



Submission on the National Land Freight Strategy Discussion Paper

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Executive summary

The fruit and vegetable industry is highly reliant on an efficient and effective land freight system for ensuring the timely delivery of high quality horticultural produce to Australian consumers.

Growcom supports the development of a national land freight strategy. In general, Growcom supports the proposed vision, objectives, goals, priority actions, and indicative program of work outlined in the discussion paper.

Key outcomes Growcom seeks from the proposed national land freight strategy include:

- Investments in road and rail infrastructure that improve the resilience of the transport system to extreme weather events, floods and land slides.
- Improved efficiency in the transport and freight system to support productivity, profitability and sustainability, and in particular to contribute to reducing the emission of greenhouse gases from the freight sector.
- Arrangements that improve the access of larger vehicles to roads and highways.
- Increased integration of planning across transport, land use, industry and urban development, regional development, and natural resources management.
- Improved flexibility and options for horticultural freight tasks.
- Mechanisms to drive consistent and coordinated efforts by state and national scale jurisdictions and investors.
- Improved availability of accurate and reliable freight data to underpin assessment of freight infrastructure needs, forecasting and scenario development that informs policy development.

Growcom's major concern arising from the discussion paper is the proposal for implementing a direct charging system for road users, particularly heavy vehicles. While Growcom acknowledges the economic arguments in favour of the proposal, we are highly concerned about the financial impact a charging system would be likely to have on horticultural businesses that have insufficient market power to pass on additional costs to consumers.

Growcom calls on Infrastructure Australia and governments to thoroughly investigate the impacts and consequences of a direct road charging system and carefully design any system to avoid or mitigate significant financial impacts on businesses that do not have the capacity to absorb additional costs related to transport.

About Growcom

Growcom is the peak representative body for the fruit and vegetable growing industry in Queensland, providing a range of advocacy, research and industry development services. We are the only organisation in Australia to deliver services across the entire horticulture industry to businesses and organisations of all commodities, sizes and regions, as well as to associated industries in the supply chain. We are constantly in contact with growers and other horticultural business operators. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

Growcom has grower members throughout Queensland and works alongside other industry organisations, local producer associations and corporate members. To provide services and networks to growers, Growcom has about thirty-five staff located in Brisbane, Bundaberg, Townsville, Toowoomba and Tully. We are a member of a number of state and national industry organisations and use these networks to promote our members' interests and to work on issues of common interest.

General feedback regarding the proposed strategy

Growcom supports the development by Infrastructure Australia of a national land freight strategy to guide long term planning, investment and decision making.

The discussion paper presents a thoughtful analysis of key issues affecting the efficiency of the land freight system and options for their resolution. We would, however, note that we experienced some difficulty interpreting many of the maps presented in the discussion paper due to their poor resolution.

In general, Growcom supports the proposed vision, objectives, goals, priority actions, and indicative program of work outlined in the discussion paper. Growcom believes that some of the proposed actions have the potential to drive improvements to the land freight system that could benefit growers moving produce to market or export and may even increase the feasibility of using rail for some fruit and vegetable freight tasks.

Growcom is concerned that pathways to implementation of the strategy are highly diffuse and constrained by the need for coordinated action across multiple jurisdictions and investment and policy making processes.

Growcom is pleased that the discussion paper notes the urgent need to improve integration of planning across a range of important fields, including land use planning. Growcom strongly advocates that improved integrated planning would avoid many issues that affect our industry.

Growcom is also pleased that Infrastructure Australia has commissioned research into the financial capacity of local governments to manage rural road assets.

Growcom acknowledges the need to address restrictions to heavy vehicles access to some roads and freight precincts. Growcom agrees that benefits to efficiency,

productivity, and emissions intensity could be gained from identifying and resolving “first and last mile” issues and enhancing service standards on national highways.

While Growcom recognizes the economic arguments presented regarding the need to introduce a direct pricing/charging system for freight users of the road system, we have serious concerns about the financial impacts that would be experienced by horticultural growers forced to absorb the increased costs passed on by their transport companies. Transport costs already account for around 20% of the costs of production for horticultural businesses. Due to the market power enjoyed by the two major retailers of fruit and vegetables, horticultural businesses have no opportunity to pass on increased costs of production when they occur in the supply chain.

