



15 January 2020

Paul Lindwall
Presiding Commissioner
Productivity Commission
4 National Circuit
Barton ACT 2600, Australia

Dear Mr Lindwall,

Re: National Transport Regulatory Reform, Draft Report response

The Red Meat Advisory Council (RMAC) is a network of producers, lot feeders, processors, retailers as well as livestock and meat exporters representing 80,000 Australian beef, goatmeat and sheepmeat businesses from gate to plate. We work across the supply chain, working together to present a unified industry voice and advice to government.

Our industry has always played a critical role in Australia's economic success story. On last recorded figures in 2018-2019 Australia's red meat and livestock industry contributed \$AUD28.5 billion in domestic and export sales. According to the latest MLA State of the Industry Report 2019, our industry directly employed 172,400 people, as well as generating indirect employment for almost 232,400 people. Together, we work with and align on policy with our six members:

- Australian Livestock Exporters Association (ALEC)
- Australian Lot Feeders Association (ALFA)
- Australian Meat Industry Council (AMIC)
- Cattle Council of Australia (CCA)
- Sheep Producers Australia (SPA)
- Goat Industry Council of Australia (GICA)

As well as our three service providers, whose roles are:

- The Australian Livestock Export Corporation (LiveCorp)
 - Continuously improving performance in animal health and welfare, supply chain efficiency and market access through the provision of technical services and research, development and extension (RD&E).
- The Australian Meat Processor Corporation (AMPC)
 - Providing research, development and extension (RD&E) services that improve the sustainability and efficiency of the sector.
- Meat & Livestock Australia (MLA)
 - Fostering the long-term prosperity of the Australian red meat and livestock industry by delivering research and development that contributes to producer profitability, sustainability and global competitiveness.

The red meat and livestock industry recently released their strategic plan for the coming decade, Red Meat 2030. The plan outlines a shared vision of *'doubling the value of Australian red sales by 2030 as the trusted source of the highest quality protein'*.¹ It is a unifying strategy for industry with the purpose of:

- Identifying whole-of-industry priorities

¹ <http://rmac.com.au/misp2030-staging/wp-content/uploads/2019/10/RedMeat2030.pdf>



- Supporting our people to deliver priorities
- Informing our research and development
- Putting our customers and consumers at the centre of everything we do
- Coordinating industry investment and advocacy, and
- Adapting to a changing world.

RMAC welcomes the opportunity to make a submission to the Productivity Commission's (PC) inquiry into *National Transport Regulatory Reform* and we understand the Terms of Reference (ToR) set out three tasks for the Commission:

1. Investigate the economic impacts of the 2008-09 Council of Australian Governments (COAG) transport reforms
2. Examine the implementation of the national transport regulation reforms, including the development of the three national regulators; the capacity of local governments in supporting the implementation; and the delivery against agreed COAG and intergovernmental agreement (IGA) objectives
3. Assess the scope for future reforms to national transport regulation, including areas for further harmonisation and integration of the transport sector and the remit of the regulators.

In providing this letter we highlight our views in relation to the draft recommendations for further reforms made by the PC, relevant to the red meat and livestock industry. A list of the draft recommendations referred to in this report has been included in Appendix A.

Harmonisation and regulatory reform

The efficiency of the transport supply chain is a source of major Australian export price advantage if planning, infrastructure investment and regulations are optimally aligned. Conversely, overall sector competitiveness suffers greatly from poor transport outcomes.

It is important to note the Australian red meat and livestock industry is unique, and attracts additional regulation for the welfare and safety of livestock by regulators and by industry standards and self-regulation. A single window and system that optimises safety of operators and wellbeing of livestock (as well as customer eating quality) is therefore a major specific consideration for our industry.

Economic modelling² commissioned by RMAC for the *National Freight and Supply Chain Strategy* in 2017 showed that annual productivity gains of approximately \$740 million and increased sector employment of roughly 4,000 people could be achieved across the decade if due attention is given to supply chain improvements.

