

## Submission

Grain Trade Australia

National Transport Regulatory Reform

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## **Inquiry into National Transport Regulatory Reform**

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## 1.0 Introduction

Grain Trade Australia (GTA) welcomes the Council of Australian Governments (COAG) commitment to a 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.

Of great importance to the agricultural industry and the grain sector is the targeting of overlapping and inconsistent national, State and Territory regulations.

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.

## 2.0 Grain Trade Australia's Role

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.

## 3.0 Grain Industry 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.

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 units<sup>1</sup> 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 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 governments Reform agenda.

## 4.0 Information Requests

The following responses are provided to questions (that are relevant to GTA) in the Productivity Commission Information Request in the National Transport Regulatory Reform Issues Paper.

### 4.1 Regulatory Frameworks

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#### INFORMATION REQUEST

*"The regulatory frameworks differ across modes and consequently the three regulators operate in different ways — for example, the rail model is co-regulatory.*

- *What are the practical effects of co-regulatory versus non-co-regulatory regimes?*
- *If you work with more than one of the national regulators, what are the strengths and weaknesses of the different approaches?"*

#### GTA Response:

GTA does not have access to empirical data on which to provide a detailed answer to these questions. However, GTA based on subjective and anecdotal feedback and comments supports that the co-regulatory

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<sup>1</sup> Grain Growers – State of the Industry 2016  
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Rail model appears to deliver reform at a slower pace than the non-core regulatory regimes. This may be a result of both the history of the state-based networks and current structure within the rail industry.

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#### INFORMATION REQUEST

*Differences in the regulatory frameworks are also apparent in the degree to which the national laws are prescriptive or more risk-management based.*

- *What are the practical effects of prescriptive versus risk-management-based approaches?*
- *If you work with more than one of the national regulators, what are the strengths and weaknesses of their different approaches to regulation?*

*To what extent are the differences in regulatory frameworks between modes justified, for example, by the size and number of operators in the markets, nature of businesses being regulated, or the technical nature of the activity being regulated?*

#### **GTA Response:**

It would appear the current prescriptive versus a risk-based assessment approach have both been effective when aligned correctly to the size and number of operators in each of the markets. It is GTA's view the NHVR's initial prescriptive approach which now also includes (with the recent change to the HVNL) a risk-based approach is becoming more effective across the diverse portfolio of supply chain participants in this sector.

The initial wholly prescriptive approach by the NHVR was supportive of a relatively smooth implementation of the HVNL, especially with the larger organisations within the road transport sector. With the evolution to a risk-based approach the NHVR is addressing adoption by both smaller entities within the road sector as well as other participants within the supply chain.

## **4.2 Other Reviews**

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#### INFORMATION REQUESTS/QUESTIONS

*In light of the other reviews relating to heavy vehicles where do you think the Commission could best add value to the policy and reform agenda?*

*Are there any other reviews that the Commission should be aware of?*

*What other relevant research on the net benefits of transport reform should the Commission draw on?*

#### **GTA Response:**

Alignment with the National Freight and Supply Chain Strategy and any other national planning reforms is logical. This could be combined with consideration of the role intermodal transport plays and how planning and reform applies to it.

## **4.3 Safety Outcomes**

#### INFORMATION REQUEST

*What impact have the national reforms had on safety outcomes?*

*What impact have other contributors to safety outcomes had since the reforms were introduced?*

*What impacts do contracting practices and competitive pressures have on safety outcomes?  
How might these be addressed?*

*Have any compromises involved in the creation of the national law impacted safety outcomes?  
Do the national laws reflect best practice safety regulation?*

*What are the best measures of safety in rail, road and maritime? Where can the Commission source such data?*

*What changes, if any, to the current system would improve safety outcomes?*

*What have been the costs, or unintended consequences, of moving towards uniform national standards?*

*How does transport safety regulation interact with other regulatory schemes, for example, workplace health and safety regulation? Where is there a conflict, what issues arise as a result?  
How should this conflict be addressed?*

#### **GTA Response:**

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.

Whilst GTA strongly supports the objective to remove overlapping and inconsistent national, State and Territory regulations these reforms have, and will continue to create complexity and additional cost for industry in understanding and introducing the scheme/s and the ongoing management and maintenance of individual organisation compliance. Of particular concern is the promulgation of information including updates and changes in legislation to the road sector. Given the number and the breadth of organisations that are either involved in the provision of service or as a coordinator and user of services this is a large undertaking.

The grain industry has accepted the challenge to focus on transport safety outcomes ahead of competitive pressure having established a Grain Industry Code of Practice and supporting Grain Transport Code of Practice. Similarly, contracts and the logistical planning processes in the grain supply chain have evolved as a result of the national reforms.

To further support the Code and the grain industry GTA has also established a hands-on practical training program for both GTA members and non-members in the steps to be compliant with Chain of Responsibility. This was supported through a grant received through the HVNL safety initiative.



#### 4.4 Inconsistencies across States and Territories

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##### INFORMATION REQUEST

*What have been the practical effects, particularly on safety, regulatory burden, costs and productivity, of:*

- States and Territories not participating in the national approaches? For example, has non-participation by Western Australia and the Northern Territory caused complications for industry?*
- variations between States and Territories in the time taken to pass legislation to apply a law or make amendments? For example, does interstate variation in the speed with which amendments take effect have an impact on operators?*
- State and Territory government exemptions from the national laws? For example, does the grandfathering from survey of some vessels have any safety implications?*

*Should any inconsistencies in the current system be addressed? If so, what are these and how should they be addressed?*

##### **GTA Response:**

###### **Rail:**

Australia's rail supply chain transport infrastructure and its operation has suffered the adverse effects of inconsistencies between different State and Territory jurisdictionally based decision making. Historically, there is a relatively small annual tonnage that moves interstate by rail. However, on the occasions (such as when regional droughts occur) when demand for interstate movements occur the industry is required to deal with a lack of harmonisation of standards and multiple interfaces between different state systems.

