must not be considered in an isolated domestic context, but considered as a link in a global network that facilitates the delivery of significant wealth to the Australian economy.

The agricultural sector's international exposure is a consistent consideration in its future-proofing. In its 2015 report into global megatrends that will affect agriculture, the Rural Industries Research and Development Corporation (RIRDC) identified five major megatrends that will impact the sector over the next 20 years. The megatrends identified were:

- A hungrier world – Population growth will drive global demand for food and fibre;
- A wealthier world – A new middle class will increase food consumption diversify diets and eat more protein;
- Choosier customers – Information empowered consumers of the future will have expectations for health, provenance, sustainability and ethics;
- Transformative Technologies – Advances in digital technology, genetic science and synthetics will change the way food and fibre products are made and transported; and
- A bumpier ride – Globalisation, climate change and environmental change will reshape the risk profile for agriculture.

As part of its identification of the risk profile for the sector, the report identified that the increased globalisation of our supply chains presented a number of risks to the sector. The report found:

“Just about all Australian industries are becoming more dependent on global supply chains to create the products they sell to end consumers. A ‘supply chain’ can be thought of as a network containing a series of linked nodes which take a product from the original raw materials to the final customer. As more links and nodes are added to a supply chain the risk of the network breaking down increases. The idea is that a chain is only as strong as its weakest link.

A global supply chain usually has more links than a domestic supply chain and therefore a global supply chain usually holds greater risk.

Australian rural industries increasingly depend on global supply chains for production inputs and market access. As supply chains become yet more globalised in the coming decades, these risks will increase.”

In order for a freight strategy to be meaningful, it must strive to mitigate any potential for our own domestic freight network becoming the weakest link in the global network. Australian farmers are world leading in terms of on-farm innovation and efficiency – but it is often lamented that this does not continue once produce leaves the farm gate. If the sector is to meet the needs of a hungrier, wealthier and choosier customer then we must be able to move our produce efficiently and transparently.

This point is further illustrated in the *State of the Industry Report*:

“Grain transport, storage and network systems vary significantly around the globe, with elements of some systems highlighting potential efficiencies for Australia’s system. Other systems demonstrate where their gains will be made into the future. Investment is critical to meet these competitor challenges.”

4. Inland Rail a Step in the Right Direction

The NFF welcomes the Australian Government’s Commitment to and inland Rail and welcomed the \$8.4 billion announced in the 2017 Federal Budget as a historical moment.

The Inland Rail project will connect Australia’s three largest agricultural states and give farmers better access to markets both domestically and overseas. Considering that New South Wales, Victoria and Queensland have a combined annual farm output of \$34 billion, the importance of the project to the sector is undeniable. Inland Rail is crucial to ensuring a least cost pathway to transport food and fibre along the East Coast. This new connection between key regional centres and the two capital cities Brisbane and Melbourne will supercharge the economy west of the Great Dividing Range, greatly benefitting the agricultural belt from Seymour in Victoria to Toowoomba in Queensland.

Within the overall economic returns generated by the Inland Rail project, there are a number of specific economic, social and environmental benefits. A well implemented Inland Rail will improve the reliability of rail freight both within the regions and from Brisbane to Melbourne. Currently, all rail freight between Melbourne and Brisbane travels through Sydney, making transport often unreliable due to congested rail lines in Sydney, partly because passenger trains have priority over freight trains.

At present, the current eastern seaboard haulage volume and frequency has placed the road network under immense strain. The current rail infrastructure between Melbourne and Brisbane is inadequate to support a switch from road to rail (Inland Rail Implementation Group 2015). Inland Rail could relieve the overstrained road network by removing 200 000 truck movements from roads each year. Such a switch from road to rail will also improve the safety of Australian roads for both transport operators and the general public.

The agricultural commodities most likely to benefit from Inland Rail are grain and cotton, with both having major production areas along the suggested rail lines in Western New South Wales. However, it is important to recognise that the logistical task for these commodities differs from other regional industries, such as the mining sector, in that they not have defined start and end points.

In this regard, to ensure that these commodities derive a tangible benefit from inland rail, it is crucial that they have cost effective access to intermodal terminals along the line that enable the consolidation, storage and transfer of freight between rail and road. Moreover, it is crucial that the line complements to the greatest extent possible the existing network, allowing for the interoperability of existing rolling stock.

Further, from an agricultural sector perspective, it is important that the line fosters a healthy level of supply chain competition. A range of logistic operators must be able to reasonably compete for access to the line. Doing this will ensure that a range of transport options are

presented to commodity handlers and other supply chain intermediaries. This competitive tension should flow throughout the supply chain and ultimately benefit farmers.

