Australian Livestock and Rural Transporters Association

# Getting Regional Australia 'Back on the Road'

## *Priority issues for reinvigorating our rural and remote road freight transport sector*

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# Executive Summary

It is vitally important for the Federal Government to *get regional Australia 'Back on the Road'*. When rural and regional road transport is not operating at maximum efficiency we are reducing our productivity and undermining our international competitiveness.

The Australian Livestock and Rural Transporters Association (ALRTA) represents road transport companies based in rural, regional and remote Australia. We know rural and regional road transport and we know how to make it better.

We also appreciate the pivotal role of the Federal Government in creating a safe and efficient national road transport system.

This document identifies three priority reforms for the consideration of an incoming Federal Government. These reforms will enhance productivity and safety in the rural transport sector while simultaneously supporting jobs and economic growth in regional Australia.

These priority reforms are:

1. Improving road access for high productivity vehicles;
2. Establishing fairer charging mechanisms for heavy vehicles; and
3. Enhancing the rural and small business environment.

Improving road access for high productivity vehicles will require recognition of the important role that HPVs will play in meeting the forecast growth in Australia's freight task. It will require bold changes to the way that road access decisions are made at all levels of government as well as significant changes to the way that critical infrastructure is planned and provided.

Establishing fairer charging mechanisms for heavy vehicles will be crucial for improving cash flow in small transport businesses, reducing cross subsidies between vehicle types and establishing a closer relationship between the costs imposed on the road network and the charges levied on individual operators. Essentially, those travelling greater distances at higher masses should pay more for using the road network.

It is also vital that the Federal Government acts to improve the business environment in which transport companies operate.

The establishment of a national ramp standard would greatly improve safety at livestock loading facilities while a more reasonable response to off-shore animal welfare issues would reduce the likelihood of catastrophic losses caused by a sudden and unpredictable market closure. Abolition of the plan to impose a carbon tax on the transport sector will do much to improve business confidence as would the provision of a new investment incentive for rural or small businesses. Rewarding transport operators for safety and environmental improvements would also create a positive economic driver for such activity.

We commend these priorities to an incoming Federal Government for consideration in policy development processes and ultimately as part of ongoing strategic program delivery.

The ALRTA offers our vision, expertise and advice on these and any other rural transport related matters.

## Introduction

The Australian Livestock and Rural Transporters Association (ALRTA) appreciates the pivotal role of the Federal Government in creating a safe and efficient national road transport system.

Sensible reforms in infrastructure supply, regulation, charging and animal welfare all have potential to enhance productivity and safety while simultaneously supporting jobs and economic growth in rural and regional Australia.

This paper outlines the ALRTA's views on the priority areas for reform. We offer our vision, expertise and advice for the consideration of an incoming Federal Government.

## The Australian Livestock and Rural Transporters Association

The ALRTA represents road transport companies based in rural, regional and remote Australia.

We are a National Council made up elected representatives from our six state-level associations in New South Wales, Victoria, Queensland, Western Australia, South Australia and Tasmania.

Our councillors own and operate their own road transport businesses. Some are owner-drivers while others manage large fleets.

We know rural and regional road transport and we know how to make it better.

The ALRTA works with governments, industry groups, community organisations and media to ensure that rural trucking remains an important and responsible part of our regional communities.

## Road Transport in Rural and Regional Australia

Road transport is typically the first and last link of our agricultural supply chains, bringing vital supplies to our production centres and taking value-added produce to our markets.

While Australian farmers rely on rural trucking businesses to transport their produce and care for live cargos during transit, road transport is also a significant part of the production cost. Beef cattle for example have the highest imbedded transport cost of all Australian commodities.

It is vitally important for Australia to get rural and regional road transport right.

When road transport is not operating at maximum efficiency we are reducing our productivity and undermining our international competitiveness.

There will no doubt be acute budgetary pressures facing an incoming Federal Government. However, it would not make sense to cut investment in regional road infrastructure or regulatory reform.

These investments will ultimately enhance our productive capacity, improve the attractiveness of regional Australia as a place to live and work and return dividends to successive Governments to underpin future regional investment.

## Priority 1: Improved Road Access for High Productivity Vehicles

Over two-thirds of our agricultural production is exported, contributing 20% of our total export earnings. Yet, we are three times more reliant on land transport than our international competitors, and together with New Zealand, Australia has the highest total transport cost for exports across all countries in the OECD.