While some improvements have been made, the Australian Infrastructure Audit 2019 found access to supply chains and markets remain hindered by inconsistent regulation between jurisdictions and levels of government³. The Audit report also found regulations controlling access to Australia's freight network are fragmented, inefficient and confusing for transport operators. RMAC also notes the PC's draft report found there are over 70 derogations by jurisdictions from the Heavy Vehicle National Law⁴.

RMAC, through its Red Meat 2030 strategy aims to halve compliance and regulatory costs by 2030, therefore agrees with the PC's **draft recommendation 4.1** in relation to reducing regulatory inconsistencies and achieving best practice regulation. We therefore also agree, in principle with **draft recommendation 6.5**

² <https://rmac.com.au/wp-content/uploads/2017/01/Freight-to-Plate.pdf>

³ <https://www.infrastructureaustralia.gov.au/australian-infrastructure-audit-2019-transport>

⁴ <https://www.pc.gov.au/inquiries/current/transport/draft/transport-draft.pdf>



requiring regulators to monitor and report on compliance and administrative costs, with a benchmark established in 2020. If benchmarks are established and regular reporting regimes put in place, it allows analysis of the system to take place and the discovery of potential efficiency gains to be made. Added to this are continuous improvements in data management processes, covered by **draft recommendation 6.3**.

RMAC has previously recommended⁵ ongoing efforts to harmonise state transport regulations with consistency between application requirements and we reiterate the need for this. Jurisdictional consistency and true harmonisation are hindered by having multiple regulatory authorities to deal with when moving through the transport network and permitting system. To this end, RMAC also agrees in principle with **draft recommendation 4.2**, phasing out Service Level Agreements and **draft recommendation 7.2** related to transferring regulatory functions still held by participating jurisdictions to the National Heavy Vehicle Regulator (NHVR) if they lead to consistencies and efficiencies across jurisdictions. This should not however be to the detriment of regional productivity variations (e.g. volumetric loading or grains harvest scheme) as was the case in the formation of the National Heavy Vehicle Regulator (NHVR). All considerations should align with COAG's Ten Principles for Australian Government Policy Makers⁶.

The lack of harmonisation in road transport regulations between state and territory jurisdictions means there are differing rules around the country for matters such as driver fatigue, effluent spill, the use of road trains or B-Double trailers and weights. Cattle are often moved several times onto different vehicles at state borders meaning the lack of harmonisation presents regulatory burden and concerns for the industry.

RMAC notes the NHVR has established a National Harmonisation Program⁷ to reduce the inconsistencies with recently developed notices including the Class 1 Agricultural notice and the Class 2 B-Double notice. RMAC understands there is also work underway to finalise the Class 2 road train national notice. We have previously submitted our views on vehicle access and infrastructure investment disconnect⁸ and believe there are opportunities to connect the latest safety and product enhancing freight vehicles to key networks at the proper scale of productivity, with investment alignment to ensure safe and efficient road transport networks.

RMAC is supportive of **draft recommendation 6.4** and its focus on expanding key freight routes covered by notices and as-of-right access for larger vehicles. Additionally, we are broadly supportive of **draft recommendation 5.2** where it relates to the harmonisation of fatigue laws.

Road network standards and the capacity of different jurisdictions

Road freight is the dominant land transport mode for livestock and meat products in Australia. A critical challenge faced by the red meat and livestock industry is infrastructure capacity constraints due to variable standards of road networks. This includes inconsistencies with both construction and maintenance making access to suitable routes an added challenge. For example, a major freight artery can be prevented from utilising more efficient technology due to the weight restrictions of a single bridge.

A 2019 GHD report noted maintenance deficits for most regional roads (in all states) with local rural roads particularly vulnerable. Red meat and livestock paths-to-market generally commence on rural and regional roads and insufficient infrastructure and maintenance affects current and future freight productivity and economic growth. Therefore, we agree in principle with **draft recommendation 6.1** proposing local governments should share engineering expertise and agree to consistent access arrangements for shared roads.

