



Supplementary Submission on the 2020-2021 Commonwealth Budget

Introduction

The Australian Logistics Council (**ALC**) is the peak national body representing major companies participating in the freight logistics industry. ALC's policy focus is on delivering enhanced supply chain efficiency and safety.

It welcomes the opportunity to provide a supplementary submission on the 2020-2021 Commonwealth Budget, following its postponement until 6 October 2020.

For ease of reference, ALC's January 2020 submission on the Budget is set out in **Attachment 1**.

Why is Freight Important?

Freight affects every Australian, every day, everywhere. Common goods purchased by Australians such as food, clothing, household appliances and medicine all need to be transported by freight operators. Similarly, the freight supply chain provides the materials to build and operate critical community infrastructure – roads, hospitals and schools – which are fundamental to our society.

An inefficient and unproductive national supply chain can ultimately result in lost export income, reduced employment, higher consumer prices and Australia becoming less competitive in the global market.

The COVID-19 pandemic that has continued throughout 2020 has given many Australians a deeper appreciation of the importance of efficient and resilient supply chains. For the first time in generations, Australians have had first-hand experience of everyday items being unavailable on shelves, as panic-buying and unprecedented levels of demand for certain products occurred, especially in the early days of the pandemic.

Bushfires and COVID-19

This thesis was tested to the full with the commencement of the COVID-19 crisis that is still being managed, as well as in the bushfire tragedies of January 2020.

Throughout the bushfire crisis and the COVID-19 pandemic, ALC's advice has been actively sought by ministers at the federal and state/territory level, and we have been at the table with other peak industry and advocacy bodies as policy makers sought to shape responses that addressed the needs of the community, whilst also being aligned to the overarching national objectives of minimising the impact and stimulating economic and employment growth.

Examples of these activities include:

- direct, early interventions with the federal, state and territory governments at the ministerial level to secure exemptions from travel restrictions/border closures for freight transport activities

- direct advocacy to ministers and senior departmental personnel at the federal, state and territory level requesting and obtaining the removal of curfews and operational restrictions that prevented efficient resupply of key retail outlets during the 'panic buying' phase of the crisis; and
- making formal representations to the then COAG Transport and Infrastructure Council encouraging ministers to maintain and expedite their commitment to the implementation of the National Freight and Supply Chain Strategy, which will also serve as an important tool for economic and employment stimulus in the wake of COVID-19.

Lessons Learnt

ALC identified several policy deficiencies and potential enhancements during both the Bushfire and COVID-19 Crisis. These include;

The Importance of not limiting 24/7 operations with curfews.

ALC has been particularly vocal in ensuring that governments maintain the lifting of council curfews and other regulations that inhibit 24 hour transport operations.

As consumers witnessed empty supermarket shelves as a result of unprecedented demand caused by the COVID-19 pandemic, there is a clear need to ensure that logistics operators are able to operate without restriction, be that in deliveries to supermarkets or the movement of containers at ports.

The single most effective government action taken to address these issues did not involve massive expenditure, but simply the removal of operational curfews through non-legislative ministerial action.

ALC's ongoing advocacy in this area includes ensuring that as COVID-19 restrictions ease, these curfews are not re-imposed on industry.

The need for further harmonisation of transport regulations

The emergence of border restrictions as a result of the COVID-19 was unprecedented – never has this occurred since federation.

It has become increasingly more evident to Australians that freight does not stop at state borders and regulations on national supply chains must be uniform to reflect this. Emerging from the pandemic there is a critical need for further harmonisation of transport regulations and practices nationally.

This became particularly clear with the difficulty in settling a suitable protocol for domestic border controls during July 2020¹.

Despite the document being agreed on 24 July 2020, the failure of some jurisdictions to observe its terms – particularly around consultation with industry - created needless

¹ This is the final Protocol: https://www.infrastructure.gov.au/vehicles/vehicle_regulation/files/protocol-for-domestic-border-controls-freight-movements.pdf

uncertainty and confusion for freight and logistics operators, who already face a very challenging operating environment.

Ensuring that Industry needs remain visible to Government

ALC has consistently engaged the National Cabinet process as well as individual governments to ensure that COVID related restrictions did not impede on the ability for the freight and logistics industry to continue to operate.

One such example of this was ensuring that roadhouses, dedicated truck rest stop facilities and truck driver lounges remained open as governments dealt with the pandemic. Through awareness activities facilitated by ALC (amongst others) the National Cabinet reversed a decision to close these facilities by several jurisdictions.

This further recognised the need to ensure that essential workers such as truck drivers were able to continue operations unimpeded during the crisis, as well as recognising the contribution that the logistics industry makes in supporting vital sectors moving goods to port and air freight facilities.

It is also illustrative of the types of insight industry has that governments may not possess.

The success of the COVID-19 Commission Advisory Board (as it is now called) shows the importance of 'on-tap' business expertise to government.

The Federal Government should formalise and fund the establishment of a high-level consultative body representing an appropriate cross-section of the Australian freight and logistics industry to provide direct advice on matters directly related to the freight and logistics industry to both government at departmental level as well as to the Infrastructure and Transport Reform Committee of National Cabinet.

COAG revised²

Since the postponement of the Budget, COAG has been replaced by the National Cabinet.

It has announced six initial priority areas of reform, and the formation of six National Cabinet Reform Committees:

1. Rural and Regional Australia
2. Skills
3. Energy
4. Infrastructure and Transport
5. Population and Migration
6. Health

These committees will be driven by leaders of National Cabinet and tasked to progress a rapid jobs agenda.

Deregulation will be taken forward by the Council of Federal Financial Relations (**CFFR**) which is led by the Commonwealth Treasurer and is made up of Treasurers of states and territories as a matter of priority.

The CFFR has a central role in the new system, supporting the work of National Cabinet as it focuses on job creation. Specifically, National Cabinet has tasked CFFR to progress targeted reforms in areas such as tax, deregulation and housing. It is also charged with rationalising funding agreements between the States and the Commonwealth.

The Productivity Commission will also be tasked with informing and developing this Federation wide deregulation agenda.

Finally, once a year National Cabinet, CFFR and the Australian Local Government Association will meet in person as the National Federation Reform Council.

The importance of efficiently operating infrastructure and supply chains to the Australian economy has been recognised by this administrative structure.

The Prime Minister's CEDA address

The importance of transport and logistics to Australia was also recognised by the Prime Minister in an address to the Committee for Economic Development of Australia (**CEDA**) on 15 June 2020.³

He announced the Government had brought forward additional investments in infrastructure totalling \$4.2 billion, including \$1.75 billion for the Sydney Metro Western Sydney Airport as well as an agreement with jurisdictions that identified 15 major projects on which joint assessment teams will fast track project approvals, including the inland rail link from Melbourne to Brisbane.

These are welcome announcements, as was his observations in relation to reducing regulation, in which he said:

Our focus applies as much to the culture of regulators as it does to the content of regulations. I'm sure anyone in business would understand that point. This crisis has shown what can be achieved when regulators are pragmatic and responsive, solving problems without compromising safeguards.

.....

³ <https://www.pm.gov.au/media/address-%E2%80%93-ceda%E2%80%99s-state-nation-conference>

So I have asked Assistant Minister Morton to report back on 'lessons learned' in recent months, highlighting cases where governments and regulators have responded to the COVID crisis and its economic fall-out with urgency and common-sense.

There are many encouraging examples beyond the ones I have mentioned.

Shop trading hours were deregulated in Queensland, Western Australia and South Australia so people didn't have to spend so long in the queues. Practical problem, practical solution by practical people.

Trucks were allowed to resupply along roads and during hours where they were previously banned. And the sun came up the next day. It was extraordinary. (emphasis added)

Retaining the momentum for reform

ALC requests that all of the recommendations made in its earlier submission and set out in Attachment 1 are considered as part of the Budget now being delivered on 6 October.

