



**Consolidated Pastoral
Company Pty Ltd**

**Submission to the Green Paper on Developing Northern
Australia**

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Mr David Williamson
First Assistant Secretary
Northern Australia White Paper Taskforce
Department of Prime Minister and Cabinet
PO Box 6500
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Dear David

CPC welcomes the Government's focus on developing northern Australia.

Our company has major investments in the region. We are the country's second largest beef producer operating a portfolio of 19 stations, with more than 380,000 cattle, across 5.6 million hectares.

CPC also holds a 50% interest in a joint venture which owns and operates two feedlots in Indonesia.

CPC's direct sales channels primarily involve selling cattle and beef to Asian consumer markets, domestic feedlots or processors and exporting live cattle.

We are keenly interested in building on our already significant investment if the right policy settings are in place to encourage sustainable development and exploit the emerging market opportunities in Asia.

The company believes that the basic test for the sustainable development of the north will be its ability to attract the necessary private capital. That will only happen if there is an adequate return on that private sector investment.

The keys to achieving that outcome are cutting the cost of production, lifting productivity and increasing international competitiveness.

Yours sincerely,

Troy Setter
Chief Executive Officer
Consolidated Pastoral Company

Summary

Consolidated Pastoral Company believes the key to the economic and social development of northern Australia is the effective coordination of effort and common priorities by governments across the region.

CPC strongly supports the Northern Australia Strategic Partnership and the overarching responsibility the Partnership will have for implementing the White Paper on developing Northern Australia policy framework.

CPC notes that the Green Paper on developing Northern Australia, recently released by the deputy Prime Minister the Hon Warren Truss, is built around strategic issues not sectors of the northern economy.

The starting point for the development of the White Paper around these policy directions must be their contribution to lowering production costs, building profitability and increasing international competitiveness.

CPC is also of the view that, given its economic importance in the north, and its potential to exploit growing opportunities in Asia, the northern Australian beef industry should be an area of focus for the Government in the White Paper process.

The basic test for the sustainable development of the region will be its ability to attract the necessary private capital. That will only happen if there is an adequate return on that private investment.

Targeted investing in transport infrastructure must be an essential feature of the White Paper given the size of the region, the cost of transporting production inputs and the cost of getting goods to market.

The strategic reallocation of funding in existing infrastructure programs and targeted new expenditure on infrastructure should focus on improving transport efficiencies across the northern economy.

It is essential that both large and small scale investment options are assessed for their contribution to improving the efficiency of the whole supply chain across the region and not simply based on the priorities of one government.

Reducing red tape is also important if the full potential of the north is to be realised. That means not only reducing the regulatory burden but also harmonising regulations across all jurisdictions.

CPC believes that cutting the regulatory burden currently imposed on export focused agricultural industries should be prioritised given their importance to the national economy and northern Australia and their contribution to the nation's export income.

Building market access for the goods and services produced in northern Australia must also be a key point of focus for the White Paper. Maximising export opportunities require a coordinated and prioritised effort by all governments and industry.

Priorities and Actions

Advancing the policy framework for northern Australia will require the governments of Queensland, the Northern Territory and Western Australia to work in a cooperative and coordinated manner with the Commonwealth.

The Government has identified six policy directions in the Green Paper to underpin the development of a plan to grow the region. They are:

infrastructure,

land,

water,

business, trade and investment,

education, research and innovation, and

governance.

CPC believes the Taskforce should focus its work on identifying how these policy directions can contribute to lowering production costs, building profitability and increasing international competitiveness.

The basic test for the sustainable development of the region will be its ability to attract the necessary private capital. That will only happen if there is an adequate return on that private investment.

CPC also strongly supports the Northern Australia Strategic Partnership having the overarching responsibility for implementing the policy framework that will flow from this Committee's deliberations and the White Paper process.

The beef industry a priority

While the Green Paper is built around strategic issues and not sectors of the economy CPC believes that the Northern Australian beef industry should be a priority area of focus in the White Paper.

The northern beef industry is a major part of the national economy and a dominant industry in the north.

There are around 12.5 million cattle in northern Australia — 45 per cent of the entire national cattle herd.

The pastoral industry also generates around 57 per cent of the region's total agricultural production; it accounts for 50 per cent of national processing and exports 85 per cent of production making it a major contributor to Australia's export earnings. The northern industry also accounts for 90 per cent of total live exports.

If first stage processing is included the annual value of the industry is in the order of \$5 billion.

The pastoral industry utilises over 60 per cent of the total northern Australia land mass. In effect, pastoralists are responsible for managing more than half the area of land defined as northern Australia for the purposes of the Committee's inquiry.

