



SUBMISSION

Submission to the National Freight and Supply Chain Strategy

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The Business Council of Australia is a forum for the chief executives of Australia's largest companies to promote economic and social progress in the national interest.

About this submission

This is the Business Council's submission to the National Freight and Supply Chain Strategy. It responds to a discussion paper released by the Department of Infrastructure and Regional Development in May 2017. The submission raises key issues that the Business Council would like to see addressed in the strategy. Business Council members welcomed the opportunity to meet with Department officials at a roundtable in June and look forward to further opportunities to participate in the development of the strategy.

Key recommendations

- ▶ The Freight and Supply Chain Strategy should set an ambitious goal for a globally competitive freight and logistics sector in Australia, to be achieved by efficiently expanding the capacity of the sector to cater for future growth and by lifting productivity.
- ▶ The areas of policy coordination that Australia's governments should prioritise in the strategy include:
 - support for innovation in freight services and the development of new business models
 - an efficient, trusted regulatory framework for the collection and sharing of freight transport data
 - appropriate recognition of the importance of freight networks in strategic, integrated urban and regional land use planning, and the reservation and protection of freight corridors needed for future growth
 - identification, funding and delivery of new investments in freight infrastructure, prioritised by the highest net economic and social benefits
 - more efficient use of freight infrastructure through user pays charging and the removal of undue regulatory restrictions on use. Road user charging and investment reform should be prioritised
 - ensuring a trained workforce via the vocational and education training system
 - maintaining high standards for safety and for managing the impact of freight operations on communities and the environment.

Context

The Business Council commends the government for developing a National Freight and Supply Chain Strategy.

Australia's large land mass and long distance from overseas markets means a productive freight and logistics sector is critical to our economic competitiveness. As a growing country we will need to continually expand the capacity of our freight networks to meet future demand, particularly in our fast growing cities and regional centres. We will need to take advantage of innovative new technologies and business models that can improve productivity and the customer experience.

Efficient freight and supply chain networks are needed to cost-effectively move final and intermediate goods into Australia (imports), out of Australia (exports) and between locations around Australia. Competitive supply chains are critical for national income by supporting exports in our resources, manufacturing and agricultural sectors. In particular there is a need for timely delivery of fresh produce into growing Asian markets (eg seafood and beef).

Competitive supply chains also boost consumer welfare by enabling the fast and low cost delivery of goods, whether sourced domestically or from offshore.

The freight and logistics industry's contribution to Australia's Gross Domestic Product is estimated at around 10 per cent.¹ This includes the storage of goods in warehouses and distribution centres and the transporting of goods including via road, rail, ports, airports, pipelines and intermodal terminals.

Freight and logistics services are largely provided by private businesses with little direct role for government. But governments have an important impact on the growth and productivity of the sector via their planning, infrastructure, regulation, taxation and education and skills training functions.

The strategy should set out a roadmap for government policy setting across governments that can drive more efficient and competitive freight and supply chain networks and accommodate future growth.

It is important to take the time to get the strategy right, and fully involve the states and territories to achieve a nationally consistent approach to policy wherever possible.

The strategy should take into account the specific freight network challenges facing each region of Australia. For example, Western Australian businesses may rely more on aircraft to move goods quickly due to fewer options to use shipping than the eastern states; Tasmanian businesses need to be able to move goods quickly and cost-effectively to the mainland before they can be sent to overseas markets.

Specific comments

Strategic goal

The Strategy should start with a clear goal to increase the global competitiveness of Australia's freight and supply chain networks by increasing their capacity to meet future demand and lifting productivity, while also ensuring high standards are continuously met relating to safety, and impacts on communities and the environment. The study should benchmark the costs and timeliness of Australia's freight networks against leading comparable countries, and set up a framework to continually monitor, assess and improve performance.

Innovation in freight services and new business models

The strategy should identify policy settings that will support innovation in the sector. Innovation is disrupting freight markets and supply chains and bringing down costs. As

1. See <https://infrastructure.gov.au/transport/freight/index.aspx>

outlined in the Discussion Paper, changes in freight activity are being driven by technology (eg, use of mobile phones, data, drones, autonomous vehicles, etc), consumer activity (eg, shift to online shopping) and new business models (eg, growth of intermodal terminals, express delivery, 3D printing, etc).

