

12 May 2006

Freight Inquiry
Productivity Commission
LB2 Collins St East
MELBOURNE VIC 8003

Dear Productivity Commission

Road and Rail Freight Infrastructure Pricing

The Victorian Farmers Federation is Australia's largest state farmer organisation, and the only recognised, consistent voice on issues affecting rural Victoria.

The cost and reliability of freight transport networks are significant issues for Victoria's farmers and rural communities. The provision of adequate and reliable transport relies on the provision of infrastructure that is able to cope with increasing demand.

Farm productivity has been rising at substantial rates and is expected to continue to rise in the foreseeable future. This places increased demand on the freight network in a number of ways. Increased productivity is at least partly reliant on higher levels of inputs which must be transported to the farm. Also, the higher productivity results in a larger amount of produced being shipped out. The third effect of the productivity increase is that in many markets margins are shrinking making the profitability more sensitive to increases in cost, of which transport is a large component for farmers.

While the above statements may not be strictly addressing the term of reference the VFF would be concerned if the outcomes of the inquiry led to increases in cost on rural communities. Rural communities are more susceptible to higher freight charges than urban communities and this factor must be considered in any assessment of externalities.

The VFF is also concerned that the capacity of the rail network has been run down through underinvestment to such an extent that it is severely limited in its ability to compete with road transport regardless of equal approaches to assessing infrastructure pricing.

The options put forward to examine in the issues paper are quite complex to evaluate and the VFF has not chosen to make a detailed submission at this point. However, the VFF will be taking an active interest in the draft report to be released in September and will provide a full assessment of recommendations made.

Yours sincerely



Simon Ramsay
President