However, given the events of 2020 the following matter should be given particular attention:

Ensuring productivity reforms are encouraged

The *Intergovernmental Agreement on Competition and Productivity – Enhancing Reforms* formed part of the outcomes of the COAG meeting held on 9 December 2016.⁴

It contained a number of initiatives that are important to the Australian freight chain.

This includes:

- a confirmation of the need to expedite road pricing reforms;⁵
- the restatement of the rules relating to access to services provided by means of significant infrastructure facilities;⁶ and
- the development of microeconomic reforms that improve the connectivity of cities and regions through reforms in such areas as land use planning and improving the efficiency of transport.

ALC believes that it is important that a system similar to the national competition policy reforms of the 1990s be implemented so as to provide an incentive to the States and Territories to remove unnecessary regulations that stifle productivity and efficiency such as, to take the Prime Minister's cue, making permanent the removal of those regulations currently suspended that have been found to have productivity benefits such as the removal of curfews, discussed above.

⁴ <http://www.coag.gov.au/about-coag/agreements/intergovernmental-agreement-competition-and-productivity-enhancing-reforms>

⁵ Appendix C of the Agreement

⁶ Appendix C.1

The CFFR should focus as a deregulation priority the elimination of impediments that impact on the productivity of the freight and supply chain, through the review and amendment of the 2016 IGA referred to above.

The Commonwealth should also provide incentive payments to State and Territory governments for removing regulatory impediments to productivity.

The revised federal administrative structure

An Infrastructure and Technology Committee of National Cabinet has been established.

It is imperative the Commonwealth support a process that allows the Committee to focus on issues that maximise sectoral efficiency and therefore increase the development of jobs.

These include setting as priorities of the Committees as:

- ensuring State and Territory governments implement their action plans as part of the National Freight and Supply Chain Strategy, focusing on a clear alignment with the Commonwealth Government's Plan. **Consideration should be given to the Commonwealth providing incentive payments for the prompt implementation of plans submitted by jurisdictions;**
- expediting the reform of the Heavy Vehicle National Law (HVNL), something which has stalled in the bureaucratic process, so that reforms set out outlined in ALC's submission to the Transport and Infrastructure Senior Officials Committee (TISOC) in late 2019⁷ in areas such as data collection, fatigue management and the inclusion of a national operator standard for heavy vehicle operators can be advanced. **It would be beneficial if the Commonwealth provided both the leadership and the financial resources to bring this exercise to a close;**
- overseeing a process in which each jurisdiction to review each derogation from the HVNL to determine whether they remain a cost effective way to deliver intended productivity or safety outcomes, and if not, to remove them;
- kick-starting the process of developing National Planning Principles, a component of the National Freight and Supply Chain Strategy and something unfortunately disrupted by COVID-19, as well as developing a National Corridor Protection Strategy, something which has only moved very slowly through the TIC process. These initiatives are discussed in greater detail in the ALC 2019 discussion paper *Don't Box Us in: Improving Planning Policy for Freight*⁸, contained in **Attachment 2**; and

⁷ <http://www.austlogistics.com.au/wp-content/uploads/2019/10/TISOC-Submission-Making-a-Modern-Heavy-Vehicle-National-Law.pdf>

⁸ http://www.austlogistics.com.au/wp-content/uploads/2019/03/FINAL_DontBoxUsInDP3LR-compressed.pdf

- encouraging the development of a National Freight Data Hub. **In particular, the Commonwealth should ensure that its current funding for the development of the Hub is maintained (if not expanded).**
- ALC is of the strong view that each jurisdiction's response to the National Freight and Supply Chain Strategy should be regularly monitored against an agreed scorecard. The ALC is developing a scorecard model that will be put to the committee for adoption. **It would be beneficial for the Commonwealth to support this initiative in principle.**
- The current "improve efficiency and deregulation agenda" should enable a push to modernise trade regulation and "finally" create a **trade single window**. An open for business via a trade single window would be a significant benefit for Australia's regional competitiveness. This has been on the agenda for years and gone nowhere. **ALC would like to see a renewed effort from the Commonwealth to establish the Trade Single Window.**

Most importantly. It is important that under the new process jurisdictions should report directly to the National Cabinet directly and not have ideas sifted through senior officer committees, the element of COAG that slows things so much that the Prime Minister considered the process as places where 'good ideas go to die'.⁹

Further details on the matters referred to above can be found in the attachments.

JobKeeper Payment Scheme

Maintaining the viability of businesses operating within the freight and logistics sector is critical to ensuring the success Australia has enjoyed in the battle against COVID-19 continues.

The Government has previously indicated a willingness to examine eligibility requirements for a range of income and business support measures instituted in response to the COVID-19 pandemic, including the JobKeeper payment.

Given the essential nature of freight transport to Australia's pandemic response, ALC encourages the Commonwealth to ensure that JobKeeper eligibility criteria also take into consideration the particular challenges being faced by high cost and low margin sectors (such as freight transport) that are providing essential services to communities.

It should be noted that businesses which have not been able to access JobKeeper to date are now experiencing ongoing cashflow pressures, which could ultimately impede their ability to scale-up operations as the economy recovers.

ALC believes that government support for freight and logistics as an 'essential service' must include consideration of the uniquely challenging circumstances many businesses in the sector are faced with at this time.

⁹ <https://www.pm.gov.au/media/press-conference-australian-parliament-house-act-29may20>

Conclusion

ALC is grateful for this opportunity to provide a further submission to the 2020-2021 Budget process.

It hopes the lessons learnt from the 2020 bushfire and COVID-19 crises underlines the point that Australia is one national economy and so the lessons learnt and so those lessons can be applied by the new National Cabinet process in a way that enhances the efficiency and safety of the freight and logistics industry.

If you require any additional information, please feel free to contact me on 0417 142 467, or via email to kirk.coningham@austlogistics.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kirk Coningham', with a stylized flourish at the end.

Kirk Coningham OAM
Chief Executive Officer



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Introduction

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ALC is the peak national body representing major companies participating in the freight logistics industry. ALC's policy focus is on delivering enhanced supply chain efficiency and safety.

Why is Freight Important?

Freight affects every Australian, every day, everywhere. Common goods purchased by Australians such as food, clothing, household appliances and medicine all need to be transported by freight operators. Similarly, the freight supply chain provides the materials to build and operate critical community infrastructure – roads, hospitals and schools – which are fundamental to our society.

An inefficient and unproductive national supply chain would result in lost export income, reduced employment, higher consumer prices and Australia becoming less competitive in the global market.

Without freight, commerce stops.

Ensuring the efficiency of Australia's supply chain

ALC has welcomed the Commonwealth Government's release of a *National Freight and Supply Chain Strategy* (**the Strategy**). However, the strategy will only succeed if the Commonwealth commits to meaningful actions, backed by new investment and real deadlines for delivery. The Strategy will count for very little if insufficient resources are allocated to support its delivery.

ALC believes that this budget should turn its attention to facilitating the outcomes committed to in the strategy.

The priorities set out in this budget submission fall under two overarching objectives:

- Ensuring that objectives outlined in the National Freight and Supply Chain Strategy are adequately resourced and prioritised; and
- Supporting specific infrastructure, regulatory and safety initiatives that will significantly enhance national supply chain efficiency and safety.

Summary of Recommendations

Recommendation 1:

The Commonwealth Government should ensure the allocation of new money over the forward estimates period so it can honour undertakings made in the 2019 Commonwealth Implementation Plan made for the National Freight and Supply Chain Strategy. It should also ensure the states and territories adequately and efficiently implement jurisdictional plans.

Recommendation 2:

The Commonwealth Government should make incentive payments to state/territory governments to promote planning reforms that enhance supply chain efficiency and safety.

Recommendation 3:

The Commonwealth Government should fund the development of a National Transport Corridor Protection Strategy.

