Submission

Victorian Freight Plan Consultation Paper

Friday, 28 June 2024

Introduction

The Australian Logistics Council (ALC) is pleased to be respond to the the Victorian Freight Plan Discussion Paper.

ALC is the peak national body representing major companies participating in the end-to end freight supply chain and logistics industry with a focus on delivering enhanced supply chain safety, efficiency and sustainability.

Freight affects every Australian and every business, every day, everywhere. Common goods purchased by Australians such as food, clothing, household appliances and medicine, plus all business equipment needs to be transported by freight operators. Australia's population is expected to grow by 10 million by 2040, an increase which must be supported through proactive investment in freight transport and freight logistics infrastructure.

The importance of an effective, resilient, unencumbered national supply chain in day-to-day life, as well as in times of national disruption, has never been as universally recognised as it is now. Noting the unprecedented circumstances in which the pandemic served, the actions taken by governments at both a Commonwealth and state and territory level, as well as by industry, must be acknowledged and viewed as valuable lessons that will enable greater preparedness in future crises or national disruption.

Overview

To continue supporting Victoria and Australia's economy effectively, policy-making in the freight logistics, freight transport and supply chain sector requires substantial reform. This should extend beyond addressing specific existing policies to include a thorough evaluation of how these policies are developed, implemented, and assessed. A systems thinking approach is crucial for managing the inherent complexities and interdependencies within supply chains and freight logistics. Supply chains operate beyond state borders and modal preferences, necessitating policies that avoid siloed approaches and conflicting regulations across various levels of government and jurisdictions. Policies must be designed with an understanding of the entire supply chain system to effectively meet the needs of producers, manufacturers, end users, communities, consumers and businesses.

This includes the requirement to develop policy positions on a cross-departmental and cross-jurisdictional basis. This is particularly important in the areas of land use planning decision making and urban growth, to meet the requirements of freight transport, logistics and warehousing, and to integrate supply chains as essential in the process.

Supply chain policy must also address workforce, skills and training requirements. The freight and logistics sector, a major employer, faces acute short-term labour shortages and longer-term skills and employment gaps. Policy development for workforce involve industry participation in its structure and delivery, employing a "joined-up" government approach to develop industry relevant policy and outcomes.

Supply chain systems thinking and "joined-up" government approaches are prerequisites for coherent policy development and successful action plans to address the major economic and societal challenges such as decarbonisation, climate change (including increased incidence of extreme weather events), and digitisation. These issues require multi-faceted and multi-layered policy approaches that rely on collaboration between government, industry and subject matter experts to transition to the new operating and economic environments they bring while

protecting community well-being and seizing new opportunities as they arise. Freight and supply chains, when supported by appropriately integrated policy, can significantly aid in delivering this transition.

Effective supply chain policy development hinges on a single principle: supply chain awareness. Policy action plans must be enabled by an appropriate comprehensive knowledge on the topic and therefore we look forward to being engaged in the measurement of the success of the action plan – as outlined in the plan. We look forward to helping by providing informed "on the ground" applied expertise. This ensures policy actions and outcomes can be practically achieved and can identify potential impacts and reactions to policy implementation. Governments across Australia now realise – through the Covid-19 crisis – that they must strengthen their awareness through engaging in a structured and ongoing dialogue with industry.

This review comes at a critical time for both the industry and the nation.

Significant transformation in energy, digitisation and automation, and decarbonisation are set to impact our economy, community and lifestyle. Policy development to meet these challenges also incorporates the learnings from the supply chain sector during the Covid-19 pandemic. This position has not diminished through the post Covid-19 crisis recovery and has become more critical as we grasp the scale of transformative challenges, we all now face.

It is essential that the economic, social, environmental and operational importance of supply chains remains a focus as governments continue to develop state and national policy, and that supply chain understanding is built across all levels of government in the public domain.

Key Issues and Recommendations

At the outset, we note the Freight Plan update does not follow the structure of the 2018 Delivering the Goods document.

It would have been helpful if the document had identified what had been achieved in each priority area in the six years since 2018 and a preliminary view of what the Government would hope to achieve over the short (1-5 years), medium (5-10 years) and long (10+ years) term was published for industry comment.

The failure to do so is a missed opportunity.

The current review of the Victorian Freight Plan coincides with actions in other states and the review of the Australian Government National Freight and Supply Chain Strategy. This provides an exceptional opportunity to develop policy and strategy in collaboration with the Commonwealth and other state governments, aligning policy goals and processes to drive productivity at both the state and national level.