4. Measuring Freight Costs for Agriculture

Agriculture is conducted right across Australia's landmass and often takes place removed from the major arterials and freight routes. This leaves the sector susceptible to additional freight costs to move produce 'the last mile' to link in with major freight routes. The standard of these 'last mile' linkages can often contribute disproportionately to the overall cost of transporting produce. Estimates from the beef industry suggest that imbedded costs average 30 per cent with much higher costs experienced in northern Australia.

This is why NFF advocated for the development of a national freight strategy in its *Agricultural Transport Infrastructure – A Discussion Paper*:

To better cater for agricultural commodities, it is crucial that IA considers agricultural supply chains. To this end, IA should be given the mandate to compile a National Freight and Supply Chain Strategy that enables decision-makers to look at infrastructure projects across Australia, taking an 'end to end' supply chain approach. Agricultural supply chains will need special consideration in this strategy because agricultural goods differ from all other commodities: Food and fibre perish more easily than other goods, they are produced right around Australia and they cannot always be transported in bulk.

Combining the infrastructure needs of all agricultural commodities will enable the industry to demonstrate where the largest gaps in transport infrastructure are. Key to creating a workable agenda for change in the agricultural supply will be the inclusion of industry bodies during the consultation process. The chapter on agricultural supply chains should be based findings from agricultural supply chain modelling.

However, one of the challenges the sector faces is quantifying the on-farm freight costs as an overall proportion of production costs. Generally the sector relies on anecdotal evidence based on individual situations. The NFF is cognisant that in order to enable special consideration of agriculture in a National Freight and Supply Chain Strategy, these costs must be identified and quantified in a meaningful way.

Aligned to the development of this strategy, the NFF is in the process of commencing a project with other industry partners to attempt to quantify this information in a meaningful way. Regrettably this work is not ready for this round of submissions. However we would anticipate that this research project will be provided to the National Freight Strategy Taskforce in subsequent submissions.

The other requirement to facilitate appropriate consideration of agricultural supply chains is identifying the major agricultural freight routes and implementing actions and policies that alleviate bottlenecks. For example, members in New South Wales have expressed a view that there is a need for a second road and rail crossing over the Blue Mountains with direct access to the Western Sydney Airport. Having tools in place to identify such needs will be critical to the future productivity of agriculture.

The capability to do this currently exists with the CSIRO's TRANSIT modelling tool and the NFF supports the recommendation in the *Australian Infrastructure Plan* that:

The development of the proposed National Freight and Supply Chain Strategy should be informed by CSIRO's TRANSPORT Network Strategic Investment Tool (TRANSIT). This tool should be used to identify the most efficient routes along major supply chains and to inform funding decisions on where strategic regional projects will have the most substantial economic impact.

The other consideration in developing systems for measuring on-farm costs and identifying major routes is that it will enable data to be generated to inform more meaningful future cost benefit analyses around infrastructure investment. Previously such processes had been hampered by a lack of available information.

5. The Need for National Coordination

Some of the major inefficiencies within the existing network are regulatory inconsistencies. It is well documented that inconsistencies between state regulations is a constant frustration within our transport networks. The most notable example of this is the advent of the National Heavy Vehicle Regulator – initiated following years of industry frustration about inconsistent interstate regulation.

Another example is the fact that vehicles registration costs vary between jurisdictions as well as how vehicle combinations can be utilised.

Regulatory consistency is an obvious need that can be alleviated by national coordination. To this end we support calls for a single national economic regulator or coordinator for freight. However, in implementing this measure, effective national coordination and consistency must extend beyond the tradition Commonwealth – State/Territory context. It must also consider local government and industry regulation as well.

To illustrate this point the NFF draws on an anecdotal example of an undisclosed northern New South Wales livestock saleyard. There are numerous access roads to the saleyard facility. However, local government by-laws only permits B-Double vehicle access on one of the access roads. Depending on which direction you are transporting your livestock from, delivering livestock illegally on the most direct route or delivering legally on the designated access is the difference of four hours. When animal welfare considerations are also taken into account and therefore anticipated returns at the saleyard, the producer potentially has a dilemma of saving four hours and achieving better animal welfare outcomes by risking the shorter route or adhering to regulatory requirements with an efficiency cost.

The NFF understands there is no discernible difference in road quality between the access points and that such by-laws are the discretion of the local government and are applied inconsistently.

In many instances these inconsistencies between local governments extends from the fact that local governments have responsibility for maintaining much of the current road network and do so in many instances with a lack of appropriate funding to maintain roads. This in turn hampers farmers' ability move produce and machinery with minimum red tape.

