

Introduction

The Australian Logistics Council (ALC), representing the nation's leading freight transport, supply chain and logistics companies, is deeply concerned with the approach taken in the "Big Ideas for Victoria's Future" document. The ALC has long advocated for the recognition of the critical role that freight and logistics must play in urban planning to ensure economic growth, sustainability, and the well-being of our communities. Unfortunately, this document fails to address the substantial challenges and opportunities within the freight and logistics sector, which are vital to the success of any future urban planning in Victoria.

Understanding Supply Chains

The Australian economy has become increasingly reliant on sophisticated, continent spanning and international supply chain networks. The freight industry serves as the backbone of the economy, facilitating the movement of raw materials, finished products, and essential supplies both within Australia and across the globe.

The supply chain is made up of a highly complex network of interconnected and interdependent parts, with each component playing an essential role in ensuring the smooth and efficient flow of goods and services from a myriad of suppliers to a myriad of end consumers. This comprehensive system involves various entities, including suppliers, manufacturers, warehouses, distributors, retailers, and consumers. Their connections are interwoven through a complex set of interdependencies that must work in harmony for supply chains to function effectively for society.

The productivity and efficiency of a supply chain hinges on the discrete performance and cohesive integration of its various sub-systems. This includes not only freight transport and freight logistics but also encompasses urban planning and planning regulations, communications, information technology, legal and regulatory systems, and the people and infrastructure that support the process.

Population growth is closely connected to consumer demand and trade volumes. Australia's freight system is the lifeblood of our economy and way of life. Each year, our infrastructure operators, transport companies and logistics experts deliver about four billion tonnes of goods across Australia – that equates to 163 tonnes of freight per person per year¹. Australia's population is expected to grow by another 10 million people by 2040, an increase which must be supported through proactive investment in freight transport and freight logistics infrastructure and regulatory improvement.

Improvements to industrial asset land-use planning and the associated infrastructure required to support our growing population can, if planned correctly, result in more effective and efficient supply chains, providing significant benefits to Australia's economy. The World Bank Logistics Performance Indicator shows there is a strong positive relationship between a high performing logistics sector and GDP per capita, indicating that improved logistics can drive economic growth². Studies estimate that a 1% improvement in supply chain performance results in a 1.4% increase in economic growth³. Conversely, inadequate integration of freight logistics and freight transport

¹ National Freight and Supply Chain Strategy 2019 [chrome-extension://efaidnbmnnnibpcajpcqlclefindmkaj/https://www.freightaustralia.gov.au/sites/default/files/documents/national-freight-and-supply-chain-strategy.pdf](https://www.freightaustralia.gov.au/sites/default/files/documents/national-freight-and-supply-chain-strategy.pdf)

² <https://www.worldbank.org/en/news/speech/2017/05/22/performance-and-prospects-of-global-logistics>

³ Rajeev K. Goel, James W. Saunoris, Srishti S. Goel, Supply chain performance and economic growth: The impact of COVID-19 disruptions, Journal of Policy Modeling

industrial activity in urban land use planning increases supply chain costs for businesses and consumers and has a direct inflationary impact. This is a critical consideration to protect Australian society from increased costs of living.

Supply Chain Systems Overview

A systems thinking approach is crucial for managing the inherent complexities and interdependencies of supply chains and freight logistics. Supply chains operate beyond local and state borders and modal preferences, necessitating policies that avoid siloed approaches and conflicting regulations across various levels of government and between 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 create cross-departmental and cross-jurisdictional harmonisation. 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 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 logistics, freight transport and supply chains, when supported by appropriately integrated policy, can significantly aid in delivering critical societal goals and this transition.

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; the education of planners and government decision makers alike is required so supply chain, freight logistics and freight transport systems are adequately considered.

For these reasons, it is both disappointing and unacceptable that a discussion of the needs of the supply chain is **completely** missing from the discussion paper.

Commentary on the Consultation Paper

The ALC would like to provide feedback on several specific issues identified in the Consultation Paper. These points do not pertain to the ALC's position on specific policy issues but are important in establishing a shared understanding of supply chains and the context for policy development. Just as Urban Planning has been missing for decades from Victoria's policy consideration, integrated supply chain, freight logistics and freight transport planning been also sorely neglected – with negative ongoing consequences for our cities and our community:

- **PURPOSE AND RELEVANCE:** The consultation document lacks the substance needed to make cities both functional and sustainable. While the attempt to address challenges like housing productivity and social cohesion are commendable, the document fails to show the seriousness and comprehensiveness required to tackle these issues effectively. There is a significant omission in not considering freight transport and logistics as an essential economic enabler. Without efficient freight systems, the aspirational goals outlined in the document cannot be fully realised.
- **COORDINATION WITH EXISTING PLANS:** The purpose of the "Big Ideas for Victoria's Future" document is unclear, particularly in how it interrelates with other key planning documents such as the Plan Melbourne, the Melbourne Industrial and Commercial Land Use Plan, or Delivering the Goods. This omission is a missed opportunity to create a cohesive strategy that builds on existing frameworks and incorporates freight and logistics as a fundamental component. The lack of clarity leaves stakeholders like the ALC questioning the intent and utility of this document. Without a clear connection to these existing frameworks, the document risks being perceived as a standalone, ungrounded initiative that does not meaningfully contribute to the state's broader planning strategy.