It should be understood that the vast majority of the freight task for the fruit and vegetable industry is undertaken by refrigerated truck transport. This is not simply due to cost competitiveness reasons; there are a number of significant barriers to broad uptake of rail transport for horticultural products.

Truck transport can be expected to continue to fill the freight role for the industry for the foreseeable future as it delivers on the essential requirements for rapid, door to door transport and quality management, including precision maintenance of the cool chain, traceability, and minimization of handling and damage.

Significant improvements would be required to improve efficiencies, reduce handling, increase delivery speeds, and protect product quality to make alternate transport modes a viable option for most horticultural freight.

Overview of freight issues in the Queensland fruit and vegetable industry

About the Queensland horticulture industry

Horticulture is Queensland’s second largest primary industry. The total gross value of production of Queensland horticulture during 2009-10 was estimated to be \$3.13 billion (Prospects for Queensland’s Primary Industries, 2010-2011).

The major sectors of the horticulture industry are fruit and nuts (\$1064 million), vegetables (\$1079 million) and lifestyle – which includes nurseries, turf and cut flowers (\$989 million).

More than 120 types of fruit and vegetables are produced on Queensland’s 2800 farms for both domestic and export markets. There are 16 defined horticultural regions located from Stanthorpe in the south to the Atherton Tablelands in the Far North.

Queensland is Australia's premier state for fruit and vegetable production, growing one-third of the nation's produce. Queensland produces the majority of Australia's banana, pineapple, mandarin, avocado, beetroot and fresh tomato.

The horticulture industry is a significant economic driver for regional and metropolitan communities across Queensland, and directly employs more than 45,000 people.

Further detailed information about the horticultural production regions of Queensland is available in the 2004 report, *The economic contribution of horticulture to the Queensland economy* (see <http://www.growcom.com.au/home/inner.asp?pageID=109>)

Freight and transport use in the Queensland horticulture industry

Efficient transport of horticultural produce from farms and packing facilities to markets via the freight system is obviously essential to the success of the industry. The Queensland horticulture industry delivers one third of Australia's fruit and vegetable supplies; this highlights the critical need for an effective transport and freight system in Queensland linked with efficient national freight networks.

Currently, the horticulture industry is almost fully reliant on truck transport and the road system, with about 80% of produce requiring refrigerated trucks.

Transport costs are a significant proportion of growers' costs of production; commonly around 20%.

Although the cost of transporting produce to market is a significant issue, overall, the freight system appears to adequately meet the needs of the majority of growers for the majority of time; freight and transport issues are rarely raised amongst priority industry issues.

There have been numerous occasions, however, when weather conditions and natural disasters have damaged or flooded roads and highways, causing major disruptions to the transport of horticultural produce. This impacts both on growers in the form of significant economic losses and consumers when failures in the freight system cause critical food supply shortages.

Transport pathways are largely from farm gate or packing facilities to Brisbane or interstate wholesale markets or to Brisbane or interstate distribution centres for major food retailers (terminals). Other pathways include direct transport from the farm or packhouse to processors. Trans-shipping is common from the Brisbane Market to interstate markets.

Export of horticultural products has been steadily increasing over the last decade. In 2004/2005 fruit, vegetables and nuts increased in export value by 8% to \$616 million (Austrade); in 2007, the value of exported horticultural products was \$756 million (AustraliaFresh). Queensland grown exports include citrus, macadamias, mangoes, avocados and tropical fruits. Most export occurs through wholesale markets then to port or airport but a small proportion of producers directly export via ports and airports.

Horticultural products are exported to over 100 countries; key export markets include Japan, USA, Singapore, Hong Kong, Malaysia, and the United Arab Emirates.

Horticultural freight varies from bulk packed melons and pumpkins to highly perishable, delicate products such as berries. Critical freight needs include rapid transport, maintenance of the cool chain, traceability, and minimization of handling and damage.

Freight demand varies between horticultural crops and regions. Some commodities such as bananas deliver produce to markets 52 weeks of the year, while other commodities have highly seasonal freight requirements.

An example of freight demand is available from the banana industry, where over 90% of national production is grown in the Wet Tropics region. Around 75% of its freight task is performed by trucks and the equivalent of 220 forty foot containers (FEUs) were transported on average each week in 2008 (Whittle, 2009).