Queensland has the largest area held under pastoral lease (62 per cent of the state), followed by the Northern Territory (47 per cent) and Western Australia (34 per cent).

CPC believe that there is capacity to double Northern Australian beef production with the correct government policy and investment in productivity, innovation and infrastructure.

The northern beef industry is also an important contributor to advancing the economic and social interests of Indigenous Australians.

CPC has a close relationship with a number of Indigenous communities, including mutually beneficial commercial relationships across Northern Australia.

CPC actively seek to employ staff from local Indigenous communities and believe this allows traditional land owners to work and live in their country.

CPC have land lease and agistment arrangements in place with Indigenous communities that allow us to work with traditional owners to develop their land and create sustainable employment opportunities and community income.

Building Indigenous participation in the northern beef industry will also provide the opportunity for Indigenous communities to share in the economic benefits offered by expanding the northern Australian economy; in particular realising the opportunities offered by a rapidly growing Asian region.

Proposed Action: The White Paper should identify the beef industry a priority sector for development given its dominant position in the northern economy and its potential for growth in an expanding Asian market.

Infrastructure a key.

CPC agrees with the view expressed in the Green Paper that infrastructure is a key to building a strong and diversified northern economy.

The strategic allocation of funding in existing infrastructure programs and targeted new expenditure on infrastructure should focus on cutting transport costs and improving

productivity across the northern economy generally and for key sectors such as beef production and resource development in particular.

The Green Paper highlights the example of moving cattle to markets. This involves long distances that are exacerbated by some poor quality roads. The Paper refers to estimates suggesting that road conditions in the north can almost double the cost of transporting cattle.

CPC is a major user of northern Australia's road and rail transport systems moving in the order of 180,000 cattle annually. Transport is therefore a major cost to our business and strategic investments by government in upgrading this infrastructure would make an important contribution to the company, and the industry, meeting our objectives of cutting production costs and improving our international competitiveness.

CPC believes that a detailed assessment should be undertaken of the following major projects: the extension of the Darwin Port to allow lower cost exporting from Darwin port, Linking Mt Isa with the Adelaide to Darwin Railway near Tennant Creek, upgrading the Buntine Highway and upgrading the Tanami Road.

CPC also supports the view, expressed in the Green Paper that planning and prioritising infrastructure need not only focus on large scale or 'mega' projects. While we are of the view that investment in these major infrastructure projects would make a significant contribution to the development of the north and give companies such as ours greater confidence to invest further in Northern Australia we agree that small scale investments and upgrades can also deliver important productivity benefits.

In that regard, CPC notes that while it is unlikely unsealed or partially sealed roads such as the Dry River Road, the Barkly Stock route, the Duncan and Buchanan Highways and the Murrarji Stock Route will be fully bituminised given tight fiscal circumstances facing governments, some additional funding would enable proper maintenance for these roads before they become rivers in the wet season and unusable corrugated tracks in the dry season.

Further, strategic investments such as the construction of a trucking yard near the Northern Territory/South Australia border would deliver significant efficiencies, at a minimal cost, to the task of transporting cattle from the Territory south.

Overall, it is essential that both large and small scale investment options are assessed for their contribution to improving the efficiency of the whole supply chain across the region and not simply based on the priorities of one government.

A CSIRO project – Livestock Industry Logistics: optimising industry capital investment and operations – identifies potentially substantial savings along the northern beef supply chain through targeted infrastructure investment.

According to the CSIRO this work is designed to:

improve the efficiency of existing livestock transport, handling and processing infrastructure,
identify new infrastructure investment potential that achieves greatest industry benefits at least cost, and
identify synergies between beef and other industry infrastructure assets to assist with unlocking value across the north as a whole.

The project was developed by the CSIRO in partnership with the Commonwealth, Northern Territory, Western Australia and Queensland Governments.

According to work by CSIRO land transport costs comprise up to 35 per cent of the market price of livestock which can largely offset the advantage of the region's proximity to Asian markets.

It is CPC's view that while long term planning is important the White Paper Taskforce should also consider recommending there be a reassessment of infrastructure planning and expenditure already committed by local, state, territory and Commonwealth governments using the CSIRO tools.

This focused approach to investing in infrastructure is important for two reasons.

The current tight fiscal environment confronting governments increases the need for strategic investment in new infrastructure or the reallocation of funding in existing infrastructure funds.

Secondly, the modelling undertaken by the CSIRO has highlighted the potential for significant and timely financial returns to the beef industry from a focused infrastructure investment strategy.