The role of data is critical. More data is being collected (eg via sensors on pallets, smartphones, etc) that can be used to inform better infrastructure provision and use. Through its response to the Productivity Commission's Inquiry into *Data Availability and Use* the government should build trust in data sharing and support a more competitive economy. The recommendations to increase access to publicly held data, particularly planning data, can support new business models and innovative customer solutions in the freight sector. In considering the Commission's recommendation for a new 'consumer right' the government should work with industry to develop a framework that supports competition but avoids discouraging private investment in data and creating additional costs from onerous or excessive regulation.

Collaborative use of data can lead to substantial improvements at key freight infrastructure sites. The Port of Hamburg provides a case study in the productive use of data to drive greater productivity.² The port currently handles around 9 million containers a year and will need to increase throughput to 18 million containers by 2025 without being able to draw upon additional land. The introduction of a 'smartPORT logistics platform', based on collaboration and coordination in the use of data and technology, is already leading to more-effective cargo handling across the entire supply chain.

Reliable mobile phone and satellite coverage in regional and remote areas will be needed to allow transport businesses to consistently collect operational data across the country and to improve productivity and safety.

Skills and workforce

As with other sectors of the economy, the freight and logistics sector needs to adapt to the changing nature of the workforce, which means new skills will be needed. Traditional roles will change due to new technologies such as automation, and new opportunities will emerge to work with technology in different ways, for example, the role of a truck driver could change from driving the truck to managing the on-board computers, fixing problems and undertaking other tasks. There is a need to train and attract more young people into the industry.

Housing affordability challenges in our major cities are making it difficult for the key workers who are needed to provide an efficient and safe freight network (eg firefighters, emergency services, police, drivers, etc) to live within a commutable distance of their place of employment. This can create stress on workers and makes it difficult to attract and retain employees in these roles.

Urban and regional planning and zoning

Future freight needs must be prioritised in long term strategic planning. The increase in the Australian population to over 30 million people over the next twenty years is estimated to coincide with a doubling of freight conveyance. As our cities and regional centres grow

2. See <https://www.sap.com/australia/about/customer-testimonials/public-sector/hamburg-port-authority.html#>

there will be a need to preserve space for freight corridors and make sure that the laws that govern the use of infrastructure enable efficient freight services.

Future freight routes will need to be protected. According to Infrastructure Australia, “targeted protection initiatives may be required to facilitate the movement of freight and deliveries in the established parts of our cities”.³ Sites will need to be reserved for intermodal freight terminals and new port infrastructure, along with appropriate buffers to protect them from urban encroachment.

Infrastructure Australia’s recent report *Corridor Protections* highlighted the future costs of failing to reserve corridors now for major projects that are expected to be needed in the future, such as: the East Coast High Speed Rail; the Outer Sydney Orbital; Outer Melbourne Ring; Western Sydney Airport Rail Line; Western Sydney Freight Line; Hunter Valley Freight Line and Port of Brisbane Freight Line.

Blockages to freight in the ‘last mile’ are a significant problem (ie the area surrounding the beginning or end of a freight journey at airports, ports and intermodal terminals). Increased residential zoning near freight centres (eg Sydney Airport and the Port of Botany) can lead to increasing local resistance over truck movements and calls for curfews and other restrictions. Strategic land use planning should be used to create buffers around ports and airports and to examine the potential for greater use of intermodal terminals connected by rail and road transport infrastructure and located away from residential areas.

Better infrastructure provision and use

Better freight infrastructure provision and use can be achieved by getting the most out of existing infrastructure and making sound decisions about new additional infrastructure.

Making better use of existing infrastructure

There are numerous ways to get more out of the existing infrastructure.

First, the strategy should identify opportunities to reform regulations that prevent or limit the efficient use of infrastructure, including the removal of barriers to high productivity vehicles and removing restrictions on operations – for example, slot and trading restrictions at airports and ports.

Second, implement full cost pricing models to provide incentives for the efficient use of infrastructure. Regulated infrastructure prices should reflect the full long term efficient cost of providing the service where possible, and pricing should be able to vary with demand. In particular, road pricing reform should be progressed.