Recommendation 4:

The Commonwealth Government must continue to fund and resource a team within the Department of Infrastructure, Transport, Cities and Regional Development with the responsibility of overseeing the implementation of the National Freight and Supply Chain Strategy.

Recommendation 5:

The Commonwealth Government should continue to commit adequate resources to the development of a National Freight Data Hub.

Recommendation 6:

The Commonwealth Government should continue to fund the Road Freight Telematics Data Project.

Recommendation 7:

The Commonwealth Government should use the Road Freight Telematics Project to determine the top 10 most under-served truck rest stops in Australia for targeted funding.

Recommendation 8:

The Commonwealth Government should continue to resource the Australian Bureau of Statistics to continue to develop and publish the Australian National Transport Economic Account.

Recommendation 9:

The Commonwealth Government should establish a High Productivity Vehicle Infrastructure and Education Fund.

Recommendation 10:

The Commonwealth Government should adequately resource Heavy Vehicle Road Reform to ensure that implementation begins during the life of the current Parliament.

Recommendation 11:

The Commonwealth Government should hypothecate funds contributed by heavy vehicle operators and ensure they are directed towards infrastructure projects that support the movement of freight.

Recommendation 12:

The Commonwealth Government should contribute to the development of design, funding and financing proposals for the construction of a dedicated freight rail link from Acacia Ridge to the Port of Brisbane.

Recommendation 13:

The Commonwealth Government should fund the development and implementation of the National Rail Plan.

Recommendation 14:

The ONRSR's remit should be broadened to include productivity issues, and the Government should commit resources to ensure this outcome.

Recommendation 15:

The Commonwealth Government should adequately resource the development of a Transport Sector Skills Strategy.

Recommendation 16:

The Commonwealth Government should develop an incentive program for businesses in the freight and logistics industry that attracts young trainees, female employees and people from disadvantaged and diverse backgrounds into the industry.

Recommendation 17:

In partnership with industry, the Commonwealth Government should fund a program to attract young people and women into the freight and logistics sector.

Recommendation 18:

The Commonwealth Government should establish a Low Emission Vehicles Contestable fund and provide the fund with \$20 million per annum.

Recommendation 19:

The Commonwealth Government should establish a Zero Carbon Freight Offset for electric vehicles.

The National Freight and Supply Chain Strategy

The success of the National Freight and Supply Chain Strategy is crucial to the maintenance of Australia's high standard of living. This success is limited however by inconsistencies in regulation between jurisdictions.

Freight does not stop at state borders, and any regulation needs a nationally consistent approach. This national approach will provide the consistency and co-ordinated decision making that is needed to get freight moving more quickly and at lower cost.

Both governments and industry have made a significant investment of time and resources in the development of the Strategy, and industry will continue to focus on ensuring that action items are implemented.

To that extent, ALC is pleased the *Mid-Year Economic and Fiscal Outlook 2019-20* confirmed that the Commonwealth has committed to providing \$3.9m in funding from existing resources of the Department of Infrastructure, Transport, Cities and Regional Development to deliver initiatives as part of the Strategy.

It is also pleasing that the Commonwealth has published an Implementation Plan,¹ designed to indicate how it will implement its part of the National Strategy from now until 2023, which has been endorsed by the COAG Transport and Infrastructure Council at its 22 November 2019 meeting.²

However, so that industry can have confidence that the Strategy will continue it is imperative that money is allocated over the forward estimates period to ensure the commitments made by the Commonwealth in its implementation plan are honoured.

Recommendation 1: The Commonwealth Government should ensure the allocation of new money over the forward estimates period so it can honour undertakings made in the 2019 Commonwealth Implementation Plan made for the National Freight and Supply Chain Strategy. It should also ensure the states and territories adequately and efficiently implement jurisdictional plans.

Planning for Freight's Future

Australia's freight task is predicted to grow more rapidly than the national population, increasing by more than 50 per cent in the decade to 2016, compared with a population growth of 18 per cent in the same decade. Freight volumes are predicted to increase by more than 35 per cent between now and 2040.³

This rapid growth will place enormous pressure on our freight networks. Unless long term planning is actioned now, the performance of these networks will suffer, and Australian consumers will pay the price.

¹ https://www.freightaustralia.gov.au/sites/default/files/documents/cwth_actions-for_website_0.pdf

²

https://www.transportinfrastructurecouncil.gov.au/sites/default/files/documents/12th_transport_and_infrastructure_council_communique_22nov_2019.pdf

³ Australian Infrastructure Audit 2019

Poor planning disadvantages freight operators as well as local communities. Residential developments encroaching on freight facilities reduce the amenity for residents and the efficient operations of those freight facilities. For example, Australia's two largest container ports – Port Botany and the Port of Melbourne – are facing encroachment challenges. Residential developments have been built adjoining a freight rail line to Fremantle Port. Further developments are mooted near Sydney Airport – a crucial freight facility already affected by curfews.

ALC's members and many other industry participants consistently identify planning issues as a priority for reform.

A particular concern for industry is the diminishing quantity of industrial land available in proximity to key freight facilities (such as ports, airports, railways and intermodal terminals), coupled with a lack of action to preserve land for the future freight transport needs of a growing population – particularly in urban areas.

In essence, the needs of the freight logistics industry are losing out to residential interests when it comes to planning and development decisions. Unless a better balance is struck, there will be negative consequences, as delays and rising supply chain costs are passed on to consumers, and Australia's exporters become less competitive.

Although planning powers are generally the responsibility of state/territory governments, the national imperative requires leadership from the Commonwealth, including funding to incentivise best practice.

Through this budget, the Commonwealth Government has the opportunity to:

- Provide incentives to implement a nationally consistent policy to protect freight lands from residential and commercial encroachment;
- Fund the protection of future transport corridors; and
- Fund the recruitment and development of an experienced team of freight planners and freight transport specialists within the Department of Infrastructure, Transport, Cities and Regional Development (**DITCRD**). This will allow the Commonwealth to exercise greater leadership in these key areas as the National Freight and Supply Chain Strategy is implemented.

Under this scenario, incentive payments would be provided to a state/territory government on the proviso that agreed reforms are enacted.

There are precedents for such an approach. For example, the 2017-18 Commonwealth Budget offered incentive payments to the NSW Government and relevant Local Governments to support reforms to accelerate housing supply in Western Sydney.

For the freight industry, incentive payments could be used to implement a nationally consistent freight protection planning policy. This policy would include:

- State/territory governments recognising, in their planning regimes, the importance of the Australian freight industry, and that any caps, curfews or other restrictions on the use of freight infrastructure and the movement of freight vehicles should be actively avoided;

- The development of and adherence to land separation policies that appropriately zone freight, commercial, industrial and residential lands, as well as policies to retain and protect lands identified as suitable for freight purposes; and
- A clear recognition that areas zoned as 'freight lands' are distinct from 'industrial' lands (which often still permit the construction and operation of large consumer facilities that create traffic congestion and inhibit supply chain efficiency).

Recommendation 2: The Commonwealth Government should make incentive payments to state/territory governments to promote planning reforms that enhance supply chain efficiency and safety.

A National Corridor Protection Strategy

Infrastructure Australia underscored the importance of corridor protection in 2017 when it found close to \$11 billion could be saved on land purchases and construction costs for seven future infrastructure priorities listed on the Infrastructure Priority List.⁴

Effective corridor protection not only serves to contain future community discord over land use, but can also deliver significant savings for taxpayers when it comes to the cost of building infrastructure.

The development of a National Corridor Protection Strategy will enable the Australian Government to properly identify future transport corridors and to begin to implement policies, such as land acquisition, that can protect these corridors. This will deliver savings on infrastructure costs for taxpayers, whilst simultaneously contributing to enhanced supply chain efficiency.

A National Corridor Protection Strategy should also identify sites to be preserved for the construction of intermodal terminals and warehousing precincts.

