Interim Report: Creating a More Dynamic and Resilient Economy

A Submission to the Australian Productivity Commission

Monday,15th September 2025

INTRODUCTION

The Australian Logistics Council (ALC) welcomes the Productivity Commission's (PC) interim report *Creating a More Dynamic and Resilient Economy* and its draft recommendations on regulatory reform. Freight and logistics underpin every supply chain in Australia, contributing 8.6 per cent of GDP[1] and enabling the competitiveness of all industries. Yet regulatory duplication, delays, and inconsistencies continue to undermine productivity, constrain investment, and increase costs for both operators and consumers. Reform is essential. Freight operators often work on margins of just two per cent[2], meaning even minor inefficiencies—whether approval bottlenecks, inconsistent rules, or outdated requirements—can erode commercial viability. Well-targeted reform can deliver outsized national benefits—lower costs for exporters and importers, stronger sovereign capability, faster progress towards decarbonisation, and more resilient supply chains.

EVIDENCE OF INEFFICIENCIES

The freight sector continues to face a range of structural inefficiencies that materially impact productivity and competitiveness across all modes of transport.

- **Inconsistent road regulation across jurisdictions:** The Heavy Vehicle National Law was designed to harmonise rules, yet interpretation and enforcement vary significantly. Differences in vehicle standards, road access approvals, and enforcement practices create unnecessary compliance costs and restrict the ability to deploy fleets efficiently across state and territory borders. For example, a vehicle configuration approved in Queensland may require modifications to operate in New South Wales, creating duplicated engineering and compliance costs and disrupting the efficient use of national fleets.
- **Fragmented rail access arrangements:** Fragmentation in rail access arrangements is a structural issue that continues to constrain efficiency and limit rail's contribution to Australia's freight productivity and decarbonisation goals. Over time, the number and identity of Rail Infrastructure Managers (RIMs) has evolved from twelve to nine[3], yet the underlying challenge remains: multiple managers and access providers each applying their own pricing structures, operational rules, and contractual frameworks. This patchwork creates unnecessary complexity for freight customers, adds to compliance costs, and reduces interoperability across the national network. The situation is further complicated by the fact that the number of RIMs does not always align with the number of access providers, which makes navigating access arrangements confusing. For instance, freight services in New South Wales and Victoria must engage with three separate RIMs to complete a single journey. As highlighted by BITRE's *Trainline 12* (Figure 60-page 118 and Table 40-page 119)[4] , this structure reflects historical and jurisdictional arrangements, but it also illustrates the duplication faced by operators when moving freight across multiple parts of the network.

  Adding to these challenges, the lack of resilience in the nation's interstate and regional railways is a further drag on productivity. Poor track condition reduces reliability and diverts greater volumes to road — as seen when the Trans Australian Railway was severed for almost a month in early 2022 due to flooding and again in 2024[5], disrupting the supply of critical supermarket freight into Western Australia.

[1] https://www.infrastructure.gov.au/infrastructure-transport-vehicles/transport-strategy-policy/freight-supply-chains

[2] https://www.truck.net.au/sites/default/files/submissions/Trucking%20Australia%20-%20The%20Report.pdf, p.12

[3] https://www.infrastructure.gov.au/sites/default/files/migrated/rail/publications/files/Review-of-Rail-Access-Regimes.pdf

[4] BITRE Trainline 12

[5] https://www.abc.net.au/news/2024-03-11/drought-breaking-storms-flood-nullarbor-pastoral-station/103572824

Major metropolitan rail networks on the east coast are also primarily designed and managed to deliver passenger services. While this is essential to meet community needs, it inevitably constrains the capacity and flexibility available to freight. The result is a system where rail finds it difficult to compete on equal terms with road, limiting its potential to deliver national benefits in reduced congestion, lower emissions, and stronger supply chain resilience. Addressing these issues is not about placing responsibility on individual network managers, but about recognising the systemic nature of the challenge. Streamlined, nationally consistent access frameworks and better alignment of passenger and freight priorities will benefit all parties: infrastructure managers, operators, and end customers. Reform in this area offers a clear pathway to unlock rail's potential as a productive and sustainable mode within Australia's freight system.

- **Lengthy and duplicative planning and approval processes:** Ports, intermodal terminals, depots, and alternative fuel facilities are subject to overlapping approval layers at federal, state, and local levels. In practice, a site can take up to seven years to move from proposal to an operational supermarket[6]. These delays increase operational and storage costs, reduce the attractiveness of investment for private sector partners, and hinder the timely development and deployment of infrastructure essential for achieving the national net zero goal and associated transition. Residential encroachment into industrial precincts further illustrates poor alignment between urban planning and transport policy, eroding long-term capacity and creating community conflict.
- **Workforce-related regulation:** Delays in licensing processes and inconsistent recognition of qualifications reduce labour mobility. For example, drivers trained and licensed in one jurisdiction can face additional requirements before working in another, compounding delays in onboarding. With more than 297,000 people[7] directly employed in road transport alone, such regulatory frictions materially constrain workforce availability, exacerbate skills shortages, and reduce resilience during periods of peak demand or disruption.

Unless addressed, these inefficiencies will hinder Australia's ability to manage the projected 26 per cent increase in the national freight task between 2020 and 2050[8]—from 765 billion tonne kilometres to 964 billion tonne kilometres—while keeping costs competitive and maintaining reliability.