- **TOP PRIORITIES FOR VICTORIANS:** The priorities identified in the consultation document while noble, appear utopian. For example, ensuring "Vibrant and social places for people to connect and thrive" and promoting access to public transport overlooks the practical necessities to make these things possible in urban functionality. Freight logistics can have a significant positive impact on urban and rural environments, contributing to each of the five top priorities noted:

1. **Improved Public Transport, Walking, and Cycling Connectivity**

Efficient zoning of industrial land use planning can facilitate smoother public transport operations by reducing heavy freight traffic on key transport routes.

Improved planning and timing of freight routes can reduce traffic congestion, making public transport faster and more reliable.

2. **Leafy Green Streets with Trees, Parks, and Open Spaces**

Forward planning and design of industrial freight areas can allow for the creation of green buffer zones between industrial and residential areas.

Investing in decarbonized freight can reduce pollution and carbon emissions, benefiting urban areas.

3. **Affordable Homes for Everyone**

Efficient freight systems and supply chains reduce the costs of transporting building materials, thus contributing to more affordable housing.

4. **Vibrant and Social Places for People to Connect and Thrive**

Reducing heavy freight traffic in central areas can encourage the development of pedestrian-friendly zones, urban sidewalk cafes, and public spaces.

Timely delivery of essential goods, including medicines and medical equipment, is crucial for communities to thrive.

5. **Protecting the Valuable Land Where Our Food is Grown**

Efficient planning and clustering of industrial activities in specific zones away from agricultural land can minimize encroachment on these areas, preserving them for food production.

The figures presented do not adequately describe the complexities of urban systems. They represent a fragmented view that simplifies rather than clarifies the intricate interplay of elements required for functional cities. The principles should be grounded in reality, with a focus on fundamental infrastructure that is currently missing.

- **TRANSPORT AND LOGISTICS PLANNING:** The ALC has noted significant deficiencies in transport and logistics planning in Victoria. The state's current infrastructure is under strain, with congestion and inadequate freight corridors being major issues. The "Big Ideas" document does not address these challenges, nor does it propose any substantial improvements. This is particularly concerning given the projected population growth and the increasing demand for efficient freight movement.
- **BALANCED URBAN POLICY DISCUSSION:** While the importance of accommodation and effective housing is undeniable, the discussion in the consultation document is too heavily weighted around housing and wellbeing and local commercial activity. Spatial systems of cities also require integrated industrial land use planning which produce jobs and – as the Covid-19 crisis showed - underpin every other aspect of economic and social activity. It should focus more on ensuring sustained wellbeing through effective urban planning for employment generating activity and the smooth connection of industrial land and freight corridors for emissions reduction. Poor planning and increased travel distances for freight result in higher costs and challenged wellbeing. This sector is fundamental to our economy, yet the focus remains disproportionately on social drivers rather than these essential economic foundations.

Key Issues and Recommendations

The ALC has 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 regarding current freight, logistics and supply chain concerns, that could fall under the aspirational goals and objectives outlined in the consultation document, we have identified the following areas as being most relevant, impactful and needed.

Government Roles, Policy and Regulatory Settings

The publication of this discussion paper coincides with the review of the Australian Government National Urban Policy and the National Freight and Supply Chain Strategy as well as the freight policy reviews in Victoria, New South Wales and Queensland. This provides an exceptional opportunity to develop whole of government policy and strategy across-jurisdictions through the collaboration of the Commonwealth and state territory and local governments, aligning policy goals and processes to drive productivity.

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 and increased supply chain costs. A coordinated approach is essential for addressing the complexities of freight movements across local, state, territory and national borders in a nationally integrated economy. This includes aligning rules and regulations such as planning controls and freight logistics and transport operating hours.

The effectiveness of the plan is paramount. The ALC urges the Victorian Government to implement measures that deliver tangible outcomes. This includes prioritising projects and policies that can be realistically achieved within the existing constraints. Effective implementation will build confidence 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.

Interconnected infrastructure

A paucity of interconnected freight logistics infrastructure across 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 inflexible and cost prohibitive requirements around planning decisions and transport network connections and access.