Such a strategy has been in the contemplation of governments since the development of the 2012 National Land Freight Strategy.⁵

Given the importance of corridor protection as emphasised by both Infrastructure Australia and the National Freight and Supply Chain Strategy, the time has come for corridor protection to be funded at a Commonwealth level.

Recommendation 3: The Commonwealth Government should fund the development of a National Transport Corridor Protection Strategy.

⁴ Infrastructure Australia, *Corridor Protection: Planning and investing for the long term* (2017), 5.

⁵

https://www.transportinfrastructurecouncil.gov.au/sites/default/files/National_Land_Freight_Strategy_Compressed.pdf : 3

Commonwealth Freight Strategy and Planning Division

ALC is pleased that a dedicated team has been formed within the Department of Infrastructure, Transport, Cities and Regional Development to oversee the implementation of the National Freight and Supply Chain Strategy.

Considering the recent restructure of the Australia Public Service (including DITCRD), it would be detrimental to the success of the strategy if changes resulting in a loss of resources for this team were to take place as part of the restructure.

Recommendation 4: The Commonwealth Government must continue to fund and resource a dedicated team within the Department of Infrastructure, Transport, Cities and Regional Development with the responsibility of overseeing the implementation of the National Freight and Supply Chain Strategy.

Technology

National Freight Data Hub

A common concern expressed by many freight logistics industry leaders is the lack of meaningful data about the performance of Australia's supply chains. This concern was echoed by the *Inquiry into National Freight and Supply Chain Priorities*⁶, which found there was limited national data to measure and benchmark performance.

The lack of data is concerning as it makes it difficult for governments to prioritise investments and accurately measure the impact of new policies or infrastructure investments. Many of the impacts noted by the Inquiry Report, including urban encroachment issues, can only be completely understood once a solid evidence base is built.

As recently as December 2019, the Productivity Commission expressed disappointment in an absence of data sufficient to allow an appropriate productivity analysis, saying:

Although data limitations are a key constraint in productivity analysis, the Commission's reform agenda and the Australian Government's development of the National Freight Data Hub should help to improve this in the future (chapters 8 and 10). More accessible data on the number and sizes of heavy vehicles operating, as well as the routes they take, would enable more informed productivity analysis and decision making.⁷

ALC and its members have been in the forefront of assisting government in the development of projects such as the Transport Satellite Account, the Freight Data Visibility Pilot coordinated by BITRE and the industry-led Location Registry Pilot.

This activity makes it clear that technology and data will play an increasingly important role in building national capacity to meet the growing freight task more safely and efficiently. It

⁶ <https://www.infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/index.aspx>

⁷ <https://www.pc.gov.au/inquiries/current/transport/draft/transport-draft-appendixb.pdf> : 18

follows that better collection and access to freight data is a critical action area in the National Action Plan associated with the National Freight and Supply Chain Strategy.⁸

The creation of a freight hub will give effect to the key industry recommendation contained in the *Report of the Inquiry into the National Freight and Supply Chain Priorities*, to collect, analyse and publish freight performance data for all freight modes and supply chains, so to better inform decision making and investment⁹.

Recommendation 5: The Commonwealth Government should continue to commit adequate resources to the development of a National Freight Data Hub.

Road Freight Telematics Data Project

ALC members have been cooperating with BITRE and the ABS since 2016 on the Road Freight Telematics Project

The project is designed to develop experimental indicators for;

- Congested freight-significant network locations;
- Average travel speed of freight vehicles;
- Routes taken by freight vehicles;
- Origin and destination of freight vehicle movements; and
- Freight vehicle stop locations and durations.

The intention is to identify congested networks, key freight routes and average travel speed and travel times on key freight routes. Other outputs developed would include where, when and for how long freight vehicles are stopping and the overall amount of road freight activity.

The Project could also be used to define the most underserved routes for heavy vehicle rest areas – with BITRE publishing an annual list of the top 10 under-served routes.

ALC believes the Road Freight Telematics Data Collection Project should continue to be supported by the Australian Government.

Recommendation 6: The Commonwealth Government should continue to fund the Road Freight Telematics Data Project.

Recommendation 7: The Commonwealth Government should use the Road Freight Telematics Project to determine the top 10 most under-served truck rest stops in Australia for targeted funding.

⁸ <https://www.freightaustralia.gov.au/sites/default/files/documents/national-action-plan-august-2019.pdf>

⁹ https://www.infrastructure.gov.au/transport/freight/freight-supply-chain-priorities/files/Inquiry_Report.pdf
recommendation 2.5: 11

Transport Satellite Account

Flowing from the Report of the *Inquiry into National Freight and Supply Chain Priorities*, the Australian Bureau of Statistics (ABS) released an experimental Transport Satellite Account (known as the Australian Transport Economic Account) in October 2018.

This initiative is essential to building the evidence base regarding the economic contribution the sector makes to the economy.

ALC supports the continued development and publication of this account, so that the economic contribution of the sector is better understood by policy-makers and the wider community.

Recommendation 8: The Commonwealth Government should continue to resource the Australian Bureau of Statistics to continue to develop and publish the Australian National Transport Economic Account.

Road Freight

In 2016-17 the Australian road freight task equated to approximately \$228 tonne/kilometres.¹⁰ This was up from \$202 billion tonne/kilometres just four years previously.¹¹

Australia's road freight task is growing. It is vitally important therefore that our heavy vehicles can operate efficiently and safely.

High Productivity Vehicle and Infrastructure Education Fund

High Productivity Vehicles (HPVs) are truck and trailer combinations which permit a greater payload than traditional freight vehicles, allowing more freight to be transported. They help improve delivery times and reduce road congestion.

HPVs are also safer and cleaner than older heavy vehicles.

Operating these larger, newer, safer and more efficient vehicles will require infrastructure upgrades to the road network.

Additionally, there is reluctance in some quarters of the community to facilitate their use on Australian roads. The fact that larger vehicles can be among the safest on the road is not well understood.

However, further investment in HPVs and the granting of HPV operating permits must also be undertaken in a way that does not cut across other initiatives to increase efficiency and enhance the industry's environmental performance, including achieving modal shift from road to rail.

To address these challenges, the Commonwealth Government should establish a High Productivity Vehicle Infrastructure and Education Fund.

¹⁰ See Commonwealth Government, *Dashboards* (2019) at <https://app.powerbi.com/view?r=eyJrIjoiaWY3MDA4ZTYtODRlNy00MzNjLTg2YmMtZWVjMWlyNmU4NmQzIiwidCI6ImFhMjFjNjQwLWJhYzItNDU2ZC04NTA1LWYyY2MwN2Y1MTc4NCJ9>

¹¹ Ibid.

Recommendation 9: The Commonwealth Government should establish a High Productivity Vehicle Infrastructure and Education Fund

Maximising the Potential of our Existing Roads

In 2017, the Productivity Commission warned that;

A key policy challenge is to improve transport efficiency within existing constraints. More efficient utilisation of existing transport infrastructure and better integration of transport services, where possible, is needed.¹²

While governments need to continually invest in new roads, it is equally important that we maximise the productivity of the roads we have already built.

The Inquiry into National Freight and Supply Chain Priorities concluded that the Australian Government should;

Implement a market solution to road user charging for all heavy and light vehicles, with pricing linked to the level of road infrastructure investment required, and community service obligation payments (or similar alternative) made available for the maintenance of low volume roads which are key components of regional and rural transport.¹³

Revenue from Fuel Excise will decline as electric vehicles come on to the market and vehicles continue to improve their fuel efficiency. Research has found that in 2013-14 Fuel Excise contributed 39% of public sector road related revenue, down from 44% in the early 2000s.⁸

DITCRD is currently working with stakeholders to progress Heavy Vehicle Road Price Reform (HVRR). ALC supports the intent of this reform, provided the revenue is reinvested into the roads from which the revenue was raised and is not diverted for other purposes.