⁵ <https://www.aph.gov.au/DocumentStore.ashx?id=adc83f71-0d27-4013-995b-09d71fce6b47&subId=673237>

⁶ https://www.pmc.gov.au/sites/default/files/publications/Australian_Government_Guide_to_Regulation.pdf

⁷ <https://www.nhvr.gov.au/road-access/national-harmonisation-program>

⁸ <https://rmac.com.au/wp-content/uploads/2017/01/Freight-to-Plate.pdf>



Further, we agree in principle to **draft recommendation 10.1** noting that support should be given to ensure local governments have the financial and technical capacity to deliver on their asset management requirements for local roads. The freight task for the red meat and livestock sector is innately heavy and transported on multiple discrete journeys across the supply chain. Because of the variable standards to which the Australian road networks are constructed or maintained, our industry face restrictions based on weight, height, width and axle configurations of the vehicles they use⁹. CSIRO estimated Australia's total agricultural freight task includes upwards of 3.3 million vehicle movements¹⁰, a figure that is increasing¹¹.

RMAC has also previously put forward views that a truly efficient road network requires full interoperability, and breakages in the network have immense impacts on productivity. Where optimised interoperability is lacking, as is the case for a large number of points across the red meat and livestock road network, it forces efficiencies to the lowest common denominator. This includes less efficient truck movements in order to access the road network, or using less-productive, and possibly less-safe vehicle combinations. This issue remains unresolved and we are pleased to see draft recommendations aiming for improvements in these areas.

Transport technology and data

RMAC notes the Intelligent Access Program (IAP), the regulatory application for telematics has not currently achieved the harmonisation it was intended to and has several policy challenges that need to be overcome. A 2019 analysis¹² into the current state of heavy vehicle regulations in Australia found three key issues with the IAP application:

- The use of IAP as a condition for Higher Mass Limits access is not consistent and varies across Heavy Vehicle National Law jurisdictions
 - Operators and drivers, therefore face a “highest common denominator” approach to compliance, with increased administrative burden and costs
- The IAP is too precise and stringent for its intended purpose
 - Minor deviations, such as petrol stops can generate non-compliance reports to authorities, without relevant notices issued to operators or drivers.
- Costs of operating the IAP continues to be substantial for operators and is not user-centric

Additionally, several issues were noted in the Australian government's 2018 Inquiry into National Freight and Supply Chain Priorities report¹³, such as assured safety and cost effectiveness that would need to be addressed before telematics are embraced by industry. The same report noted limitations for the use of telematics, in its current form, on regional and rural roads due to limitations with lane markings.

Without technological advancements, or changes to the way in which telematic devices collect and exchange information and application through regulation, it is unlikely to provide the intended safety enhancements and supply chain cost savings. Taking this into consideration, RMAC agrees with **draft recommendation 9.1** looking into how governments and industry can best harness this technology to improve regulation, safety and productivity. In line with this, we also agree with **draft recommendation 8.2** when developing the National Freight Data Hub and the associated regulatory framework. RMAC also notes, as per 8.2 that protecting privacy and confidentiality of users is essential.

⁹ <https://www.infrastructureaustralia.gov.au/australian-infrastructure-audit-2019-transport>

¹⁰ <https://www.agrifutures.com.au/wp-content/uploads/2019/05/19-005-1.pdf>

¹¹ https://www.ntc.gov.au/sites/default/files/assets/files/Easy_Access_to_Suitable_Routes_Issues_Paper.pdf

¹² <http://www.truck.net.au/sites/default/files/submissions/DAE%20Economic%20benefits%20of%20improved%20regulation%20in%20the%20Australian%20trucking%20industry%20March%202019%20Final.pdf>

¹³ https://www.infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry_Report.pdf



Cost recovery

While RMAC agrees the Australian Government Cost Recovery Guidelines (the Guidelines) provide a clear framework of determining which costs are recoverable from industry, we have seen considerable increases in cost-recovered programs within the red meat industry under this framework. For example, the size of the cost-recovered export meat program has increased above CPI rates to over \$90 million in less than 10 years¹⁴.