ALC notes the establishment within the Premier's Department of the role of a Land Co-Ordinator General. While this role is a positive step, it is clear that the needs of transport and logistics are not prominently featured in its current scope. ALC recommends that the existing Land Co-Ordinator General role be expanded significantly to mirror the functions of the Queensland Co-Ordinator General. This would ensure a more holistic approach to land use planning, incorporating not just the highest value land use but also the vital needs of transport and logistics. This expansion would allow the office to oversee and coordinate transport infrastructure projects, streamline approval processes, and facilitate major private sector investments across various departments and agencies.

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. Our cities and regions need rail and a modal shift from road transport to meet Victoria's sustainability goals.

The Victorian Government should work closely with the Commonwealth to advance the development of key intermodal precincts that will benefit both Victorian and Australian consumers. Efficient operations of open-access

intermodal precincts will result in increased competition, greater innovation, lower transport costs, and ultimately, lower prices for consumers.

Finally, it is important to preserve and provide special planning overlays for future IMT locations and freight precincts, including properties adjacent to key intermodal precincts. These measures will ensure the long-term viability and connectivity of Victoria's freight and logistics network.

Public sector planning and decision making

Government funded university research clearly shows broad ranging public sector planners and decision maker lack of sophisticated awareness of the supply and freight logistics system which 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 Government Departments and public sector urban planning organisations. Urgent design and delivery of micro-credentials aimed at improving decision-making related to freight and supply chain policy are essential to improve Australia's supply chain future. This program should target the specific educational needs of urban planners and state and local government decision makers, highlighting the importance of industrial land, the protection of actual and potential freight corridors, and the integration of supply chains across urban and regional land use. Additionally, it should address the impacts on urban design and the links to jobs, long term employment and careers.

The findings of targeted university research most recently conducted by QUT in 2022 unequivocally revealed not one of Australia's urban planning undergraduate or post graduate courses accredited by the Planning Institute of Australia (PIA) contains any formal education about supply chains, freight logistics, freight transport, economic trade operations in urban areas, or freight in city systems, or the means to creating supply chain efficiency, productivity, resilience, and sustainability. These courses do however all focus on social planning, amenity, active transport (bicycle riding and walking) and the enjoyment of space.

The research clearly shows a major gap exists in awareness and deep knowledge about the fundamental economic driver supporting our society's way of life – i.e., supply chains and freight logistics. Without effective supply chain policy and planning the cost-of-living increases, as does the number of trucks, truck drivers, emissions, and use of diesel fuel. It is essential this gap is overcome to support the competitiveness of our import, export and domestic supply chains and to reach government targets such as net zero by 2050.

Increasing the use of both formal and informal education is necessary to build freight and supply chain understanding across national, state and local government. 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 urban improvements.

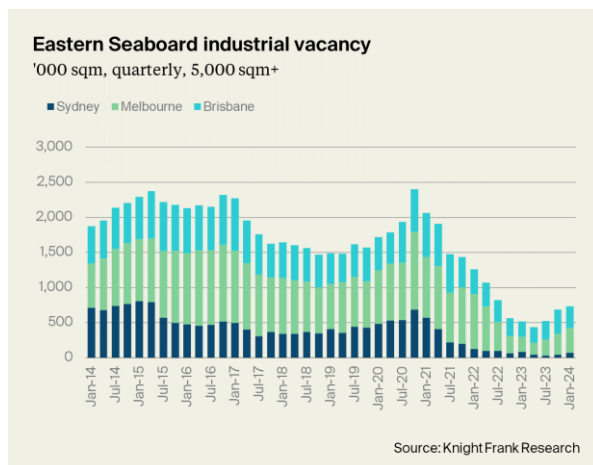
Liveable Cities and Efficient Freight Transport Networks

The availability of industrial land and its impact on logistics in Victoria's urban areas are important factors influencing Victoria's competitiveness. As an integral part of freight logistics, industrial land serves as the connecting link between suppliers and consumers, encompassing logistics and supply chain facilities such as ports, intermodal freight terminals, warehouses, depots, and freight corridors. The location of these facilities and their integration with surrounding areas play a vital role in the overall efficiency of the supply chain.

Oxford Economics Australia recently reported \$1.2 trillion worth of goods flow through Australia's 'big sheds' every year. It goes on to estimate 38 per cent of household consumption in FY22, totalling \$423 billion, was from goods

passing through industrial assets like warehouses, manufacturing facilities and distribution centres⁴. All places of significant employment.

