

15th January 2020

National Transport Regulatory Reform
Productivity Commission
LB2, Collins Street East
Melbourne Vic 8003
Email: admin@pc.gov.au

RE: 2019 National Transport Regulatory Reform

Dear Sir / Madam

Grain Trade Australia (GTA) welcomes the release of the draft Report and the continued opportunity to provide comment to the Council of Australian Governments (COAG) broad reform agenda in the transport regulatory sector with the stated objectives of:

- boosting productivity;
- increasing workforce participation and geographic mobility; and
- delivering better services for community.

This is of great importance to the agricultural industry and the grain sector as targeting of overlapping and inconsistent national, State and Territory regulations will drive efficiency and value.

The Australian agricultural industry, and the grain sector is critical to national and rural prosperity providing food security and much needed export revenue whilst generating income and employment opportunities within both urban and rural communities. GTA firmly believes that an effective and efficient supply chain is critical to maintaining and growing productivity and profitability in the sector. GTA is committed to assisting and providing input to COAG and the Productivity Commission to achieve its stated objectives.

1. About GTA

GTA is the focal point for the commercial grains industry within Australia. It facilitates trade and works to provide an efficient, equitable and open trading environment by providing leadership, advocacy and commercial services to the Australian grain value chain. GTA is non-political, industry driven with a primary focus to ensure the efficient facilitation of commercial activities across the grain supply chain including a strong focus on the logistics of grain through transport storage and ports.

GTA's has over 270 organisations as members ranging from regional family businesses to large national and international trading, storage and handling companies, grain marketers, consumers and processors. The vast majority of grain contracts executed in Australia refer to GTA grain trading standards, standard-form grain contracts and GTA Trade Rules. Most of Australia's grain storage and freight movements are made by GTA members. Key National and State producer representative groups are also GTA Members. A full list of GTA Members is attached.

2. Australian Grain Sector

The Australian grains sector has been a consistent provider of productivity increases to the Australian economy with the Australian Bureau of Agricultural Research and Economics (ABARES) stating that [in the 20-years to 2017-18 crop production increased by 18% and the value of exports increased by 36%] in 2017-18, the gross value of crop production is set to increase to \$28.6 billion. With 60% of production exported the industry is a major driver of export revenue, in 2017/18 the Australian grain industry value was around \$13.8

billion (farm gate value) and \$10.8 billion of exports. The grain industry, and its ancillary suppliers and service providers, are a substantial employer of people from farm gate through to port.

3. Australian Grain Supply Chain

The grain industry supply chain is geographically diverse and is spread across 18 ports in the 5 major producing states of the nation.

Producing on average 45mmt tonnes from approximately 21,000 farms production units¹ the grain industry has an inordinately heavy reliance on the nation's road and rail networks including rural branch lines and the many non-sealed farm access and rural roads.

Historically, the Australian grain supply chain operated under a simple aggregation system with farmers delivering their produce approximately 10-30kms at harvest time to local collection points from where the grain would, over time be delivered to domestic and export destinations. This model has now changed with the industry increasingly moving to a disaggregated market with:

- Increased use of on-farm storage, with a recent Rabobank [analytical paper](#) reporting approximately 17mmt of farm storage is available to the industry.
- Rationalisation of bulk handler receival sites and service arrangements.
- Privatisation of the above rail operating companies and their rolling stock assets and some of the below rail track networks. Removal of government ownership and in some states Community Service Obligations (CSOs) for rail leading to a transport modal shift from rail to road.
- Increased use of containers for export tonnage due to favourable back freight opportunities combined with international markets preferences in delivery and order size.
- Increased commodity trading activity with multiple aggregators for most sales contracts and a dramatic increase in supply chain participants resulting in competing demand for common use infrastructure.

The increased complexity in the grain supply chain has created challenges and constraints in peak periods. This evolving model and its complexity need to be understood and factored into the government's Reform agenda.

As there can be substantial trade and movement of grain across State boundaries, GTA supports a co-ordinated and consistent regulatory and legislative approach. Overall the introduction of the national reforms has been positive in relation to safety outcomes and in particular in the road sector.

There is a heightened awareness of safety in the grain supply chain as a result of national reforms. It is considered further improvement can be attained through greater harmonisation of State and Territory regulators with the national model. Similarly, a key area of harmonisation and a necessary part of the reform is to establish national measures of safety in rail, road and maritime that are aligned to productivity measures to allow tracking of the success of initiatives implemented.

4. Further Opportunities to improve Safety and Productivity

Increasingly sophisticated global markets dictate the fortunes of the Australian grain industry. Australia does have some inherent advantages in the global market on account of our reputation for producing a clean quality product and the sea freight advantage accorded by our proximity to key south East Asian markets.

¹ Grain Growers – State of the Industry 2016

However, current depressed sea freight rates and increasing competition from the Black Sea region has dramatically reduced the inherent competitive advantage afforded to Australian grain.

GTA in 2014 provided a Submission to the Agricultural Competitiveness White Paper. This paper ([GTA Submission to Ag White Paper](#)) provides some detail on the competitiveness of the Australian transport, infrastructure and the grains sector.

Supply chain related innovation is essential and requires leadership, planning and capital investment to ensure a safe and efficient globally competitive grain industry for Australia

GTA provided a submission ([GTA Submission to National Freight and Supply Chain Strategy](#)) and support the principle of the National Freight and Supply Chain Strategy. In its submission GTA highlighted particular issues and areas GTA would like the Inquiry to be aware of and considered. Some of these also apply to and should be considered in this ongoing reform process. These are:

a. Inclusive and detailed approach

Government and industry supply chain planning processes and supporting analytical data are critical to the formulation of policy and the introduction of reform. GTA considers any reform requires a strong focus on inclusive community consultation. This is especially the case, given the potential impact any changes in government policy may have on rural industry and communities.

b. Introduction and utilisation of consistent analysis

When planning, governments across Australia utilise different methodologies for rating the capability of infrastructure and for valuing the cost and benefit of investment in infrastructure.

All cost benefit valuing initiatives should be based on a consistent methodology that is hopefully consistent with Infrastructure Australia. This will better allow for comparative analysis of the value of reform activities and will help to ensure a standardised method. The methodology should include social and environmental impacts as well as pure economic value.

c. Effective leadership structures

Structural reform and change require strong leadership from all levels of government. Government should be supported in this process by strong industry representation from each relevant sector. Achieving alignment of Government and industry on reform initiatives is of benefit and will speed uptake and implementation.

GTA welcome the opportunity to provide input into the National Transport Regulatory Reform inquiry and is committed supporting the reform process and especially the targeting of overlapping and inconsistent national, State and Territory regulations.

Please keep GTA informed of further opportunities to assist with shaping the outcome of the reform as it is considered important to assist the grains industry to continue to provide economic value to the nation.

Yours sincerely,

Pat O'Shannassy
CEO