Distribution Centres (DC's) for major retailers, such as Coles, Woolworths, IGA and ALDI generally require suppliers to comply with strict delivery time slots.

Because many major retailers apply "just in time" principles to their procurement process, interruptions to the road and rail system can rapidly cause critical shortages of supply in supermarkets. This occurred during the 2010/2011 floods when highways were cut and many growers could not get their produce to market.

Current industry issues and concerns regarding freight

A reliable road system is currently the critical requirement for the Queensland horticulture industry. The lack of an all-weather highway system is the greatest concern for the industry. Infrastructure investment needs to focus on how to protect the highway system from floods, landslides and the impacts of extreme weather events.

Extreme weather events in recent years have had significant financial and business impacts on growers and caused major disruptions to market access and the fresh food supply chain. Examples include:

- Bananas and other tropical fruits were unable to be transported out of the Wet Tropics for over a month after Cyclone Larry in 2006.
- Flooding in February 2009 which caused road closures in the Wet Tropics and other regions disrupted supply of fruit and vegetables to southern markets.
- Flooding in December 2010-January 2011 caused major disruption and delay to movement of horticultural produce, particularly rockmelon and vegetables in many parts of Queensland. For example the Yeppen roundabout at the southern entrance to Rockhampton closed the Bruce Highway for two weeks.
- Multiple road closures following Cyclone Yasi in February 2011.

Recent efforts to identify the impacts of and priority recovery actions required following the December 2010-January 2011 Queensland floods and Cyclone Yasi highlighted the following freight and transport issues:

- The repair of roads and bridges is an urgent priority for emergency response and recovery across all affected areas.
- Load restrictions, sometimes applied generally across large areas, are a major issue impacting on current supply to markets. Growers fortunate enough to have product, have experienced extensive delays, complicated red tape to access permits and higher costs. Delay in getting product to markets results in additional costs to growers and other vital parts of the supply chain. For example, a blanket 15 tonne limit on vehicles in some local governments means only 4-6 bins of citrus can be carried per truck. Local governments could be more selective in road closures and load limits.
- Some melon growers in the Chinchilla district resorted to engaging private contractors to improve roads to enable surviving stocks to get to markets. Improved communication processes would be valuable to allow growers and other stakeholders to have input to Councils' and other road owners' road repair priorities.
- Continued reliance on road transport, by all industries, has real risks to horticulture industry and the wider economy. There is a need to make contingency plans to maintain robust supply chains.
- Transport infrastructure (both road and rail) needs to be flood proof and ports should not be neglected. Regional and statewide contingency transport planning is essential for all industries.
- Growcom is currently preparing estimates of lost income to growers unable to get product to market in 2010/2011 floods.

Transporting produce to markets is a high proportion of costs of production for many growers in the horticulture industry, so freight efficiencies would benefit growers and consumers.

There is a need for road upgrades in some areas to allow full size truck access to the gate of some major farms and pack facilities.

If carbon accounting becomes more important and/or emissions trading or some other form of carbon pricing is implemented in Australia, the industry will have an increased incentive to explore options to reduce the emissions intensity of the freight system.

Industry perspectives on freight and transport issues, canvassed in 2004 as part of a broad ranging consultation process, are presented in Table 1.

Table 1 Freight and transport issues identified by horticultural growers

Horticultural region	Transport and freight issues
Wet Tropics	<ul style="list-style-type: none"> ▪ Some issues with availability of road freight during peak demand periods. Quality of service is regarded highly. ▪ Transport costs comprise a major proportion of total costs particularly to interstate markets. ▪ Air freight capacity out of Cairns for export markets is often limiting and comparatively expensive compared to the value of the product.
Atherton Tablelands	<ul style="list-style-type: none"> ▪ Improvements to regional road and rail infrastructure required ▪ Distance to market (cost and market responsiveness issue) ▪ Distance from and cost of servicing domestic and export customers ▪ Accessing competitively priced raw materials a challenge
Bowen, Gumlu and Whitsunday	<ul style="list-style-type: none"> ▪ Some issues with availability of road freight during peak demand periods, particularly in winter and spring. Quality of services regarded highly. ▪ Majority of export destined produce is exported out of Brisbane (sea and air) and Cairns (air only). Some comments about lack of freight space availability for air both to New Zealand and Asian markets such as Hong Kong and Singapore. ▪ Transport costs comprise a significant proportion of the gross return for many products supplied to southern markets (approximately 20 percent)
Burdekin and Charters Towers	<ul style="list-style-type: none"> ▪ Some issues with availability of road freight during the peak demand period of November and December (mango harvest). Quality of services regarded highly. ▪ Majority of export destined produce is exported out of Brisbane (sea and air) and Cairns (air only). Some comments about lack of freight space availability for air both to New Zealand and Asian markets such as Hong Kong and Singapore. ▪ Transport costs comprise a significant proportion of the gross return for many