ALC is pleased that the November 2019 meeting of the COAG Transport and Infrastructure Council agreed to progress with the HVRR project. This reform should remain a priority for the Commonwealth Government, as continued delay on the issue will only make its ultimate resolution more difficult.

Recommendation 10: The Commonwealth Government should adequately resource the Heavy Vehicle Road Reform to ensure that implementation begins during the life of the current Parliament.

Recommendation 11: The Commonwealth Government should hypothecate funds contributed by heavy vehicle operators and ensure they are directed towards infrastructure projects that support the movement of freight.

¹² The Productivity Commission, Shifting the Dial: 5 Year Productivity Review (2017), p132

¹³ Australian Government, Inquiry into National Freight and Supply Chain Priorities (2018), p10

Rail

Inland Rail

The Australian Government has committed to building Inland Rail – a once-in-a-generation freight rail project running from Melbourne to Brisbane.

ALC supports linking Inland Rail to the Port of Melbourne and the Port of Brisbane and providing efficient rail linkages to the ports of Botany, Kembla and Newcastle in New South Wales.

On current designs, Inland Rail will terminate at Acacia Ridge, approximately 30km south-west of the Port of Brisbane. To fully realise the national supply chain benefits of Inland Rail it is crucial that a dedicated freight rail link connect to the port. This is to ensure freight is not travelling on the same lines as passenger rail services.

The same can be said for the Port of Melbourne, for the full benefits to be delivered for regional exporters and importers, inland rail needs to connect to the Port of Melbourne via the Western Intermodal Freight Terminal (WIFT). This will enable the relocation of domestic rail freight from the Dynon Precinct, thereby creating network capacity to central Melbourne for both freight and passenger services as well as support the establishment of new domestic freight rail services that can service international rail freight taking pressure of road networks within Victoria.

Qube Holdings also has an option to develop a 1,100 hectare complementary interstate intermodal terminal at Beveridge to the north of Melbourne known as the Beveridge Intermodal Freight Terminal (**BIFT**). BIFT is immediately adjacent to the proposed Inland Rail route and will be required along with WIFT to meet the future growth in interstate rail volumes.

Linking Inland Rail to the Port of Brisbane will improve the efficiency of freight delivery, with goods destined for the port not having to be loaded from rail to truck, or onto a shuttle rail (such as on the Beenleigh and Cleveland lines) at Acacia Ridge.

This means the work must now be undertaken to identify the best way of linking Acacia Ridge and the Port, as well as the best way to finance and fund the construction of this vital link.

Recommendation 12: The Commonwealth Government should contribute to the development of design, funding and financing proposals for the construction of a dedicated freight rail link from Acacia Ridge to the Port of Brisbane.

National Rail Plan

During 2015, the government published a *Draft Freight Rail Policy Objectives Discussion Paper*. The Paper contained a recommendation from Ernst & Young that any national reform work focussed on freight rail prioritise:

- Harmonisation of all aspects of rail safety laws between states; and

- That where economic benefits exist, moving towards a single set of laws across jurisdictions governing environmental regulation, workplace health and safety, workers' compensation and drug and alcohol testing.¹⁴

The need for reform has not diminished in the near half-decade since. As the Inquiry Report stated in Recommendation 1.13:

"1.13 Ensure standardisation and interoperability across rail networks, for example, train control and operating systems and rail gauge."

Commonwealth Government, *Inquiry into National Freight and Supply Chain Priorities* (2018), 10.

A 2018 paper entitled *Review of Rail Access Regimes* published by DIRDC notes:-

4.1.3 Environmental requirements

Stakeholders noted that there are roughly 150 different environmental regulations that operators must comply with when operating rolling-stock between Perth and Brisbane. Each rail operator is required to comply with Environmental Management Plans (EMPs) and environmental licencing at a state level and each state has its own regulatory body that ensures compliance with these plans. The criteria specified in EMPs also vary widely between the states. This means that operators have to comply with changing environmental regulation and navigate multiple different administrative and regulatory processes.

Inconsistencies with systems, processes and technologies has a significant impact on costs of compliance for rail freight operators. For example, operators report that train drivers are required to carry three sets of route guides when moving between regional and metropolitan New South Wales (NSW), and be trained to drive across all three networks. Operators must invest substantial time and capital in training their drivers and crews to comply with the different systems, processes and technologies, and ensuring that their locomotives comply with the different operational requirements.¹⁵

Years of malaise needs to be set aside. A single set of consistent national laws should be developed to regulate the movement of freight by rail in Australia.

The Commonwealth is currently developing a National Rail Plan.

The 2020-21 Commonwealth Budget should appropriate funds sufficient to allow the review of regulations originally proposed by Ernst & Young to the Commonwealth in 2015 to be conducted and the results reflected as part of the National Rail Plan.

Recommendation 13: The Commonwealth Government should fund the development and implementation of the National Rail Plan.

Office of the National Rail Safety Regulator

The Office of the National Rail Safety Regulator (**ONRSR**) was created by the *Rail Safety National Law (South Australia) Act 2012*. ONRSR was established to:

- Encourage and enforce safe rail operations; and

¹⁴ Australian Government *Australian Government's Freight Rail Policy Objectives* (2015), 24.

¹⁵ <https://infrastructure.gov.au/rail/publications/files/Review-of-Rail-Access-Regimes.pdf>, 22.

- Promote and improve national rail safety.

ALC supported the creation of ONRSR and was engaged as the National Draft Rail Safety Law was developed.

ONRSR was established as part of a Commonwealth policy designed to harmonise transport operations across Australia. In the road space, the National Heavy Vehicle Regulator (**NHVR**) was established in 2012.

However, there is one important difference between ONRSR and NHVR. The NHVR has a productivity mandate.¹⁶ ONRSR, while playing an important role in national rail safety, does not have the responsibility for the productivity and efficiency of Australian rail operations.

ALC believes this should change – a belief that is shared by other leading industry groups, including the Freight On Rail Group (FORG). The Budget should fund a review of the remit of ONRSR, with the intention of providing ONRSR with a productivity mandate, and the resources needed to exercise that mandate.

Recommendation 14: The ONRSR’s remit should be broadened to include productivity issues, and the Government should commit resources to ensure this outcome

Establishing a Sustainable Workforce

The ageing of Australia’s workforce is a whole-of-economy challenge, but it is particularly acute in the road transport sector.

A large scale industry survey conducted in 2016 found the average age of a truck driver in Australia is 47, with more recent industry estimates putting that number closer to 50 years of age, with just 15 per cent of drivers estimated to be below the age of 30.

If not addressed, looming workforce shortages will lead to higher costs in the freight transport sector – and these will ultimately be reflected in higher prices paid for goods by consumers and businesses.

Some industry participants have noted that driving heavy vehicles is not seen as an attractive career choice, particularly for school leavers.

The industry also suffers from a continuing perception problem around its ability to welcome female participants to its workforce, as well as those from diverse cultural backgrounds. As well as dealing with diversity issues, the sector’s workforce must address the fact that the increasing influence of technology in the operation of heavy vehicles will demand a broader range of skills than may have previously been applicable in the industry.

Likewise, industry participants feel that the transport sector has not received appropriate levels of attention when it comes to skills and training support, especially in comparison to the hospitality, retail and human services sectors.

¹⁶ See <https://www.nhvr.gov.au/files/201705-0533-nhvr-corporate-plan-17-20.pdf>, 5.

As part of the National Freight and Supply Chain Strategy, the Commonwealth Government has undertaken to develop a new Transport Sector Skills Strategy, in partnership with industry.

The development of this Strategy must take particular account of workforce shortages being experienced by the heavy vehicle sector and support an increase in training opportunities available to those wishing to enter its workforce.

This includes supporting education and awareness campaigns that combat stereotypes about the nature of the industry, and which prioritise the recruitment of new workforce participants from diverse backgrounds.