Third, consider ways to augment existing infrastructure with new investments. Better application of technology should be used to improve the use of existing infrastructure, for example, sophisticated sensors used for Automatic Traffic Counts, use of crowdsourced social media data to provide more information regarding road traffic bottlenecks and clearance, and the use of sensors to determine the need for preventative maintenance on roads and bridges.

3. Infrastructure Australia, *Corridor Protection*, July 2017, p6

Road ramp metering has been estimated to deliver a 13 to 26 per cent increase in travel speed, an increase in volume of between 5 and 30 per cent and a 15 to 50 per cent reduction in road accidents.⁴

Fourth, new governance arrangements for existing assets should be considered. Wherever possible, Government should seek to move towards corporatisation, and then to privatisation, of infrastructure as a means of increasing the efficient operation of the asset. Regulatory frameworks should be implemented, where necessary, to ensure pricing and service standards are met.

New infrastructure procurement

New freight infrastructure will be required to meet Australia's growing freight needs. The role of Infrastructure Australia and the infrastructure agencies in the states and territories is essential for identifying the best option to meet identified needs with investments that have the highest net economic and social benefits.

The design of new infrastructure needs to take into account the needs of freight service providers, for example, new tunnel design needs to factor in limitations on the carriage of dangerous fluids by trucks. The mandating of independent, published cost benefit analysis for all new projects is a critical procedure to ensure that decision makers are fully informed prior to making decisions.

Rolling 5-year pipelines of committed infrastructure projects should be in place to provide a level of certainty that will attract private investment (eg Private Public Partnerships) and reduce the risk of damaging project cancellations, such as the East-West link and Perth Freight Link.

It is encouraging to see the government moving ahead with important projects like the Inland Rail and the Western Sydney Airport.

All governments should have asset recycling programs to sell mature infrastructure businesses and reinvest the proceeds in new projects that can help develop Australia's freight networks.

Project approvals

More efficient major project planning approvals regimes in the states and territories can improve the speed and efficiency of investment in new freight infrastructure.

State and Territory planning systems, in some areas, impose unnecessary costs and uncertainty on major investment decisions. A redesign of planning systems will improve service delivery, reduce costs for project applicants and deliver better outcomes for investment, jobs and the environment.

As outlined in the Business Council's *Competitive Project Approvals* report (released November 2016), planning reform should include moving all jurisdictions to a best practice model for assessing and approving major projects, characterised by a more strategic and timely approach to planning decisions, including:

4. Department of Infrastructure and Transport, National Urban Policy, 2011.

- greater use of strategic plans to determine permissible land use
- a lead agency framework
- single application, single assessment and single approval, within a legislated 12 month maximum timeframe
- streamlined compliance and performance monitoring
- judicial review only, and only for directly affected parties

Regulations

Other areas of regulation reform that can support more efficient use of freight infrastructure include:

- speed up the implementation of greater cost-reflective user charging for roads, starting with heavy vehicles and moving to the wider fleet. Cost-reflective user charging encourages efficient investment and use of road transport infrastructure and provides a funding source for new infrastructure investment
- encouraging all states to participate in the National Heavy Vehicle Regulator
- support the government's proposed changes to coastal shipping regulations, which include: allowing organisations to apply for single voyages; amending and reducing voyage notification requirements, and amending and removing tolerance provisions for cargo. An efficient coastal shipping sector is important for lifting the competitiveness of Australian businesses that use shipping in their supply chains and which employ many Australians right across the country
- Increase flexibility for aircraft movements and slot cap arrangements in the Sydney Airport Demand Management Act 1997 and ensure that a curfew is not applied to the Western Sydney airport. The efficiency of Sydney's aviation infrastructure is vital for our national freight network competitiveness
- Review aspects of civil aviation regulation that may be stifling an innovative domestic Unmanned Aerial Vehicle (UAV) industry, including: line of sight requirements in remote areas; excessive permission requirements in the operation of UAVs, including certificates of airworthiness; overly long administration processing times for approving new operators
- Simplify national access regulation and implement a single national regulator of infrastructure pricing and access, as proposed by the Competition Policy Review.

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