Horticultural region	Transport and freight issues
	<p>products supplied to southern markets (approximately 20 percent).</p>
Central Coast	<ul style="list-style-type: none"> ▪ Limited issues associated with availability of road freight. The small size of the industry does at times make logistics movements more difficult out of the region. ▪ Majority of export destined produce is exported out of Brisbane (sea and air). ▪ Transport costs comprise a significant proportion of the gross return for many products supplied to southern markets (approximately 20 percent).
Emerald	<ul style="list-style-type: none"> ▪ Some issues with availability of road freight during peak demand periods. Quality of services regarded highly. ▪ Majority of export destined produce is exported out of Brisbane, Sydney or Melbourne (sea and air). Some comments about lack of air freight space availability at different times although not seen as a major limitation. Cost of air freight was raised. ▪ Transport costs comprise a significant proportion (20%) of the gross return for many products supplied to southern markets.
Wide Bay	<ul style="list-style-type: none"> ▪ Some issues with availability of road freight during peak demand periods, particularly winter and spring. Quality of services regarded highly. ▪ Majority of export destined produce is exported out of Brisbane, Sydney or Melbourne. Air freight availability and more importantly cost, are seen as impediments to achieving exports from the region. ▪ Nearest seaport is Brisbane for horticultural produce. ▪ Transport costs comprise a major part of revenue particularly to interstate markets.
Central Burnett	<ul style="list-style-type: none"> ▪ Some issues with availability of road freight during peak demand periods. Quality of services regarded highly. ▪ Majority of export destined produce is exported out of Brisbane, Sydney or

Horticultural region	Transport and freight issues
	<p>Melbourne (sea and air). Some comments about lack of air freight space availability at different times although not seen as a major limitation. Cost of air freight was commented upon.</p> <ul style="list-style-type: none"> ▪ Transport costs comprise a significant proportion of the gross return for many products supplied to southern markets (approximately 20 percent).
South Burnett	<ul style="list-style-type: none"> ▪ Significant or emerging producer of tomatoes, capsicums, macadamia nuts, watermelons, a variety of orchard fruit, pineapples and grapes. ▪ Availability of refrigerated transport a major issue for the region. ▪ Currently limited export of produce from the region, so availability is not limiting. ▪ Cool chain efficiency is poor in comparison to other regions. ▪ Transportation links necessitate transshipping in Brisbane in all cases which adds to cost of freight.
Cooloola / Sunshine Coast	<ul style="list-style-type: none"> ▪ No issues associated with availability of road freight. Quality of services regarded highly. ▪ Majority of export destined produce is exported out of Brisbane, with smaller volumes out of Sydney or Melbourne. Air freight availability and more importantly costs are seen as impediments to achieving exports from the region. ▪ Nearest seaport is Brisbane for horticultural produce. ▪ Transport costs comprise a major part of revenue particularly to interstate markets.
Lockyer and Fassifern Valleys	<ul style="list-style-type: none"> ▪ No issues associated with availability of road freight. Quality of services regarded highly. ▪ In the past there have been significant quantities of products exported to Asia from the region, although due to price competitiveness and market 'access' issues this has declined in recent years. ▪ Availability and cost of suitable sea freight containers for produce is seen as a major impediment to exports.