Another example is the use of High Productivity Vehicles (HPV). In many jurisdictions it is often the case that a HPV can only legally operate for part of an intended journey, and as a result, either a less productive vehicle must be used or the operator must apply for a permit to access otherwise prohibited parts of the network. NFF members often report that access decisions made by road managers are expensive, uncertain and often ill-informed.

In some cases, local road managers simply deny access because of unfounded concerns about safety or local amenity impacts and there is little or no recourse for the applicant. In other cases, local authorities are using the permit system to raise revenue rather than protect safety or infrastructure. HPVs are using the 'permitted roads' on an ongoing basis without incident but are forced to pay to do so. Decisions about HPV access should be based on engineering principles, network design and measurable impacts - not underlying attitudes towards industry or heavy transport or a desire to raise revenue at the local level.

These examples of the practical impacts a lack of coordination can have, and demonstrates the need for clear and strategic national coordination for freight. Additional factors such as the perishability of produce, peaks and troughs in movements due to seasonality and other considerations unique to agriculture such as animal welfare, heighten the need for an agricultural focus in this national coordination as well.

There are a number of other areas national coordination can play a role as well:

- **Strategy** – Currently infrastructure strategies are developed by the Commonwealth and States and Territories. A comprehensive National Freight and Supply Chain Strategy must give consideration, and recommend ways, these processes can be integrated and complementary.
- **Practical Considerations** – While regulatory inconsistency has been discussed above, a dedicated national coordinator should have the ability to implement uniformity across practical aspects such as rail gauges to maximise utilisation of the network. It should also have the ability to implement dynamic scheduling mechanisms across the network, to avoid inefficiencies and minimise opportunity cost of goods sitting latent while waiting for scheduling windows. Maximising deliveries to ports or air freight facilities should be a priority as should enabling the most direct route.
- **Improving Road Access** – The NFF believes there would be immense value in road access decisions having a nationally coordinated element. Some of the practical measures that could be incorporated include:
 - Reducing the statutory maximum decision period from 28days to 72hours;
 - Allowing independent third party review of decisions;
 - Requiring local governments to identify critical roads or infrastructure for which decisions are required and empowering the NHVR to make decisions in all other cases;

- Establishing new ‘low use’ decision thresholds that would allow HPVs to access rural roads on infrequent occasions (e.g. to pick up a load of livestock from a farm for sale once a year);
 - Revise road access guidelines to make it clear that using HPVs on infrequent occasions on ultra-low traffic rural roads is very low risk;
 - Examining the possibility of extending HPV network maps right up to a critical infrastructure bottle neck rather than prohibiting use on the entire stretch of road that the bottleneck is located on (i.e. allowing access to all destinations between the approved route and the bottleneck); and
 - Abolishing excessive access conditions that add cost without any benefit. For example, the NSW and QLD requirement for vehicles operating at approved higher mass limits should not require entry into the intelligent access program (which tracks all movements at a cost to the operator).
- **Prioritising Maintenance** – It is well documented that Australia’s transport infrastructure network is aging and that significant maintenance cost will be required in the future. A national coordinator should have the ability to ‘triage’ such maintenance to ensure business as usual freight movements.
 - **Identifying Future Opportunities** – Global markets and consumers evolve over time – as do our freight capabilities. A national coordinator should have insight into changing dynamics and market conditions and seek to not only manage the risks associated with this but also identify opportunities. For example, a burgeoning export market exists for agriculture in air freight. However, in order to capitalise on this opportunity the appropriate consideration must be given to the facilities required at airports such as quarantine and customs facilities. There must also be emphasis on moving perishable good quickly and effectively to potential new hubs such as the Western Sydney Airport and possibly Canberra Airport.
 - **Maximising Intermodal Movements** – A coordinated national network must view our freight network as a single entity and must identify opportunities for freight to move as quickly as possible, regardless of the mode.
 - **Planning** – Protecting our future freight corridors for future development must be a priority for a national coordinator. This extends to aspects such as urban encroachment and the impact this can have on traditional industrial facilities through issues such as noise and traffic. In the agricultural context, planning must also include meaningful consultation with landholders.
 - **Adoption of future technologies** – As with on-farm technology, the NFF understands transport technology and its application is progressing rapidly. New technology has significant disruptive potential for our regulatory environment, and as such, a national coordination must have the ability be adaptive to its application. Driverless vehicles are an example that comes to mind in this area.
 - **Future Funding Mechanisms** – While future funding mechanisms for infrastructure is very much a live discussion, and one that we will express views about below, there is no doubt a national coordinator must have an involvement in managing funding flow in order to maximise its strategic investments.