Despite the significance land use plays in supporting supply chains and the economy, it only makes up a small proportion of overall land use in Australia's urban environments and is being eroded and increasingly rezoned for other competing land uses (especially housing) and commercial activities. Australia's vacancy rate for industrial and logistics land is the lowest globally at 0.6%, according to CBRE as opposed to the global average across the western developed world of 2.6%



The availability of large-lot industrial zoned land determines where container imports are unpacked. These sites provide the necessary infrastructure for containers to be received and processed, and for goods to be distributed to their final destination.

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 centres, 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 centres 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 centres.
- Limited suitable sites for warehouses and distribution centres.
- Available logistics sites moving further out and at increasing distances from household, consumers and businesses, increasing transport costs, delivery times, and emissions.
- Supply chain and logistics 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 centres.

⁴ <https://www.propertycouncil.com.au/property-australia/industrial-properties-1-2-trillion-economic-impact-revealed-in-new-report>

- **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.

Summary of Recommendations

▪ MODIFY ROLE OF LAND COORDINATOR GENERAL

Expand the function of the Land Co-Ordinator General within the Department of Premier and Cabinet to perform functions similar in nature to the Queensland Co-Ordinator General. This expansion should enable the office to:

- Oversee and coordinate transport infrastructure projects, ensuring alignment with state and national freight strategies.
- Streamline approval processes for major infrastructure projects, facilitating timely and efficient project delivery.
- Facilitate private sector investments in transport and logistics infrastructure, ensuring that projects meet the needs of both the economy and the community.
- Coordinate with relevant departments and agencies to ensure a whole-of-government approach to precinct delivery and land use planning.

These changes will align the role more closely with the needs of Victoria's transport and logistics sector, ensuring that the state's infrastructure is better equipped to handle future demands and challenges.

- **PUBLIC SECTOR PLANNING AND DECISION MAKING:** Develop programs to identify capability gaps across government departments. Implement micro-credentials aimed at improving decision-making related to freight and supply chain policy, emphasizing the importance of industrial land and freight corridors.
- **RETAIN EXISTING INDUSTRIAL LAND:** Industrial land should not be rezoned for other uses, including housing or new alternative infrastructure projects. This includes protecting small industrial areas scattered throughout urban centres. To fail in this objective is to drive down efficiency, to increase emissions (as freight needs to travel further across metropolitan areas) and to increase costs of living through extra fuel, extra vehicles and extra drivers.
- **EXPAND INDUSTRIAL LAND SUPPLY:** This can be achieved through rezoning surplus Crown land and servicing new lands. 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.
- **ZONING AND PLANNING FOR INDUSTRIAL ASSETS:** Transportation is estimated to represent 50% of the total supply chain costs compared to occupancy costs which represent just 10%. This makes the location of industrial assets a critical component of reducing supply chain costs. Ensuring there is industrial zoned land close to end consumers may reduce supply chain costs.

- **HIGHER DENSITY INDUSTRIAL DEVELOPMENT:** Land constraints have put a greater emphasis on space utilisation of industrial assets, requiring a rethink of height restrictions for industrial zoned land. Developers are now turning to higher density industrial development to make projects viable on expensive land closer to airports and ports. These assets enable a greater volume of goods to pass through the same allocation of land, potentially reducing supply chain costs. However, higher density industrial assets also require reduced height restrictions to enable development of taller buildings.
- **RETAINING AND MANAGING INDUSTRIAL CORRIDORS:** Retaining and managing industrial corridors around Australia's ports and intermodal freight terminals is essential to supporting productivity of industrial assets. Denser residential use of industrial corridors can put strains on road and rail infrastructure, increasing congestion and reducing the productivity of industrial assets as trucks and light commercial vehicles are delayed by increased congestion. Longer-term planning is required to ensure the growing population doesn't adversely impact industrial corridors.
- **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. Ensure Cultural Heritage Management Plans are adequately resourced (the current approvals process can take 18 months plus) and utilities e.g. water and energy supplies in industrial facilities are available to switch on when construction is complete rather than relying on 18 months plus use of diesel generators. This will grow freight handling and logistics capacity within the limited available land.

The Australian Logistics Council supports the Victorian Government's efforts to develop a comprehensive and effective Planning Policy. Addressing the complexities of supply chains and freight logistics through a systems thinking approach is essential for achieving economic growth, sustainability, and resilience.

By implementing the recommendations outlined, the government can ensure that urban planning and policy development effectively support the freight sector's needs. This will not only enhance productivity and efficiency but also contribute to environmental sustainability and the overall well-being of communities across Victoria.

A coordinated, integrated policy approach involving collaboration between government, industry, and subject matter experts is crucial for overcoming the challenges posed by climate change, digitization, and urban growth. Ensuring that supply chains remain a focus in policy development will support Australia's economic and social objectives, making cities more liveable, equitable, productive, sustainable, and resilient.