The Strategy must also take note of the importance of enhanced mental health outcomes amongst industry participants. Industry led programs such as *Healthy Heads in Trucks and Sheds* (the development of which is being led by Woolworths) exemplify a proactive approach in this area. The government should aim to support such industry-led initiatives where they exist.

Recommendation 15: The Commonwealth Government should adequately resource the development of a Transport Sector Skills Strategy

Recommendation 16: The Commonwealth Government should develop an incentive program for businesses in the freight and logistics industry that attracts young trainees, female employees and people from disadvantaged and diverse backgrounds into the industry.

Recommendation 17: In partnership with industry, the Commonwealth Government should fund a program to attract young people and women into the freight and logistics sector.

Electric Vehicles and the Freight Industry

To date, the uptake of electric vehicles in the freight industry has been led exclusively by the industry. However, many of the substantial benefits delivered through electric vehicles fall to the broader community. Therefore, the next Australian Government should take an active role in promoting and supporting the use of electric vehicles in the freight industry, for the benefit of the community.

The benefits of electric vehicles are largely known, though they are worth repeating:

- Electric vehicles are sustainable – they do not emit harmful pollutants;
- Electric vehicles are safe – they are typically manufactured to include the latest safety features, such as lane departure warnings. Electric vehicles also provide health benefits such as air quality improvements;
- Electric vehicles are quieter – this opens the opportunity for electric vehicles to operate quietly and effectively in hours not available to operators of traditional vehicles due to curfews.

Many freight companies are looking to invest in electric vehicles but are concerned by the lack of interest and support from Australian governments. This is exemplified by the Senate

Select Committee on Electric Vehicles which, in a report of 197 pages, mentioned freight just once.

Zero Emissions Contestable Fund

It is proven that incentives can help change consumer choice in markets, which is why the Commonwealth Government should seek to incentivise freight operators to purchase electric vehicles.

Indeed, in April this year, Toll Group purchased two electric vehicles (the Fuso eCanter) for in its Japanese fleet. Explaining the decision to purchase electric vehicles for their Toll Express Japan business, Toll acknowledged that incentives offered in Japan made the move to electric vehicles possible.

The Commonwealth Government should fund the implementation of a Low Emission Vehicles Contestable Fund to co-fund up to 50% of the purchase price of an electric vehicle. ALC believes such a fund should be valued at \$20 million per year.

The fund is based on a similar model operated by the New Zealand Energy Efficiency and Conservation Authority (EECA). In New Zealand, the EECA has used the Low Emission Vehicle Contestable Fund to provide more than \$18 million (NZD) to 100 projects since 2016. This includes funding for:

- The purchase of five electric vans to assess their suitability for widespread courier use;
- The purchase of two 10 tonne electric trucks and supporting charging infrastructure;
- Replacing two diesel trucks with electric vehicles for waste recovery, and;
- Designing and developing an electric truck to shuttle dairy products in Hamilton.

Recommendation 18: The Commonwealth Government should establish a Low Emission Vehicles Contestable fund and provide the fund with \$20 million per annum.

Zero Carbon Freight Offset

Tax exemptions and offsets are another way the government can support the uptake of electric vehicles.

ALC supports providing a tax offset, per vehicle, for freight companies that purchase and utilise that electric vehicle in their commercial business. The offset could be known as the Zero Carbon Freight Offset (the Offset).

In the first instance, this offset should be valued at \$30,000 – in line with the current instant asset write-off provisions. All freight companies registered for Goods & Services Tax in Australia would be eligible for the Offset. The Offset would apply to vehicles that do not rely on an internal combustion engine for propulsion.

Recommendation 19: The Commonwealth Government should establish a Zero Carbon Freight Offset for electric vehicles.

Conclusion

The Australian Logistics Council is grateful for this opportunity to provide its recommendations for the development of the 2020-2021 Commonwealth Budget

The recommendations and suggestions made in this submission represent practical ways to enhance the efficiency and safety of the freight and logistics industry.

If you require any additional information, please feel free to contact me on 0417 142 467, or via email to kirk.coningham@austlogistics.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kirk Coningham', with a stylized flourish at the end.

Kirk Coningham OAM
Chief Executive Officer

DON'T BOX US IN

IMPROVING PLANNING POLICY FOR FREIGHT

DEVELOPING AND IMPLEMENTING THE
NATIONAL FREIGHT AND SUPPLY CHAIN STRATEGY
DISCUSSION PAPER 3

MARCH 2019



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The Australian Logistics Council (ALC) is the peak industry body representing the major and national freight logistics companies, with a focus on national supply chain efficiency and safety.

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Last updated February 2019



OVERVIEW

On 24 November 2016, the then-Prime Minister, Hon. Malcolm Turnbull MP, announced that the Commonwealth Government would undertake a National Freight and Supply Chain Strategy (the National Strategy).

ALC was the industry leader advocating for the development of a National Freight and Supply Chain Strategy.

Australia's supply chains do not stop at state borders, and our rapidly-growing population will add significantly to the nation's freight task in the years immediately ahead.

As such, now is the right time for national leadership to establish a consistent approach to planning, infrastructure development and the regulation of freight movement.

To inform the development of the National Strategy, the Commonwealth undertook the Inquiry into National Freight and Supply Chain Priorities (the Inquiry) throughout 2017.

The Inquiry released its Report (the Inquiry Report) on 18 May 2018, during the Transport & Infrastructure Council (TIC) meeting in Darwin.

The priorities identified in this Final Report will now underpin the development of the National Freight and Supply Chain Strategy.

ABOUT THIS DISCUSSION PAPER

In welcoming the release of the Inquiry Report on 18 May, ALC noted its recommendation of continuing industry involvement in the development and implementation of the Strategy.

ALC believes that this is essential to make certain that the Strategy which is released is one that will meet the needs of industry, and permit Australia to meet its growing freight task efficiently and safely.

To help achieve that objective, ALC has been releasing a series of Discussion Papers since mid-2018 designed to provide insight into industry's thinking on the Strategy's implementation, and the areas that should be prioritised for action.

This is the third Discussion Paper in that series, and focusses on how the Federal Government can use its existing powers to deliver greater national consistency in planning outcomes, and ensure freight movement is properly prioritised in planning systems operated by state, territory and local governments.

INTRODUCTION

Population growth has become an increasingly salient issue in public debates over recent years. Increasing numbers of Australians appear to be examining challenges such as housing affordability, increasing traffic congestion in our cities and slow wages growth – and concluding that our present levels of population growth are not sustainable.

But is that the whole story?

After all, Australia is a geographically large country that, on the face of it, should easily accommodate far more than the 25 million people.

The fact that our major cities appear to be groaning under capacity constraints says as much about our approach to planning as it does about our approach to population.

This is certainly true of the challenges currently being faced by many participants in the nation's freight logistics sector.

The costs, congestion and curfews that confront those who move freight throughout Australia are a direct result of one thing – a consistent failure by governments at all levels over many decades to properly incorporate freight movement in their planning policies.

Freight is no less essential to the day-to-day lives of Australians than a reliable supply of potable water or electricity. Without the freight logistics industry, Australian households could not feed or clothe themselves, much less maintain a comfortable standard of living.

Regrettably, this reality is not being reflected in the way our governments deal with freight issues. Most Australian jurisdictions still do not have a dedicated minister for freight. This lack of direct accountability within government for a key economic sector has obvious flow-on consequences.

Too often freight priorities run a poor second to residential priorities in planning decisions, and many of our planning systems fail to properly acknowledge the vital role of freight efficiency in establishing liveable communities.

This situation must change if Australia is to successfully meet its growing freight task and satisfy the demands of consumers who increasingly expect faster delivery and lower costs.

In ALC's view, now is the time for the Federal Government to demonstrate national leadership. By using a mixture of incentives and constitutional powers, the Federal Government can drive the establishment of a consistent national approach to planning to give freight the focus it deserves.

The policies in this paper do not propose a radical shift in Federal-State relations. Rather, they encourage the Federal Government to use precedents already set in other policy areas to foster greater national consistency in planning for freight movement.