As noted on page 1 of the Discussion Paper, the development of an updated Victorian Freight Plan provides the opportunity to align with the update of the National Freight and Supply Chain Strategy due to be completed during 2024.

We have identified the key areas that the Victorian Government should prioritise, including specific actions addressing issues raised in the discussion paper, as well as those highlighted directly by our members through their individual submissions.

While there are potentially hundreds of projects that could address current freight, logistics and supply chain concerns, we have identified the following areas as being most relevant, impactful and needed.

Government Roles, Policy and Regulatory Settings

The Victorian Government must ensure its freight plan is harmonised with the strategies of the Australian Government and other State Governments; The Queensland and New South Wales strategies are also under construction at this time. Aligning these strategies will provide a cohesive framework that supports the seamless movement of freight across state borders, enhancing overall efficiency and reducing regulatory burdens for the logistics sector. A coordinated approach is essential for addressing the complexities of freight movements in a nationally integrated economy. This includes aligning rules and regulations such as operating hours and planning controls.

Integration of freight policy and regulatory settings across a broader spectrum of sectors should be a priority, with a particular focus on harmonising decarbonisation efforts across various departmental policy frameworks.

Historically, the segmented nature of policy frameworks in the freight sector has hindered effective policy implementation. Embedding these frameworks comprehensively across different departments will enable Victoria to achieve greater harmonisation, better utilisation of infrastructure capacity, and ensure the delivery of critical projects. This approach will improve efficiency, reduce duplication, and aid in meeting emission reduction targets.

Policy settings must also reflect significant technological advancements since the previous freight plan in 2018. The agility demonstrated by supply chains during the global pandemic highlights the potential to leverage innovative technology to enhance productivity at international ports and across Victoria's export, import and domestic supply chains.A governmental review of settings is necessary to harmonise operations and streamline processes, reducing delays and enhancing operational efficiencies. There is much the Victorian Government can do within the public sector during this time of severe budgetary constraint.

The effectiveness of the plan is paramount. The ALC urges the Victorian Government to implement measures that deliver tangible outcomes for the freight and logistics industry. This includes prioritising projects and policies that can be realistically achieved within the existing constraints. Effective implementation will build confidence within the industry and ensure that the plan's objectives are met in a timely manner.

Given the limited availability of government funding, the ALC recommends that the Victorian Government focuses on areas where it can make the most significant impact through regulations and policy adjustments. This includes streamlining regulatory processes, facilitating private sector investment, and ensuring that infrastructure planning and development are forward-looking and adaptable to future needs.

Transparency of Taxes and Costs

Transparency in the imposition of taxes and costs is fundamental. Our members have expressed significant concern regarding the potential imposition of a tax on every container at the Port of Melbourne, purportedly to encourage a shift to rail. It is important to highlight that Webb Dock does not have rail , and freight rail capacity in the Melbourne Metropolitan area is severely limited due to legislation which assures the unwavering priority of passenger services. The ALC advocates for clear and transparent communication about any such taxes, ensuring that stakeholders understand the rationale and intended benefits. Additionally, any revenue generated should be transparently allocated to initiatives that genuinely support freight efficiency and sustainability and not used as a device to raise funds to be directed into the consolidated revenue fund. Should the proposed tax on trucks at the Port of Melbourne -ostensibly to force a modal shift of containerised freight to rail – be implemented then consideration needs to be given to freight passing through Webb Dock (where there is no rail) and ensuring this tax directly and accountably addresses decarbonisation in the freight industry.

Interconnected infrastructure

A paucity of interconnected freight logistics infrastructure in Victoria stems from a lack of sophisticated systems knowledge in infrastructure, design, investment and delivery and ineffective coordination of major projects. Investment in intermodal interfaces is hamstrung by dissonant policy positions in land use planning, road and rail economic assessment and policy, and tardy, inflexible and cost prohibitive requirements around planning decisions and transport network connections and access.

To address these issues, the Victorian Government should establish a dedicated, independent office with direct responsibility and accountability for interconnected freight and supply chain infrastructure. This office should be modelled on the office of a Co-Ordinator General and encompass road, rail, ports, air, and urban and regional freight logistics. Its responsibilities should include regulation and network access for road and rail, freight network pricing, and industrial land use planning to encourage investment. The office must have the capability to facilitate planning approval processes for major private sector freight and supply chain investments across various departments, agencies, and utility providers. Additionally, it should hold parties accountable for timely delivery in planning and infrastructure support to avoid prolonged, fragmented, and unproductive outcomes.