###### **Road:**

The impact of the non-participation by Western Australia and the Northern Territory has not caused any major complications for GTA members.

#### 4.5 Regulatory Burden and Cost

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##### INFORMATION REQUEST

*How has the move to a national regulatory system affected operators' regulatory burden and compliance costs?*

*How has the move to a national regulatory system affected the costs to government of administering transport safety regulation?*

*How might the costs and benefits of any changes in regulatory burden, and any changes in compliance or administrative costs best be measured? Where can the Commission source relevant data?*

*How might any unnecessary regulatory burden and compliance or administrative costs be reduced?*

##### **GTA Response:**

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GTA agrees with the principle that costs should be lower if the intent of the IGAs and COAG's broader agenda is realised.

It should be noted the shift of some regulatory services to a cost recovery model should always be considered carefully as implementation may have adverse impacts on some industry sectors.

#### **4.6 Has Productivity and Efficiency Improved?**

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##### *INFORMATION REQUEST*

*Is the Commission's understanding of heavy vehicle productivity accurate?*

*How can heavy vehicle productivity be best measured?*

*Have there been changes to heavy vehicle productivity since the national reforms were implemented? If yes, how did the reforms contribute relative to other productivity drivers?*

*What has been the cost of implementing the heavy vehicle productivity reforms for government and operators?*

*Where can the Commission source data relevant to the above lines of inquiry?*

*If the relevant reforms have improved safety, has this led to productivity benefits for operators? If so, how do these manifest and how can they be measured?*

*What other effects, if any, have the reforms had on the productivity and efficiency of the transport industry? What are the main drivers of any such effects?*

*What changes to the current system could improve productivity outcomes?*

*Should the remit of ONRSR and AMSA be expanded to include productivity objectives or should this be the responsibility of other institutions and agents?*

##### **GTA Response:**

GTA does not have the relevant data to accurately answer questions relating to productivity and efficiency.

It is recommended that the collection of analytical data and the research to answer the questions posed should be a high priority for COAG to ensure effective decisions are made.

Similarly, any decision to expand ONRSR and AMSA to include productivity objectives cannot be considered without reference to data and research to support decisions and direction.

#### **4.7 Indirect Benefits**

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##### *INFORMATION REQUEST*

*What, if any, indirect benefits have flown from the reforms to industries that interact with the transport industry, governments and the broader community? For example, have any cost savings been realised?*

*What data and tools should the Commission draw on to estimate any indirect net benefits?*

*Has the creation of a national system made it easier to change regulation?*



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**INFORMATION REQUEST**

*Has the creation of a national system had any effects on other areas of regulatory effort, for example, on the residual functions retained by States and Territories?*

**GTA Response:**

The measurement of indirect benefits is outside the capability of GTA. However, in principle the creation of a national system should make it easier to change regulation.

#### **4.8 Regulators Performance & Implementation**

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**INFORMATION REQUEST**

*Are the regulators effective? Are they adequately resourced? Do they have appropriate powers to achieve their objectives?*

*Where regulatory arrangements are not operating as expected, what are the reasons? For example, are there issues with the regulatory structure or with government policies? How might any issues best be addressed?*

*Are current accountability arrangements for the national regulators effective? If not, why not and how might they be improved?*

**GTA Response:**

Government departments, agencies and councils all have a role in regulatory arrangements. Given the breadth of participants it is likely there are inconsistencies amongst capabilities, application and how they are resourced and the appropriate powers each has.

Whilst, GTA has not reviewed available statistical measures in enough detail to be able to comment on the each regulator's performance it would appear from the NTC progress report to the Transport and Infrastructure Council on the implementation status of nationally agreed reforms that further improvements can be made.

As part of ongoing improvement, GTA recommends that priority and weighting should be given to the principles of 'effective collaboration' and the 'effective engagement of stakeholders' as these are considered critical to the effectiveness of the regulators.

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**INFORMATION REQUEST**

*What kinds of implementation issues are still to be resolved?*

*Have there been any limitations on the national regulators arising from the original COAG negotiations? Grandfathering arrangements or service level agreements might be examples. Are these limitations still in force? If so, are they still appropriate?*

*What if anything, needs to be done to address any outstanding implementation issues?*

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**GTA Response:**

The implementation process is obviously complex and requires due care. However, the process of reform from an external perspective has appeared slow and constrained. This view may reflect a lack of engagement with industry during a complex process or may be symptomatic of other issues including a lack of resourcing. Government transport sector employees in federal and state governments and councils may not have the level of skills and funding to support the changes.

GTA Members have raised concerns on numerous occasions of the frustration of dealing with the many layers of compliance in the road sector, especially at the local council level. Council bylaws can restrict and inhibit the effectiveness of the road sector due to variation in individual council permit systems for heavy vehicle configurations.

The growth in on-farm grain storage results in a greater percentage of export and domestic consignments commencing from the farm. As a result, there is increasing demand for permits.

## 5.0 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.

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

### High transport costs damage the competitiveness of Australian grains in world markets.

The recent review of governance and institutional arrangements in the area of Coastal Shipping was welcomed by GTA, as it is felt this may reduce cost and improve efficiency for the grains industry. Similarly, 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:

### **5.1 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.

### **5.2 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.

### **5.3 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.

## **6.0 Conclusion**

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.