Ultimately, such an approach will reduce uncertainty, duplication and costs for the industry – and contribute to lower prices for Australian businesses and households.





WHAT IS THE ISSUE?

The Importance of Operational Flexibility

Throughout the process of industry engagement and consultation that has occurred during the development of the National Freight and Supply Chain Strategy, many in the freight logistics sector have emphasised their need for 24/7 operational flexibility.

This is necessary to ensure the efficient and safe movement of freight throughout supply chains, and to meet business and consumer expectations around rapid freight delivery. These expectations have increased significantly over recent years, due to:

- » growing popularity of eCommerce platforms;
- » an increasing volume of goods being imported as local manufacturing has declined; and
- » increased demand for Australian exports as a result of free trade agreements with growing Asian markets.

Freight's Place in the Planning Hierarchy

At the same time, Australia's growing population and the increasing popularity of inner-urban living has seen demand for land and further residential development in our major cities soar.

This has resulted in two negative consequences for the freight logistics sector:

- » a reduction in the supply of land available to expand key freight facilities to meet a growing freight task; and
- » the imposition of restrictive regulatory practices – such as noise curfews and bans on heavy vehicle access – as governments seek to appease residential interests.

Where there is conflict between the efficient operation of freight logistics infrastructure and increased population densities, too often the latter will win.

This is emblematic of the type of ad-hoc thinking that has driven Australia's approach to freight planning for far too long.

The development of the National Freight and Supply Chain Strategy is an opportunity to rethink our approach – and recognise the importance of freight to all Australians by lifting its place in the planning hierarchy.



ACHIEVING NATIONAL CONSISTENCY IN PLANNING

The Problem: Who is in Charge?

The power to make planning decisions primarily remains a function of state and territory governments, with many of the more granular aspects of decision-making in this area devolved to local governments and other statutory authorities.

This is a reality imposed by the Australian Constitution - which historical experience has shown is notoriously difficult to alter.

State and territory governments have traditionally been resistant to any perceived attempt by the Federal Government to 'take over' policy areas for which they retain responsibility.

Although state governments will sometimes refer their powers in a particular area to the Commonwealth (as most states have done with their industrial relations powers over the past two decades), the political potency of planning issues in many local communities suggests this is unlikely to occur anytime soon.

Accordingly, the Commonwealth has two main levers available to it in order to promote greater national consistency in planning; the provision of incentives, and the use of existing constitutional powers.

Using Incentives to Drive Outcomes

Transfer payments from the Federal Government to state, territory and even local governments have been widely recognised as an effective way to achieve desired policy reform objectives.

For example, when a series of economic reforms were undertaken from the mid-1990s under the banner of *National Competition Policy*, a key aspect of incentivising their completion by state and territory governments was the provision of National Competition Policy payments.

Commencing in 1997/98, these payments were made to the states and territories (on a per capita basis) provided they had achieved satisfactory progress against their reform commitments.

In essence, these payments were the means by which the economic gains from reform were distributed throughout the community.

As the benefits of reform flowed through to the Federal Government in the form of higher taxation revenue, the gains were returned directly to the state and territory jurisdictions that had participated in the reform process.

Incentive Payments Today

Although National Competition Policy payments to state and territory jurisdictions ceased in the mid-2000s, the Federal Government clearly still regards such arrangements as worthy of emulation.

For example, in December 2016, the Federal Government and all states and territories (other than Victoria and Queensland) signed the *Intergovernmental Agreement on Competition and Productivity – Enhancing Reforms*, which notes that “*The Commonwealth will provide payments to the States for the delivery of reforms that drive Australia’s economic performance and living standards.*”¹

The Agreement goes on to explicitly state that in order to “*qualify for payments, the States will deliver reforms consistent with the terms and conditions of this Agreement.*”²

Of particular interest is the list of regulatory reforms set out at Appendix A of that Agreement, which places “*commercial planning and zoning*” as the first item in a list of 14 areas identified by the *Competition Policy Review* as priorities for action.³

¹ Intergovernmental Agreement on Competition and Productivity-Enhancing Reforms, December 2016 (p.4)

² *ibid* (p.4)

³ *ibid* (p.9)

It is also worth noting that the 2017-18 Commonwealth Budget offered incentive payments to the NSW Government and relevant local governments to support reforms designed to accelerate housing supply in Western Sydney, to account for a growing population and improve affordability in the housing market.⁴

The use of incentive payments to drive reforms at the state and territory level is also something that has recently been flagged by the Federal Opposition.

The Shadow Treasurer, Hon. Chris Bowen MP, has said that if elected, he would move to:

“...establish a new independent COAG Economic Reform Council that will be given more autonomy in its remit to examine, track, and report to COAG on long-term reform priorities.”⁵

As part of this proposal, he suggests a new COAG Economic Reform Council:

“...might examine restructuring payments to the states to include incentive or reward payments, which helped drive reform in the 1990s and were used successfully until mid-last decade.”⁶

Given the apparent bipartisan consensus that incentive payments are an effective way for the Federal Government to drive state and territory participation in regulatory reform, ALC suggests that the approach should also be used to achieve reforms in planning.

Section 96: Using Existing Powers to Drive Reform

Outside the provision of incentive payments to state and territory governments to implement policy reforms, the Constitution also provides the Federal Government with a significant power that could be used to achieve the sort of planning reforms that the freight logistics industry requires.

Under Section 96 of the Constitution, the Commonwealth can make conditional grants of money to the state and territory governments.

These grants are commonly known as specific purpose payments (SPPs) and are used to fund programs in a wide range of areas. The states administer these payments which, in most cases, are subject to certain conditions placed upon them by the Commonwealth.

Very often, these SPPs support programs and outcomes that are not within the realm of the constitutional powers granted to the Federal Government (as listed in Section 51 of the Constitution). These include health and education, road, environmental and infrastructure initiatives (including road funding).

Given that SPPs are used by the Federal Government for infrastructure funding, ALC's view is that it is entirely appropriate for the Federal Government to attach to such funding to certain conditions that will improve national supply chain efficiency.

Current constitutional arrangements clearly give the Federal Government the power to enhance supply chain performance by making the continued provision of infrastructure investment dependent on the delivery of key reforms to planning policy.

The Federal Government should not be afraid to use that power.

4 Commonwealth Budget 2017-18, Budget Paper No. 2 (p. 142)

5 Hon. Chris Bowen MP, Address to the 2018 Outlook Conference, 11 October 2018

6 *ibid*

WHAT PLANNING REFORMS ARE NEEDED?

Priority Actions

In November and December 2018, the Department of Infrastructure, Regional Development and Cities (DIRDC) undertook a series of industry focus groups across the nation regarding draft elements of the National Freight and Supply Chain Strategy.

One of the potential action areas discussed for inclusion in the National Strategy was designed to:

Ensure freight demand is recognised in transport and land use planning across and between jurisdiction boundaries and freight modes, to meet the demands of the growing freight task.

Examples of potential actions

- 9.01** Government freight planning is linked to the National Strategy.
- 9.02** Identify best practices for corridor and precinct protection.
- 9.03** COAG Transport and Infrastructure Council to actively support corridor development and protection.
- 9.04** Promote strategies to protect nationally significant freight-related infrastructure from urban encroachment.
- 9.05** Recognise the contribution of regions in freight planning.

These potential actions largely accord with those that have been identified by ALC members and other industry participants over recent years as necessary elements of a cohesive national approach.

A National Approach to Corridor Protection

A consistent national approach to corridor protection is essential to achieving the planning reforms that the freight logistics industry needs.

Effective corridor protection not only serves to prevent future community discord over land use, but can also deliver significant savings for taxpayers when it comes to the cost of building infrastructure.