Australia's red meat sector faces considerable transport costs. CSIRO data has estimated annual freight costs for the Australian cattle and beef industry to be \$766 million¹⁵. Additionally, RMAC partner AMPC, found that transport costs form the second largest component at approximately 15 per cent of expenditure¹⁶. Additionally, investigations¹⁷ into the five broad pricing alternatives considered in 2012 by the COAG Road Reform Project found that all heavy vehicle charging mechanisms being investigated would increase the cost of road transport for the Australian red meat industry.

In the current extreme environmental conditions our industry faces due to drought, flood and fire the best possible outcome is the government fees and charges do not increase; and are in fact reduced on a regional basis.

We are extremely cautious therefore of any recommendations around moving to a cost-recovery arrangement, such as those proposed in **draft recommendation 10.2**. RMAC maintains that due consideration to the requirements within the Guidelines, such as considerations of the broader taxpayer beneficiary and government as the monopoly supplier of service be given. Additionally, COAG's Best Practice Regulation guide¹⁸ needs to be considered simultaneously.

Education

Red Meat 2030 takes a customer and consumer centric approach, putting the needs, wants and expectations of our customers and consumers at the centre of everything we do. Through this strategy we are looking to foster an environment of two-way trust and respect. RMAC believes there needs to be core investments in community education to foster this, and agree with **draft recommendation 5.1** that seeks to improve general road users' understanding of driving safely in the vicinity of heavy vehicles.

Alignment with whole-of-government strategic policy

RMAC notes the National Freight and Supply Chain Strategy and National Action Plan endorsed by the Transport and Logistics Council on 2 August 2019¹⁹, Prime Minister Morrison's economic ambitions to grow the farm gate sector to \$100 billion by 2030, combined with the intended deregulation and harmonisation agenda. Efficiency of freight is a core component of all of these, and we've outlined policies in this document that grow income and jobs (\$740 million through improved supply chain planning, policy and investment; and reducing costs of \$766 million per annum).

We ask the Reform consider practical, business centric reforms that achieve the delivery of these ambitions whilst enhancing road safety and animal welfare outcomes and we are happy to further help in your understanding of this.

¹⁴ https://www.pc.gov.au/_data/assets/pdf_file/0007/197386/sub077-agriculture.pdf

¹⁵ <https://www.agrifutures.com.au/wp-content/uploads/2019/05/19-005-1.pdf>

¹⁶ https://www.ampc.com.au/uploads/FINAL_Cost%20to%20Operate%20Report%20Oct%202018.pdf

¹⁷ https://www.mla.com.au/globalassets/mla-corporate/research-and-development/documents/industry-issues/effect_of_alternate_heavy_vehicle_charges_on_australias_red-meat_industries.pdf

¹⁸ https://www.pmc.gov.au/sites/default/files/publications/COAG_best_practice_guide_2007.pdf

¹⁹ <https://www.infrastructure.gov.au/transport/freight/national-strategy.aspx>



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Further Information

RMAC notes the government's work towards a safer and more integrated national transport market. Improving outcomes in freight that lead to better safety, sustainability and efficiencies in the road transport industry is critical to RMAC and the red meat and the livestock industry in meeting its vision.

Should you have any questions or require further information please contact Anna Neelagama, RMAC CEO

Yours sincerely,

Anna Neelagama
Chief Executive Officer
Red Meat Advisory Council



Appendix A.

Draft recommendations taken from the National Transport Regulatory Reform: Productivity Commission Draft Report 2019²⁰ referred to in RMAC's submission.

DRAFT RECOMMENDATION 4.1

The Transport Infrastructure Council should request that the National Transport Commission undertake a review of significant derogations from the Heavy Vehicle National Law and the Rail Safety National Law, with the aim of reducing regulatory inconsistency. The Council of Australian Governments should commit to altering or removing derogations, or altering the national laws, to achieve best practice regulation.

DRAFT RECOMMENDATION 4.2

The national regulators should phase-out Service Level Agreements (SLAs) with State and Territory agencies by absorbing these functions at the earliest opportunity. Where there is a business case to use SLAs with third parties, those parties should act under the direction of the national regulators to ensure consistent decisions across jurisdictions.