RESPONSES TO DRAFT RECOMMENDATIONS

Draft Recommendation 2.1 – Setting a Clear Agenda for Regulatory Reform

ALC supports a national framework for regulatory harmonisation, with freight as a priority sector. his should include statutory approval timeframes and better integration of transport and land use planning. Industrial precincts must be protected from residential encroachment to avoid pushing freight facilities further from consumers and driving up costs. Rail access reform is also critical, particularly in regional areas and shared passenger–freight corridors.

Information Request 2.1.2 – Measuring Regulatory Quality and Burden

The Australian Government must track regulatory quality and burden in freight and logistics, as inefficiencies directly raise supply chain costs. Compliance obligations, measured through the Regulatory Burden Measurement framework[9], can form a significant share of operating expenditure. Delays add to capital holding costs and defer productivity gains, while inadequate quality assessments have led to rules that unintentionally restrict access to critical hubs. For example, the National Transport Commission has estimated that non-aligned rail rolling stock approval standards impose more than $20 million in direct costs, excluding the significant opportunity costs of forgone business[10] . This illustrates how poor regulatory design can impose costs that extend well beyond compliance and undermine freight efficiency.

Regular ex post reviews and sunset clauses would prevent rules from becoming outdated and obstructive. International benchmarking (using OECD PMR[11], STRI[12], and World Bank B-READY[13] indicators) can highlight where Australia lags peers, with implications for global trade competitiveness. Digitally enabled regulators would reduce duplication and speed up processing. Freight-specific measures should include approval times, compliance costs as a share of operating

[6] https://engage.pc.gov.au/document/609 p.3

[7] https://www.bitre.gov.au/publications/2024/australian-infrastructure-and-transport-statistics-yearbook-2024/infrastructure-economy

[8] https://www.infrastructure.gov.au/sites/default/files/documents/national-freight-and-supply-chain-strategy-discussion-paper.pdf

[9] https://oia.pmc.gov.au/resources/guidance-assessing-impacts/regulatory-burden-measurement-framework

[10] https://www.ntc.gov.au/sites/default/files/assets/files/NTC%20Consultation%20Paper%20%20-%20Streamlining%20rolling%20stock%20approval%20processes.pdf, p.15

[11] https://doc.dataexplorer.ukdataservice.ac.uk/Guides/dataset/pmr-statistics.html

[12] https://www.oecd.org/en/publications/services-trade-restrictiveness-index-stri-transport-and-courier-services_5jxt4nd187r6-en.html

[13] https://www.worldbank.org/en/businessready/publications

expenditure, and duplication across jurisdictions. Clear targets should aim to reduce approval times and compliance costs by at least 20 per cent within five years.

Information Request 2.1.3 – Priority Sectors for Review

Freight and logistics should be prioritised for review, as inefficiencies in this sector have disproportionate impacts across agriculture, mining, manufacturing, retail, and e-commerce. For example, delays in new intermodal capacity limit exporters' access to ports, while rail fragmentation increases reliance on road freight, congestion, and emissions.

DRAFT RECOMMENDATION 2.2 – STRENGTHENING SCRUTINY OF REGULATIONS

ALC strongly supports enhanced scrutiny of regulations through independent review and transparent assessment. For freight logistics, this should include independent audits of infrastructure approvals, with metrics such as approval timelines and compliance costs made publicly available. Structured industry consultation must also be embedded to ensure reforms reflect operational realities and deliver measurable savings. Public dashboards or annual reporting would further strengthen accountability.

DRAFT RECOMMENDATION 2.3 – ENHANCING REGULATORY PRACTICE TO SUPPORT GROWTH AND INNOVATION

Innovation is often constrained when regulation lags technology. Establishing regulatory sandboxes for autonomous vehicles, zero-emission heavy vehicles, and automated port equipment would enable safe testing and evidence-based regulatory change. Streamlined approvals for zero-emission refuelling infrastructure are also urgent, with current delays slowing hydrogen and electric site rollouts. Investment in interoperable digital supply chain platforms, supported by cybersecurity safeguards, would improve visibility and efficiency.

ADDITIONAL CONSIDERATIONS

Cross-jurisdictional alignment requires an intergovernmental schedule to ensure Commonwealth commitments are consistently implemented by states and territories. Freight logistics should be an early priority for review, with reforms assessed against practical operator-focused metrics such as shorter approvals, reduced duplication, and consistent rule interpretation.

Resilience should be embedded within regulatory frameworks, encompassing fuel security, modal diversification, workforce continuity, and climate adaptation. Agencies should be required to report on resilience outcomes through performance indicators. Transparent and proportionate cost-recovery mechanisms are also essential, to ensure fee-for-service models do not erode margins or deter investment.

Specific structural challenges must also be addressed. The rail access model does not currently incentivise network managers to invest in resilience initiatives that lack a commercial return. Likewise, the regulatory framework for carbon management provides limited incentive to shift freight to rail, despite its emissions benefits. Introducing national resilience benchmarks or stress tests could align commercial incentives with broader decarbonisation and resilience objectives.

CONCLUSION

The Productivity Commission's interim report provides a valuable foundation for regulatory reform. With targeted refinement, the final package can drive productivity, sustainability, and resilience outcomes. ALC recommends three priorities:

- **Harmonisation** across jurisdictions, particularly in heavy vehicle regulation, planning approvals, and rail access.
- **Stronger oversight**, through freight-focused review mechanisms and sunset provisions.
- **Modernised practice**, including regulatory sandboxes, digital compliance, and accelerated approvals for decarbonisation infrastructure.

Embedding resilience and fuel security into these reforms will help ensure supply chains are not exposed to new risks. Taken together, these measures can provide certainty, lower costs, and encourage long-term investment—positioning Australia's freight networks to remain globally competitive as the economy transitions to net zero.