Proposed Action: A special infrastructure taskforce be established to identify opportunities and develop priorities for strategic investment in northern Australia road and rail networks with an initial focus on those corridors that are most important to the beef industry.

Membership of the taskforce should be drawn from transport and agriculture officials from the four jurisdictions.

The Taskforce should undertake an analysis on the following major projects:

Extension of the Darwin Port

Linking Mt Isa with the Adelaide to Darwin Railway at Tennant Creek.

Upgrading the Buntine Highway

Upgrading the Tanami Road.

The Taskforce should also review existing infrastructure funding programs.

Its work should be informed by the application of the CSIRO models, Infrastructure Australia and the experience of the northern beef industry as a key user of the transport system.

The Taskforce should report to the Northern Australia Strategic Partnership in time to inform the 2015-16 Federal, state and territory budgets.

Cutting Red Tape

Regulations

CPC strongly agrees that reducing, and where possible, harmonising regulations across jurisdictions would lower the cost of doing business in northern Australia.

We note that the Federal Government is implementing a national deregulation agenda that it states will improve the business environment across the economy, including in northern Australia. It has a target for that program of cutting \$1 billion a year out of business costs.

According to the Green Paper, jurisdictions have also agreed to work through the Council of Australian Governments (COAG) to reduce red tape in four areas: manufacturing, higher education, early childhood and 'end-to-end' regulation of small business.

CPC believes that export focused agricultural industries should be added to that COAG priority list given their importance to the national economy and their contribution to the country's export income.

As these industries compete in the global market place a priority of government must be to improve their international competitiveness.

That is particularly the case for northern based industries, including the beef industry, and in the context of the Northern Australia White Paper process, cut red tape should be a priority for all four jurisdictions.

In the first instance the extent and the cost of the regulatory burden imposed by the three levels of government on the beef industry should be determined. A prioritised work program to remove, refine or harmonise regulations across northern Australia should then be established and implemented.

This approach is in line with the Government's request that the Joint Select Committee on Northern Australia identify the detailed action needed to be taken to implement its recommendations, "setting out how the recommendations were to be implemented, by which government entity they were to be implemented, a timetable for implementation and how and when any government funding would be sourced."

Proposed Action: The Northern Australia Strategic Partnership ask the Federal Treasurer to write to the Productivity Commission requesting that it undertake a review of

regulations, administered by local, state and territory and Commonwealth Governments that apply to the northern beef industry.

The Treasurer should also request that the Productivity Commission provide a prioritised work program to remove, refine or harmonise regulations across all northern Australian jurisdictions.

The establishment and implementation of that work program should be coordinated by the Commonwealth and regular reports of progress should be provided to the Northern Australia Strategic Partnership.

Land tenure

CPC notes the complex land tenure arrangements across northern Australia and the impact of these different arrangements on investment was the subject of a detailed report by the CSIRO and James Cook University (JCU).

This work was commissioned by the Northern Australia Ministerial Forum.

CPC sees this work as important in informing the preparation of the White Paper.

The CSIRO/JCU analysis highlights the many types of tenure in the north, administered separately by each jurisdiction, which impose a high degree of complexity and therefore add to the cost of doing business. The analysis also identifies other rights and entitlements that overlay these tenures such as native title rights.

The CSIRO/JCU report notes that there are multiple reviews under way in each of the jurisdictions that are seeking to increase the diversity of land use available to investors.

The report notes that while different industries face different investment challenges there are some common impediments to investment.

The report states these include:

- deficiencies in specific aspects of the tenure information base including registration of interests and accessibility of this information to investors;
- diversity of tenures and land and water entitlements including the different conditions of use on similar tenures across jurisdictions;
- inefficiencies in development assessment processes, particularly for major projects, exacerbates tenure-related problems;
- under-resourced negotiation and tenure-resolution mechanisms; and
- legal and other conditions that limit Indigenous and other land owners ability to leverage their land assets for capital and development purposes without affecting existing rights.

CPC has had practical experience of these impediments and the administrative and financial burden they impose on our business.

CPC also supports the three key actions to reduce these impediments to investment proposed in the CSIRO/JCU report.

They are:

The establishment of a consistent set of principles across the four jurisdictions to be applied the regulatory review processes, harmonising major project assessment processes and improving landscape scale planning processes to address issues relation to land use and resource contestability.

Proposed action: The development of a consistent set of principles across the four jurisdictions to be applied the regulatory review processes coordinated by the Northern Australia Strategic Partnership to ensure a harmonised and simplified approach the land management across the north.

Long haul transport

Despite new National Heavy Vehicle rules coming into effect early in 2014 the practical impact on CPC and other operators across the north is that we are still required to comply with three different regulatory regimes.