There are tantalising new opportunities for Australian agriculture on our doorstep. As we start the 'Asian Century' we sit poised to capitalise on our potential as a global food bowl, supplying agricultural commodities to a new Asian middle class that is demanding quality meat, milk, grain, vegetables and fibre from trusted suppliers.

With the amount of interstate road freight forecast to double between 2005 and 2030, we must ensure that Australia can deliver bulk agricultural commodities from farm to world markets in the most efficient manner possible.

Part of the solution will involve greater use of high productivity vehicles (HPVs) such as b-doubles, b-triples and road trains on an expanded HPV road network. On a tonne per kilometre basis, these vehicles impact less on road wear and are more efficient, safer and environmentally friendly than smaller vehicles.

We must act today to deliver the road network required tomorrow. However, there are two factors restraining greater use of HPVs in Australia:

1. Access decision-making; and
2. Infrastructure supply.

### Better Access Decision Making

It is well known that it is often the local 'first mile' or 'last mile' of a transport task for which road access is most problematic. Many local road managers simply deny access because of unfounded or ill-informed concerns about safety or local amenity impacts.

Decisions about HPV access should be based on engineering principles, network design and measurable impacts, not underlying attitudes towards industry or heavy transport.

The ALRTA is pleased that the National Heavy Vehicle Regulator (NHVR) will take a greater role in coordinating network access applications and that road managers must articulate their reasons for rejections in writing. We are also supportive of the establishment of Ministerial Guidelines for access decision making and that limited appeal rights will be created (to a higher position within the same decision making body).

However, these measures fundamentally do not go far enough. While recalcitrant councils will be more exposed to public scrutiny they can still deny access or impose unnecessary access conditions (such as GPS tracking under the Intelligent Access Program) with impunity.

If we are to achieve meaningful change then decision makers must be held accountable.

The ALRTA seeks the Federal Government's support for:

1. mandating the Ministerial Guidelines; and
2. requiring that all access decisions are open to independent third-party review by a statutory body able to overturn bad decisions and allow access for HPVs in cases where there is no objective basis for refusal.

## Infrastructure Supply

Road infrastructure planning is currently based on short-term decision-making, often reflecting annual budgets or election cycles. There is very little positive planning for greater use of HPVs. In fact, many Governments seem to consider HPVs as something that should be kept out of public view and consigned to a second class road network.

There is no long-term plan for expanding the HPV network.

There is also little attention paid to identifying critical infrastructure bottle necks that exist now, that if fixed, could expand the HPV network and result in immediate productivity benefits.

Identification of HPV access impediments just results in an argument about who is responsible and who should pay for it while the transport industry and rural communities wear the ongoing cost of inefficiencies.

The ALRTA recognises that the Federal Government is currently consulting on longer term infrastructure supply reform as part of the Heavy Vehicle Charging and Investment (HVCI) Project.

However, after participating in the consultation process the ALRTA considers that the options currently under consideration are overly complex and impractical. Further progression of the current HVCI Project in its current form is untenable given such widespread opposition across all transport industry bodies and the clear scepticism among State and Territory road agencies.

Much more could be gained through spending efficiencies and strategic supply-side reforms so that funding 'follows the truck' and returns to local roads in rural and regional areas.

A simpler solution is required.

To put the matter in perspective, Governments collectively spend around $14.5b annually on road infrastructure and associated activities. If the efficiency of this spend could be improved by just 10%, a further $1.45b would be available without increasing charges for road users. Put simply, we must reduce overheads and built quality infrastructure that delivers better value over the life of the asset.

It is vitally important for the Federal Government to take a clear stance on the use of HPVs in Australia. A national vision will guide integrated investment decisions and help change the ingrained attitudes at State and Local levels.

There are six things that the Federal Government can assist in delivering:

1. Recognition that HPVs are a necessary part of the freight challenge solution;
2. Assessing and reporting on the current state of the road network;
3. integrating data collection, demand forecasting and decision making;
4. A dedicated program for the identification of critical bottle necks that exist now along with a commitment to fixing them;
5. Progressive improvements in the number, location and quality of HPV friendly rest areas;
6. Demanding that incremental expansion of the HPV network is a key goal in all long-term road network planning.