Horticultural region	Transport and freight issues
	<ul style="list-style-type: none"> ▪ Freight rates to other states are relatively competitive although in some instances form a significant proportion of the total cost of production i.e. up to 25 per cent.
West Moreton and Brisbane region	<ul style="list-style-type: none"> ▪ No issues regarding freight.
Eastern Darling Downs	<ul style="list-style-type: none"> ▪ No issues associated with availability of road freight. Quality of services regarded highly. ▪ Very limited export of produce from the region, with most of the produce destined for Brisbane and to a lesser extent other major metropolitan markets. ▪ A number of the major producers in the region operate their own transport fleets. ▪ Transport costs comprise a relatively small part of revenue particularly to interstate markets.
Western Darling Downs	<ul style="list-style-type: none"> ▪ Some issues with road freight during the melon season due to the high demand over a short period. ▪ Cost and availability of sea freight containers a major hindrance to exporting. ▪ Cost of freight due to location a major impediment to profitable production of produce, especially for low value / high volume lines e.g. watermelons and pumpkins
Granite Belt	<ul style="list-style-type: none"> ▪ Transport availability is not an issue in the Granite Belt except for some short term scheduling issues. Currently on a major transportation highway linking Brisbane and southern markets. ▪ A number of local producers who supply Brisbane and Sydney markets do own and operate their own transport fleets. ▪ The cost and availability of sea freight containers has been an impediment to export in the past. ▪ Cost of transport relative to the value of the majority of produce lines is relatively low.

(Source: *Economic Contribution of the Horticulture Industry to the Queensland and Australian Economy*, November 2004)

Future freight needs

The horticulture industry has experienced sound growth over the last decade and growth is expected to continue in future years, so freight demands for horticultural inputs and fruit and vegetable products to Queensland and interstate markets will also grow. It is difficult to predict likely future growth in Queensland's horticultural exports.

A good fit needs to be maintained between the requirements of fresh food system and the freight system.

Future modes of transport for horticultural produce are difficult to predict. The benefits of truck transport (such as rapid door to door services, well established supply chain relationships, flexibility to take small and large consignments, strong capacity to precisely monitor and maintain cold chain) may continue well into the future. The balance could, however, tip in favour of other modes due to factors such as:

- Increasing costs of operation, fuel and registration in the trucking industry.
- Increasing regulation of the trucking industry, such as fatigue management laws.
- Competition for driver labour from other industries, such as mining.
- Potential impacts of the introduction of carbon pricing.

There may be a need for the horticulture industry to consider rail and shipping options to meet an increasing proportion of its freight task in the future. Significant improvements would be required, however, to improve efficiencies, reduce handling, increase delivery speeds, and protect product quality to make these modes a viable option for most horticultural freight.

Future needs to decrease the carbon emissions intensity of transporting horticultural produce may favour a transition to a rail-focused freight system, and there may be interest in exploring the feasibility of a high speed rail freight system.

The banana industry has conducted some preliminary work to investigate the feasibility of moving to an intermodal freight system. The concept is based on consolidating the long haul component of hundreds of independent weekly consignments using shipping or rail modes, with trucking providing the door to door components at either end. While the industry has not committed to such an approach, the report's findings demonstrate there is significant scope to further explore alternative options such as these.

In the short to medium term, however, road transport will remain the primary mode for horticultural freight and the industry believes significant improvements are required to address current problems, including:

- Weather-proofing, as far as possible, major highways and rail lines, particularly in light of projections of increasing frequency of extreme weather events.
- Identifying and implementing strategic improvements to transport infrastructure that has been damaged by recent flooding and extreme weather events.
- Further investment in highway bypasses for regional towns to reduce travel times.
- Re-investment in rail infrastructure to better position rail as a viable alternative to road transport.

- Efforts by governments and industry to conduct thorough contingency planning to ensure alternative transport systems have been identified for use in the event of disruption to normal services.
- A far greater emphasis on integrated planning approaches that draw together transport, infrastructure, regional, industry, land use, natural resource management and other relevant considerations.
- A greater use of the growing body of hydrological and catchment data to inform road and rail planning.

References

CDI Pinnacle Management and Street Ryan and Associates (November 2004) *The economic contribution of horticultural industries to the Queensland and Australian economies*, Horticulture Australia Ltd

Whittle, M (April 2009) *Is intermodal transportation a fresh direction for the banana industry?*, internal Growcom report.

Austrade website

<http://www.austrade.gov.au/Fruit-and-vegetables/default.aspx>

Australia fresh website

http://www.australiafresh.com.au/business_support/export_statistics.asp?src=side