To harmonise processes and procedures for assessing and establishing intermodal terminals (IMTs), a whole-of-supply-chain approach should be utilised. Coordination with national and local governments is essential to expedite planning and regulatory approvals for IMTs. Providing funding and facilitation to support network infrastructure connections, especially regarding rail infrastructure network providers and signalling integration, is crucial.

Direct incentives should be provided to drive modal shifts from road to rail and support government goals for modal share. These incentives should address short-term transitional costs associated with the rollout and uptake

of metropolitan intermodal terminals. This includes changes to regional service operations that enhance metropolitan rail network productivity and efficient container movements. Furthermore, incentives should target structural infrastructure access costs that hinder rail competitiveness against road access regimes. Cargo owners and shippers should be the primary recipients of these incentives, focusing on reducing the price friction associated with switching between road and rail supply chains.

The independent review of the Inland Rail Project recommended prioritising delivery of the Beveridge Intermodal Precinct, which the Commonwealth endorsed and is proceeding with development. The Victorian Government should prioritise working with the Commonwealth to advance the development of the Beveridge Intermodal Precinct for the benefit of Victorian, and indeed Australian, consumers. Efficient operations at this new open access intermodal precinct, connected via Inland Rail South, will result in increased competition, greater innovation, lower transport costs and ultimately translate to lower prices for consumers. The sooner operations commence at Beveridge, the sooner these benefits will be felt by consumers. Support and engagement with the Commonwealth through the development of the Beveridge Intermodal Precinct will also prove useful for the Victorian Government as they proceed to protect land at Truganina for future development of a western terminal. Key learnings can be applied to enhance outcomes at Truganina, further benefiting the Victorian population through a well connected and efficient network of open access intermodal precincts.

Finally, it is vital to preserve and provide special planning overlays for future IMT locations, and freight precints including properties adjacent to the Beveridge Intermodal Precinct and the previous policy priority area of the Western Intermodal Freight Terminal (WIFT)

Public sector planning and decision making

The broad ranging public sector planners and decision makers lack of sophisticated awareness of the supply and freight logistics system, continues to result in poor decision making that negatively impacts productivity, sustainability, and resilience. To address this issue and foster an informed understanding and support of freight operations, the Australian Logistics Council (ALC) recommends several key initiatives.

Firstly, it is essential to develop a program that identifies capability gaps across Victoria Governemnt Departments. Urgent design and delivery of micro-credentials aimed at improving decision-making related to freight and supply chain policy are essential to improve Victori'a supply chain future. This program should target the specific educational needs of urban planners and state government decision makers , highlighting the importance of industrial land, the protection of actual and potential freight corridors, and the integration of supply chains across Melbouren and Victoria's land uses. Additionally, it should address the impacts on urban design and the links to jobs, long term careers and employment.

Increasing the use of both formal and informal education pathways is necessary to build freight and supply chain understading across state and Victoria's local governments. This includes engaging with industry bodies to facilitate site visits and awareness-building programs that provide "hands-on" experience for policy staff. Such initiatives will help bridge the knowledge gap and ensure that planners and decision-makers are well-versed in the complexities of freight logistics.

Furthermore, there is a need to assess policy decisions and actions that have successfully supported short-term step-changes in freight and supply chain productivity in response to major disruptions. Examples include the Sydney 2000 Olympics and the recent response to the COVID-19 pandemic. Reviewing these experiences with industry stakeholders will help identify elements that can drive enduring productivity improvements.

Industrial land requirements

Industrial lands support local job-creating industries such as manufacturing, utilities, mechanics, logistics, and other operations, providing essential goods and services to cities and the state. Additionally, urban areas require industrial lands for evolving services like dark stores, local consolidation centers, and recharging stations for battery-powered delivery vehicles, which support e-commerce, food delivery, and last-mile logistics.

Industrial lands must be located near businesses and consumers to keep transport and distribution costs low, and close to workers who staff these businesses. This is essential for the efficient and effective servicing key business districts and population centers in Victoria.