Infrastructure Australia underscored this fact in 2017, when it found that close to \$11 billion could be saved on land purchases and construction costs for seven future infrastructure priorities listed on the Infrastructure Priority List if swift action was taken to preserve relevant corridors.⁷

The development of a National Transport Corridor Protection Strategy will enable the Federal Government to properly identify future transport corridors and begin to implement policies that can protect these corridors. This will deliver savings on infrastructure costs for taxpayers, whilst simultaneously contributing to enhanced supply chain efficiency.

These measures should include the acquisition of land to help protect key freight transport corridors from the effects of urban encroachment.

A National Corridor Protection Strategy should also identify sites to be preserved for the construction of intermodal terminals and warehousing precincts.

The construction of such facilities will be critical to servicing the freight needs of a growing population and addressing road congestion in Australia's major cities in the years ahead.



Failure to properly protect freight corridors leads to the encroachment of residential development on freight infrastructure. Photo Credit: SITE planning + design

⁷ Infrastructure Australia, *Corridor Protection: Planning and investing for the long term* (July 2017), p.2

An Effective National Freight Planning Policy

Corridor protection is a vital first step in ensuring the nation's planning regimes deliver for freight. However, there are other key issues that will also need to be addressed.

Establishing Distinct Planning Recognition of Freight and Logistics Lands

For too long, terms like 'industrial lands' or 'employment lands' have been used as a catch-all when discussing non-residential land use, particularly in urban areas.

Yet as our growing population increases demand for land, the application of such broad terms in planning instruments is no longer sufficient to ensure the operational flexibility that those involved in the freight logistics sector require.

For instance, land that is broadly zoned for 'industrial' or 'employment' purposes may still ultimately allow the establishment of a consumer bulky goods or even retail facilities near a crucial freight facility, such as a port.

The construction and operation of such a facility can give rise to increased traffic congestion on roads that provide the only access to and from freight facilities. This conflicting land use impedes supply chain efficiency and may also present safety risks.

Priority Action 1:

To provide certainty for all parties and prevent future land use conflicts, all jurisdictions should be required to incorporate 'freight and logistics lands' as a distinct category in their planning instruments. To help achieve this outcome, the Federal Government should require the inclusion of such a category in planning instruments as a precondition for investing in transport infrastructure projects.

Preventing Curfews and Other Operational Restrictions

The larger our cities grow, the larger the freight task gets. Accordingly, if we wish to grow our cities and ensure their continuing functionality and amenity, we must adopt policies that support the increasing freight task.

Yet, too often, the default instinct of many of our urban planning systems – not to mention political representatives – is to adopt policies that impede urban freight delivery, especially in CBD areas, by limiting access for freight vehicles, banning them from using certain routes and restricting the time of day (or night) they can undertake deliveries.

Placing curfews and other regulatory restrictions on the movement of freight vehicles ultimately harms consumers – as their expectations around rapid delivery times cannot be met, and as delays in freight movement add to the price paid for goods.

Priority Action 2:

The Federal Government should use its constitutional powers to ensure that any investment it makes in freight transport infrastructure requires the explicit agreement of the state, territory or local government receiving funding that it will not impose curfews or other operational restrictions on freight logistics operators using the infrastructure.





Land Separation Policies

Over recent decades, successive governments have permitted industrially zoned employment lands around key freight facilities such as ports and airports to be progressively rezoned to permit mixed land uses, including residential, commercial and retail.

The continuing encroachment of non-freight development on these critical freight facilities has a range of negative consequences for the efficiency of freight movement – particularly the creation of congestive pressures on surrounding road infrastructure, and pressure from the occupants of newly-constructed residential developments to limit the operational hours of nearby freight infrastructure.

At the same time, this rezoning of land from industrial to commercial and residential purposes has also seen the supply of land available to freight logistics facilities that wish to expand their operations to meet a growing freight task dwindle.

In ALC's view, the Federal Government should demonstrate leadership in this area by requiring state, territory and local governments seeking funding support for infrastructure projects to demonstrate that their planning instruments contain appropriate land separation policies – and appropriately protect sites identified as suitable for freight and logistics purposes in the future.

Priority Action 3:

The Federal Government should only provide funding for transport infrastructure projects to jurisdictions that develop and adhere to land separation policies that appropriately zone freight, commercial, industrial and residential lands – and implement policies to protect lands identified as suitable for freight purposes.

Adopting a Clear Set of Planning Principles

Greater national consistency in planning outcomes would be vastly more likely if there was an agreed set of National Planning Principles in place, to which state, territory and local governments would be required to adhere in order to receive Commonwealth funding support for the delivery of significant infrastructure projects.

ALC has developed a set of principles (see over page) that could be adopted by the Federal Government and used to encourage all jurisdictions to deliver more consistent planning outcomes for the freight logistics sector.

By adopting these principles and encouraging jurisdictions to incorporate them within their own planning systems, the Federal Government would be playing a leadership role, whilst ensuring that state, territory and local governments retain their primary responsibilities in the planning space.

Priority Action 4:

The Federal Government should adopt the ALC National Planning Principles as an example of best practice in planning, and use incentive payments and other constitutional powers available to it to secure their adoption by all jurisdictions.



Better land separation policies would help prevent conflict between interests of freight operators and residential communities. Photo Credit: SITE planning + design

ALC NATIONAL PLANNING PRINCIPLES

- 1** All planning instruments must recognise that planning for transport and logistics (including ensuring the continued efficient operation of existing ports and other freight and logistics infrastructure) is an urban priority. This means that caps, curfews and other restrictions on how infrastructure (particularly ports and airports) are operated and used must be avoided.
- 2** Compromised planning outcomes between industrial and residential uses fail both industry and residents. Planning instruments must incorporate sustainable land use planning solution that allows industry to operate and expand in order to increase economic activity and jobs near where people live. Planning instruments should therefore contain land use compatibility features including:
 - a) land separation between residential and freight and logistics lands; and
 - b) retention and protection of lands that are suitable in size for freight and logistics purposes.
- 3** Planning instruments must ensure that industrial lands and transport corridors are capable of operation 24 hours a day, seven days a week. State and territory governments must ensure planning instruments provide for mitigation measures when sensitive use developments (e.g. residential) are located close to freight infrastructure.
- 4** Planning instruments must identify a clear linkage of road and/or rail infrastructure between employment lands and other clearly identifiable freight generation points, as well as other significant transport infrastructure such as ports, airports and intermodals.
- 5** Governments must establish effective corridor protection mechanisms to ensure timely preservation of surface, subterranean and air corridors and strategic sites for future infrastructure priorities.



CONCLUSION

Freight and supply chain issues affect every Australian. The everyday goods that Australians buy, such as food, clothing and household appliances, all need to be transported by freight logistics operators.

Without freight, Australian households and businesses cannot function.

Inefficient supply chains lead to negative outcomes, including lost export income, reduced employment, higher consumer prices and an economy that is less globally competitive.

Ensuring that our planning systems adequately prioritise the efficient and safe movement of freight through our supply chains is essential if Australia is to meet its growing freight task in the future and remain globally competitive.

ALC believes this is the right time for the Federal Government to incentivise state, territory and local governments to undertake reforms that will ensure the centrality of freight movement in day-to-day life is properly reflected in planning regimes.

This need not entail a wholesale shift in the division of responsibilities between the Federal Government and other jurisdictions - but will require the Federal Government to use its existing powers to drive nationally consistent outcomes.

As this paper notes, there are clear precedents for the Federal Government to provide incentive payments to other jurisdictions in return for undertaking policy reforms across a range of areas that are designed to enhance productivity.

Similarly, the Federal Government has the power to attach conditions to funding it provides to support the delivery of infrastructure projects.

Given the importance and urgency of securing greater supply chain efficiency and safety, the time is now right for the Federal Government to use both these policy levers in order to secure planning reforms that will finally ensure the movement of freight is appropriately and consistently prioritised by governments at all levels.

The urgent requirement for national leadership is widely accepted. It's time for action.



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