## Priority 2: Fairer Heavy Vehicle Charging

Heavy vehicle charges are levied through a combination of a large up-front registration fee and a fuel-based road user charge (RUC).

Large upfront registration fees are grossly unfair for most rural and regional transport operators.

Such fees are problematic for managing cash flow in small transport businesses and are exceptionally difficult to pass on to customers. Moreover, these charges are applied equally to all operators regardless of the real cost to the road network.

The national registration fee for a double road train combination is currently $14,205. This is approximately the same fee for a line haul B-double combination of $14,769.

However road network access, attributable road wear and infrastructure spending is vastly different.

A B-double will typically travel over 400,000 kilometres annually on some of the best and most expensive roads in the country. In contrast, a road train typically travels less than half of this distance and on a lower quality and more restricted road network. In effect, road train registration fees are subsidising infrastructure spending on parts of the network from which they are prohibited.

In 2012-13 charges were increased by over 10% on average and by up to 21% for double and triple road trains further exacerbating the problem. The National Transport Commission's (NTC) own charging model indicates that road train combinations are overcharged between 16 - 40%.

Industry stakeholders generally agree that significant charging reform is required to establish a closer relationship between the costs imposed on the road network and the charges levied on individual operators.

### Options for Charging Reform

There are two reviews of heavy vehicle charging currently underway. The NTC is exploring medium-term options for implementation from 1 July 2014, while the Heavy Vehicle Charging and Investment (HVCI) Project is exploring longer-term options that would also more closely link revenue collections and infrastructure provision.

The HVCI project proposes some extreme measures including charging based on 'mass, distance and location' - a proposal that would require constant tracking and weighing of every truck in Australia. Realistically, this would involve intrusive new technology in every vehicle, centralised collection, analysis and storage of copious amounts of data, and several new layers of bureaucracy supported by a small army of public servants.

Even with all of this expense and effort the HVCI proposal still does not guarantee effective supply-side reform in the areas which most require it.

Sensibly, both the HVCI and NTC review processes include an option for significantly decreasing upfront registration fees and proportionally increasing the RUC.

The ALRTA is strongly supportive of this proposal.

Compared with large upfront registration fees, fuel-based charges are more transparent, predictable and more equitable in their application. Customers are generally comfortable with fuel surcharges and operators can estimate these with some certainty for any given task.

The most attractive element of fuel-based charging is the close relationship between the costs imposed on the road network and the charges levied on individual operators. In effect, those travelling greater distances at higher masses will pay more for using the road network.

Administratively, a higher RUC would cost no more to collect than under current arrangements.

There are however three key challenges for an incoming Federal Government in considering this proposal.

1. Sustainability: The RUC is currently collected by the Federal Government as part of 'diesel fuel rebate scheme'. A new collection mechanism must be established if the RUC is to continue over the longer term even at the current rate.

2. Disbursement of Collected Funds: The States and Territories will not agree to lower their registration fees without a fair and equitable disbursement mechanism in place for the additional funds collected under the RUC. Options might include a pro-rata split based on the proportion of registered heavy vehicles.

3. Over Charging of Road Trains: SCOTI has required the NTC to minimise under and over recovery and have special regard for (rural) equity issues. A simple increase in the RUC will not wholly address the current over-charging issue for road trains. A workable remedy must be identified to resolve this issue.

While these issues have the potential to complicate or delay much needed charging reform, with effective leadership from the Federal Government and strong industry support they should not prove insurmountable.

The ALRTA is committed to supporting the Federal Government in exploring the various options and assisting in the identification of practical solutions that work for both industry and governments.

## Priority 3: Creating a Favourable Business Environment

The Federal Government has a key role in creating a favourable business environment in rural and regional Australia. The ALRTA considers that there are five areas in which an incoming Federal Government can immediately improve the business environment:

1. Improving safety by establishing a national ramp standard for livestock loading;
2. More reasonable responses to animal welfare incidents in overseas markets;
3. Abolition of plans to impose a carbon tax on road transport from 1 July 2014;
4. Rewarding transport operators for safety and environmental improvements; and
5. Incentives to kick-start rural economies and small businesses.

### Establishing a National Ramp Standard

The Federal Government has committed to the development of a National Ramp Standard for all livestock loading facilities. There have been far too many drivers and animals injured at livestock loading sites as a result of poor facilities or loading practices. Better facilities also lower stress for animals resulting in more efficient loading and better quality meat products.