DRAFT RECOMMENDATION 5.1

State and Territory governments should seek to improve general road users' understanding of driving safely in the vicinity of heavy vehicles through education and enforcement measures.

DRAFT RECOMMENDATION 5.2

The Council of Australian Governments should amend the Heavy Vehicle National Law to give the National Heavy Vehicle Regulator (NHVR) greater scope to provide concessions from prescribed aspects of fatigue management regulation, where the NHVR is satisfied that more effective systems of fatigue management are in place, such as technology-enabled management systems, and/or accredited management systems. Driver fatigue laws should continue to set outer limits on driving hours.

DRAFT RECOMMENDATION 6.1

Local governments should share engineering expertise and agree to consistent access arrangements for shared roads. The Australian Government should work with States and Territories to encourage this collaboration. States and Territories should report to the Council of Australian Governments in early 2020 on the status of this work.

DRAFT RECOMMENDATION 6.3

The National Heavy Vehicle Regulator should continue improving its data management processes, including how data are stored, integrated, analysed and reported.

DRAFT RECOMMENDATION 6.4

The Council of Australian Governments should direct road managers (including the state road authorities) to work with the National Heavy Vehicle Regulator to rapidly expand key freight routes covered by notices and allowing as-of-right access for larger vehicle types. The focus of this work should include:

- Expanding the networks available for heavy vehicles with performance characteristics equivalent to B-doubles (including Performance-Based Standards (PBS) level 2A and 2B B-doubles) and type 1 and 2 road trains (including PBS equivalents)
- Where there are classes of vehicles for which permit applications are almost universally approved, developing notices covering these vehicles
- Meeting infrastructure requirements such as truck stops and logistics centres near major urban centres, allowing larger vehicles to be broken down into smaller units where required by urban road network constraints

DRAFT RECOMMENDATION 6.5

The National Heavy Vehicle Regulator, the Office of the National Rail Safety Regulator and the Australian Maritime Safety Authority should monitor the compliance and administrative costs created by the national regimes and report on the

²⁰ <file:///Volumes/NO%20NAME/RMAC/transport-draft%20report%20Nov%202019.pdf>



level and change in these costs in periodic (say 3 yearly) reporting. The first report should be published in 2020 to establish benchmark costs.

DRAFT RECOMMENDATION 7.2

The Transport and Infrastructure Council should agree to have all regulatory functions still held by participating jurisdictions transferred to the National Heavy Vehicle Regulator no later than 1 January 2022.

DRAFT RECOMMENDATION 8.2

The Australian Government should co-operate with stakeholders including Transport Certification Australia when developing the National Freight Data Hub. The Hub should include a regulatory framework for the collection, storage, analysis and access of transport data, including telematics data. This framework should specify the data access powers of regulators, enforcement agencies and accident investigation bodies, and should enable these bodies sufficient access to undertake their respective tasks, while protecting privacy and confidentiality.

DRAFT RECOMMENDATION 9.1

Governments (and their agencies) and industry should consider how best to harness logistics and telematics data to improve incentive-based safety regulation, with the aim of influencing behaviours that increase safety and productivity. Governments and regulators should aim to facilitate the adoption of technologies by operators to generate and share data by:

- Providing legal assurances about the acceptable use of such data
- Clarifying the value proposition to individual operators of their participation in data sharing regimes.

DRAFT RECOMMENDATION 10.1

The Council of Australian Governments should provide support to ensure local government has the financial and technical capacity to deliver its role as asset manager for local roads. Transparency and accountability of performance should accompany any additional support, particularly with respect to processing times for access permits and the use of notices to gazette heavy vehicle routes. This should be pursued in the context of broader changes under the Heavy Vehicle Road Reform agenda.

DRAFT RECOMMENDATION 10.2

The national regulators (particularly the National Heavy Vehicle Regulator and the Australian Maritime Safety Authority) should move towards cost recovery arrangements in line with the Australian Government Cost Recovery Guidelines. Consistent arrangements across the three transport regulators will eliminate the risk of distorting intermodal choices.