The scarcity of industrial land in Greater Melbourne presents significant challenges, including:

- Higher rents for Melbourne businesses compared to other capital cities with more affordable sites closer to their CBDs and population centers.
- Limited suitable sites for warehouses and distribution centers.
- Available logistics sites moving further out and at increasing distances from household, consumers and and businesses, increasing transport costs, delivery times, and emissions.
- Supply chain and lgositics businesses (especially FMCG) relocating to other Australian cities due to these challenges, taking investment and jobs with them.

Planning policies must unlock new industrial lands and protect existing ones to ensure Victoria remains sustainable and prosperous. Without adequate strategic planning, industry and businesses risk operational constraints due to urban encroachment and community amenity concerns.

To address these issues, policy settings must:

- **Retain existing industrial land:** Industrial land should not be rezoned for other uses, including housing or new infrastructure projects, as this will impact productivity and living costs. This includes protecting small industrial areas scattered throughout urban centers.
- **Expand industrial land supply:** This can be achieved through rezoning surplus Crown land and servicing new lands, particularly in northern and western Melbourne areas. For example, servicing industrial zoned land at specific precincts could significantly extend Melbourne's industrial land supply.
- **Prevent subdivision of large parcels:** Subdividing large industrial lands into smaller lots unsuitable for major freight and logistics activities should be avoided. Encouraging consolidation of small industrial lots into larger parcels is essential for supporting national distribution networks.
- **Optimise existing industrial lands:** Improve planning approvals for 24/7 operations, enhance design standards for residential developments, and create buffer zones to minimize community impacts. This will grow freight handling and logistics capacity within the limited available land.

Poor planning and the increasing distances freight must travel result in higher costs for the end consumer, contributing to inflation. Given the Victorian government's limited financial capacity, it is important to provide opportunities for private sector investment. Removing public sector barriers that currently limit private investment will enable more efficient and effective development of industrial lands, ensuring that Victoria's logistics and supply chain sectors remain competitive and capable of supporting the state's economic growth.

Decarbonisation and Environmental Sustainability

The ALC acknowledges that climate change presents a substantial global challenge impacting all sectors of the economy and society. We endorse the Paris Agreement and its goal to limit global temperature rise to 1.5 degrees Celsius above pre-industrial levels by the end of this century. Additionally, we support Victoria and Australia's transition to net-zero emissions and are committed to managing the associated risks and opportunities to ensure the long-term sustainability and resilience of the freight sector.

To facilitate decarbonisation in the freight and logistics sector, the updated Plan should contain the following initiatives:

Coordinated Decarbonisation Roadmap:

Development and delivery of a statewide program to decarbonise freight, logistics and transport through efficiency gains, modal shift, and fuel, energy and technology changes. Ensure the policy is tailored to meet the variety of differing circumstances (such as urban or regional supply chains) in recognition that one solution may not be suitable for all needs. Integrating Victoria's efforts with the Commonwealth Government's Transport and Infrastructure Net Zero Roadmap and Action Plan, including the Multi-Modal Emissions Reduction and Net Zero Action Plan (MERNAP) is imperative. Ensure these objectives are interconnected with state, local, and industry initiatives, fostering alignment and collaboration to support cohesive efforts and measure overall effectiveness.

Commitment to collaborate with industry and other jurisdictions to develop and harmonise frameworks and remove regulatory inhibitors that will provide industry with the certainty and confidence to invest in decarbonisation initiatives. This is particularly necessary given such initiatives generally incur higher upfront capital costs, thus engagement and support from Government to accelerate the accreditation process for novel technologies reduces the risk of investment. For example, there is an opportunity to support the introduction of

Battery Electric Locomotives on port shuttle services through accelerated approvals and support for industry to bridge the gap between higher costs incurred upfront and operational benefits received over time (including reduced emissions). This is a high-impact initiative that will benefits millions of people living in Greater Melbourne who are exposed to the emissions, noise and congestion produced from the current road based port freight network.

Commitment to coordinate the policy responses with the Australian Government, others states, and at the local government level the regulation and operation of ZEV's including steer axle loads, road access, recharging and related energy distribution infrastructure including recharging stations. This should incorporate small, medium and larger freight vehicles.

Emission Standards:

Participation in the development of consistent and comprehensive emission standards across all transportation modes, including sea, road, air, and rail. This approach ensures a level playing field and provides regulatory incentives for adopting environmentally friendly technologies while avoiding disproportionate impacts on specific sectors. This includes the need for harmonised approvals across jurisdictions to get novel technologies approved expeditiously and cost effectively. This will accelerate the timing and rate of uptake for low emission technologies to the benefit of all Australians.