The ALRTA has undertaken a national survey of over 100 livestock transport operators to support the development of a 1st stage report by Safe Work Australia.

The ALRTA seeks the continued commitment of an incoming Federal Government to realising the establishment of a national ramp standard.

### More Reasonable Responses to Animal Welfare Incidents

The recent decision to suddenly close the live export market to Indonesia caused irrevocable harm to many rural businesses including cattle producers and road transport operators.

The decision was a knee-jerk reaction to a localised problem. It did not properly consider the implications for the Australian industry and did not recognise the significant amount of work that has gone into improving animal welfare in Australia and in our export markets.

The ALRTA has developed the 'truckcare' quality assurance program for livestock transport. It covers animal welfare, bio-security, food safety and traceability. It is fully auditable and built around international standards.

Australia is also in the process of implementing nationally consistent laws for livestock transport which were developed in consultation with industry, welfare agencies and State and Territory governments. The standards cover planning and preparation for transport, time off water and fitness for loading.

In addition, the ALRTA is aware of work undertaken by Meat and Livestock Australia to provide equipment and training workers in meat processing facilities in overseas markets, including Indonesia.

Australia is leading the way in animal welfare standards and our producers should not be severely penalised by Federal Government decisions that close entire industries overnight.

While we recognise that Australia has a responsibility for the welfare of our animals exported to overseas destinations, the Federal Government should only apply trade sanctions on facilities in which problems are known to have occurred rather than imposing blanket bans which hurt the entire production chain and negatively affect ongoing trading relationships.

## Abolishing the Plan for a Carbon Tax on Road Transport

The ALRTA is opposed to the Federal Government's scheduled extension of a Carbon Tax to the trucking industry from 1 July 2014. Even with a floating carbon price, there is a significant risk of massive cost impacts in Australia if the European carbon price inflates.

While carbon pricing may be effective for reducing emissions in some situations, it does little but add extra cost to a transport task in which the carbon tax is uncapped and there is no other viable replacement fuel sources available.

This is particularly the case for transport operators in rural and regional areas in which electric vehicles are not viable and alternative fuels such as biodiesel are scarcely available, if at all. In fact, most vehicle manufacturers recommend that fuel mixes do not exceed 5% biodiesel, meaning that for most rural and regional operators 95% of the tax will remain unavoidable even when best efforts to reduce net carbon emissions are taken.

The tax has potential to cause marginal transport businesses in rural and regional Australia to fail, impacting their owners, employees, their families and the communities in which they live.

The ALRTA questions why Australia would seek to decrease our international competitiveness when there is no environmental benefit in taxing our transport fuels. The plan to apply a Carbon Tax on road transport should be abolished.

## Rewarding Transport Operators for Safety and Environmental Improvements

Transport operators are constantly forced to comply with new vehicle standards aimed at improving safety or environmental outcomes. These measures often come at a significant cost to operators in terms of their initial outlay for equipment, ongoing maintenance or reduced fuel economy.

For example, Australia's decision to harmonise our Australian Design Rules with European emissions standards has led to progressively reduced fuel economy. The current proposal to mandate antilock braking systems on all new vehicles from 1 January 2014 will increase vehicle acquisition costs by several thousand dollars.

The ALRTA is generally supportive of progressive improvements in safety and environmental performance. However, operators should not be penalised for such improvements - they should be encouraged and rewarded.

An incoming Federal Government should investigate options for implementing a program of positive incentives that recognises and rewards operators for adopting significant safety or environmental improvements.

## Kick-Starting Rural Economies and Small Businesses

Road transport is a barometer for the economic success of rural and regional communities. We are a vital part of the rural supply chain and we do best when our farmers and regional small businesses are flourishing.

Regional economies have been suffering as a result of droughts, export market closures and a lack of investment in rural infrastructure.

An incoming Federal Government should seek to immediately kick-start regional economies by offering targeted investment incentives to rural businesses and small businesses located in regional areas. This incentive could take many forms including taxation concessions, accelerated depreciation for capital investments or grants made available by application.

Another mechanism for improving the business environment would be to 'free up' small business people from the red tape that prevents them from spending time planning and running their businesses. An example would be to remove small businesses from the requirement to collect and pay superannuation on behalf of their employees. This could be better achieved through the taxation system.