The new regime is being used in Queensland, New South Wales, Victoria and South Australia but not in Western Australia or the Northern Territory.

Proposed Action: Review the current long haul transport regulatory system as it relates to livestock transportation with the aim of developing a single system for operators across northern Australia.

Exporter Supply Chain Assurance Scheme (ESCAS).

CPC believes that an area of focus for reducing the regulatory burden on the beef industry should the Exporter Supply Chain Assurance Scheme (ESCAS). This scheme currently is the subject of a review which is welcome.

Inefficiencies in the ESCAS scheme are imposing a considerable cost burden on the live export industry without delivering improved benefits through better animal welfare outcomes.

In its present form ESCAS is process focused when, to maximise welfare outcomes and minimise industry costs, it should be outcomes focussed.

CPC has in place stunning in all in Indonesian facilities that slaughter our cattle as well as employing a comprehensive CCTV network to ensure that world best practice is consistently applied to the processing of all animals.

We believe considerable costs can be taken out of the system without compromising its integrity. The process has become more important than the outcome with the current management of ESCAS.

Proposed Action: Reform the Exporter Supply Chain Assurance Scheme (ESCAS) to ensure that it maximises welfare outcomes and minimises industry costs by being refocused on outcomes rather than process.

Engaging Asia

The Green Paper states that in progressing northern Australia's engagement with Asia, direct government-to-government links are vital. It states Australia remains engaged through a range of regional forums and dialogue with neighbouring Asian, Pacific and Indian Ocean partners.

The Government has also announced that it is reviewing Australia's international diplomatic network. According to the Green Paper the White Paper will consider whether there is scope for Australia's overseas missions to do more to build the international profile of northern Australia and to develop trade and investment opportunities. It says Indonesian trade and investment opportunities could be a focus.

CPC welcomes these initiatives.

It is clear that growing demand for protein in the Asian region provides a significant market opportunity for the beef industry in northern Australia.

However, it is our view that current trade related structures for both government and industry are unnecessarily complex and therefore may not deliver optimal outcomes for exporters.

Two Federal departments share responsibility for trade; the Department of Foreign Affairs and Trade is responsible for trade policy and administration while the Department of Agriculture is responsible for technical market access issues.

It has been the experience of the beef industry that there is not always an effective coordination of effort between these two agencies. We believe that ideally both functions should be the responsibility of one department and one minister.

There is also an uncoordinated approach to accessing and building markets across governments with a number of states independently seeking to negotiate with potential markets. As a consequence some countries have to deal with a series of separate delegations from a number of state governments as well as the federal government. This disjointed approach has the potential to send confusing and sometimes conflicting messages.

For example, in October 2013 the Western Australian Premier witnessed the signing of a Memorandum of Understanding between the Western Australian Government and the province of Zhejiang.

The MOU was for a joint feasibility study into the establishment of live exports into that province.

Then in April this year a second Memorandum of Understanding was signed; this time between some Western Australian live exporters and Chinese industry representatives.

The purpose of this second MOU was described as the development of animal health and welfare protocols for cattle shipped from Western Australia to China.

While the initiative taken by state and territory governments and state industry bodies to grow market access is supported CPC believes it is essential that such engagement with key markets is centrally coordinated through the Federal Government.

Given the administrative responsibility for the live export trade rests with the Federal Government the establishment of the necessary regulatory framework for the establishment of live exports to China must be advanced at a national government level in both countries.

CPC also notes that there are a number of separate industry organisations that seek to engage in trade negotiations again without necessarily presenting a unified position to the Australian Government or the targeted market.

While a broad level of engagement across the region is important in building market access there is a need to develop a strategy built on priority markets and focused on key access issues.

It is our view that this strategy should be managed through the Northern Australia Strategic Partnership, in close consultation with the beef industry, to ensure a focused and harmonised approach applied by government and industry to building market access.

Proposed action: The development of a prioritised market access strategy for northern Australia coordinated by the Northern Australia Strategic Partnership to ensure a harmonised approach across the three northern jurisdictions and the Federal Government.

This strategy should be complementary to the broader national trade agenda.

The northern market access strategy should be built around priority markets and within those markets specific barriers to trade.

The strategy should also be informed by key beef industry participants in addition to national industry organisations.

References

A J Higgins (2013). Livestock Industry Logistics: Optimising Industry Capital Investment and Operations. CSIRO Sustainable Agriculture Flagship.

Daniel Walker and Allen Dale (2013): Land Tenure in Northern Australia: Opportunities and Challenges for Investment. CSIRO and James Cook University.

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