Alternative Fuels:

Development of a strategy supporting alternative green fuels and other low emission technologies, particularly in regards to supply chains serving regional and remote areas. There is the need for various renewable fuels, including renewable diesel, biodiesel, ethanol, green hydrogen, e-methane, e-methanol, and sustainable aviation fuel. Achieving price parity with conventional diesel is essential to incentivise fuel switching in the highly competitive and price-sensitive transport sector. This includes support for the uptake of renewable power generation at transport depots and warehouses, including necessary upgrades to the power transmission networks to allow for feed-in to the state and national grid.

Rail Connectivity and Mode Shift:

To achieve carbon emissions reduction, direct support for measurable modal shifts and Intermodal Terminals (IMTs) is essential. Increasing investment in freight rail infrastructure, specifically aimed at improving rail productivity (e.g., faster transit times, higher axle loads), is fundamental. Additionally, support initiatives to transition to low-emission or zero-emission motive power.

Specific actions should consider for example:

- Expedited planning approvals and support for the Beveridge Intermodal Precinct as part of the updated freight plan. The Beveridge Intermodal Precinct is the only approved high efficiency intermodal precinct in Melbourne capable of double stacking once connected to Inland Rail South, presenting a significant opportunity to increase rail modal share given its importance on both North-South and East-West freight corridors.
- Repurpose poorly utilised legacy rail marshalling tracks within the Tottenham and Dynon precincts to provide open access rail staging tracks to unlock capacity benefits to all freight rail users of the Port and Dynon precinct.
- Identify specific actions that will promote the use of intermodal hubs (both metropolitan and regional) as a consolidation point for rail volumes that can be serviced efficiently by trucks in those catchment areas.
- South-East rail corridor protections (access through MR5 Contract / constrained network paths)
- Bunbury Street Tunnel access (with extension of Pacific National lease over Dynon and domestic freight volumes on rail)
- Consider inclusions identified through the Port Rail Shuttle Network work program (should funding be available) to encourage rail mode shift i.e.:
  - Freight rail rebate
  - Large importer transitional agreements
  - Freight rail coordinator

Support for Commercially Viable Investments:

The identificationof opportunities for collaboration with the industry to support investments that are both commercially viable and essential for the transition to net-zero emissions.

Funding Models:

The excploration of public and private funding models that encourage cost and risk sharing for new infrastructure and technology investments, ensuring that decarbonisation and efficiency benefits are realised across the freight network. Significantly reduce red tape and fully explore and reduce current barriers to logistics investment.

Data Integration and Supply Chain Transparency

Enhanced Data Collection and Sharing

The ALC recommends improving the availability and use of supply chain data to aid decision-making and operational efficiency. This includes leveraging the National Freight Data Hub and ensuring access to detailed metrics on freight movements.

Transparent Performance Metrics

Establishing clear, data-driven performance indicators that measure efficiency, environmental impact, and commercial operability across the freight network is crucial. This will guide ongoing improvements and ensure accountability in meeting strategic objectives.

Workforce Development

The current and future workforce and training demands of the supply chain industry are not being adequately met, posing significant challenges for the sector's growth and efficiency. This is a sovereign risk to Victoria's supply chain competitiveness in domestic and export markets.

To address these issues, it is essential to deliver a comprehensive program that provides an independent, industry-validated assessment of the supply chain workforce in the state. This program should specifically focus on identifying the current and future people and training needs of the industry. It should explore the underlying factors why the education system is not effectively serving the supply chain sector and how population and demographic issues, including mobility and housing affordability, impact the workforce. Furthermore, the program should examine a wide range of potential solutions, such as skills development, increased participation, migration strategies, and specialised training programs.

In addition, current heavy vehicle driver licensing requirements should be reviewed with the aim of transitioning to competency-based assessments. This shift would reduce the time required for qualification and improve the supply of heavy vehicle drivers, addressing a critical bottleneck in the industry.

Recognising the importance of effective and comprehensive land use and urban planningwith a Master Plan that includes freight logistics and freight transport is also crucial. Housing affordability significantly affects workforce mobility and access to industrial areas. Therefore, there is an increased need for improved public transport between residential and industrial zones to ensure a stable and accessible workforce.

The ALC is committed to collaborating with Freight Victoria to develop a robust, efficient, and sustainable freight system for Victoria.

Thank you for considering our feedback. We look forward to further discussions and a revised plan that reflects these critical considerations.