The NFF does not have a preference about how a mechanism for national coordination would take place, but would offer the following possibilities:

- An independent body already exists in Infrastructure Australia. This organisation already possesses significant expertise and would be well suited to assuming responsibility for national coordination.
- Another possibility is a dedicated Freight and Logistics unit housed within the Commonwealth Department of Infrastructure and Transport.

Regardless of where the national coordinator is housed, it must have the capacity to have comprehensive oversight of the roles listed above. There must also be a dedicated agricultural resource or liaison associated with the unit. This could be sourced either from industry or the Commonwealth Department of Agriculture and Water Resources.

5. Future Funding Considerations

In order for a National Freight and Supply Chain to commence, the NFF believes the Australian Government should commit to a fund of at least \$1 billion dollars to improve the standard key freight routes and linkages.

However, a sustainable funding mechanism must also be considered in this planning process.

The current funding model for roads is the most disjointed and problematic aspect of the freight network. The revenue for road construction and maintenance is ostensibly derived from fuel excise and heavy vehicle charges at the Commonwealth level and registrations at the State and Territory level, with roads managed by a mix of Commonwealth, State, Territory and Local governments.

Fuel excise was originally introduced as a de facto road user charge, but is currently applied to a range of non-road based uses that are eligible for Fuel Tax Credits (FTCs), including the use of agricultural machinery and vehicles on farm. Similarly, State and Territory registration fees are reduced for primary production users to recognise the fact that vehicles used on farm do not contribute to road wear-and-tear to the same degree as vehicles used more intensively on the road network.

Revenue raised is placed into consolidated revenue and the link between taxation and funding for road construction and maintenance is tenuous at best.

The NFF considers that current methods of road funding through a combination of registration fees and fuel-based charges are inequitable and do not reflect the actual cost of individual vehicles to use the road network.

Currently the NFF supports the concept of road user charging but does not have a firm view about how a user-pays system for the road network should apply. Nevertheless, it is apparent that any national freight and supply chain strategy should encompass a detailed pathway to reform road user charging arrangements.

The NFF would like to see more evidence about how this would play out in practice and the effects of road user charging on rural and remote communities. Before supporting a new user road user charging model, the NFF calls for further detail on what this model may look like

and evidence based analysis on the impacts of the model on farmers. It must be demonstrated that the new model is more beneficial to primary producers than the current regime of registration fees and fuel excise.

The NFF views a correct sequencing of reforms as crucial to the success of the national freight and supply chain strategy:

- Hypothecation of revenue derived from fuel excise and registrations (net of FTCs and discounts for primary producer registration) to expenditure on road construction and maintenance;
- A move to independent pricing regulation for heavy vehicles administered on a nationally consistent basis by the ACCC;
- Introduction of full economic regulation, with investment needs determined with reference to a forward-looking life-cycle cost base;
- Consideration of a mass-distance-location-time pricing model combined with an appropriate level of universal service obligation (USO) to recognize the wider benefits that flow from regional and rural roads as part of the freight network;

This sequence of reforms will require the full cooperation of Commonwealth, State, Territory and Local Governments and so the role of the Council of Australian Governments will be crucial in securing the participation of all jurisdictions.

To underpin reform of the system of road-user charging, modelling and analysis should take into account the following factors:

- Will the model be more expensive for primary producers?
- Will roads in rural and remote locations be better maintained under this new model?
- Is there suitable technology suitable for road user charging in the primary production context?
- Who will finance the technology required to calculate road-user charging?
- What is the most appropriate structure for a national regulator and what powers should they have?

9. Conclusion

The NFF undertakes to provide the National Freight Strategy Taskforce with the outcomes of any relevant research it, or its members, undertakes. The NFF looks forward to reading the draft strategy when it is released later this year.

In drafting the strategy, the NFF cannot emphasise enough the need for agricultural focus in the development of a national strategy. The NFF believes that a national strategy that provides a legacy of productivity and sustainability can be achieved through the following steps:

- Developing a strategy that focuses on reform of the systems and architecture that governs infrastructure investment.
- Acknowledging Australia's status as a net export and considering Australia's freight system as a key link in the global freight network.

- Adopt a long-term vision for freight movements and planning independent of political cycles.
- Investigating practical measure that can maximise the existing network.
- Adopting a cross-government approach that minimises practical inefficiencies caused by jurisdictional inconsistencies.
- Innovative solutions for long term infrastructure funding must be developed and implemented.

Specifically for the Agricultural Sector, a number of steps must take place:

- The significant contribution Agriculture makes to the national freight system must be acknowledged and therefore integrated into the existing and future freight network.
- Key agricultural freight routes must identified and targeted for strategic investment.
- The disproportionate cost of freight at the farm gate must be quantified and actively minimised over time through increased efficiency in freight networks.