AUSTRALIAN LOGISTICS COUNCIL
SUPPLY CHAIN EFFICIENCY AND SAFETY

ALC Submission to Productivity Commission Inquiry into Maritime Systems

Friday 11 February 2022

21 February 2022

Ms Julie Abramson
Commissioner
Productivity Commission
Locked Bag 2, Collins St East
Melbourne Vic 8003, Australia

Dear Commissioner

The Australian Logistics Council (**ALC)** welcomes the opportunity to make a submission to the Productivity Commission in relation to the reference on Australia's Maritime Logistics System.

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, productivity, efficiency and sustainability.

ALC appreciated the opportunity to discuss the reference with Commission officers on 1 February 2022.

As discussed, many of the issues relevant to this reference were canvassed by the ACCC in its Stevedores Paper published on 4 November 2021 and the Commission's final study report on Vulnerable Supply Chains, published 13 August 2021.

Relevant issues raised in each document are set out in the **Attachment**.

The discussions at the meeting between ALC and the Productivity Commission and the terms of reference, have framed the content of ALC's submission

Should you require additional information, please contact Rachel Smith, Head of Government and Policy. on or policy@austlogistics.com.au.

Yours sincerely

Brad Williams
Chief Executive Officer

Jurisdictional freight and planning documents

As Commission members noted, jurisdictions have published a number of documents for both land planning and transport and logistics planning purposes which have impressive goals. However, outcomes have been mixed.

One example is the *Transport for NSW Freight and Ports Plan 2018-2023.*[i]

One of its main goals to improve rail share for freight moved to and from Port Botany to 28% or 930,000 Twenty-Foot Equivalent Units (TEU) by 2021 (against a 2016 base of 17.5%).[ii] This target has not been achieved.

As the NSW Auditor-General found in its Rail Freight and Greater Sydney Performance Audit (2021)[iii]

> Future Transport 2056 does not contain any explicit targets for improving the use of rail freight capacity on the metropolitan shared rail network. The Plan notes that freight efficiency could be improved if some of the commodities currently carried on roads were shifted to rail or coastal shipping. The Plan contains one explicit target related to rail freight capacity — increasing the use of rail for freight movements to and from Port Botany from 17.5 per cent in 2016 to 28 per cent by 2021
>
> The transport agencies acknowledge that this one target and the high-level approaches detailed in the Plan and Future Transport 2056 are insufficient to drive improved rail freight outcomes. Furthermore, transport agencies acknowledge that they do not have sufficient information on the best use of the different parts of the network to achieve the most efficient freight outcomes. In particular, transport agencies do not know what 'good looks like' with regard to the best use of rail freight capacity.[iv]

Insufficient access to both data and capital have prejudiced the capacity of state and territory documents to facilitate the efficient movement of freight.

National Freight and Supply Chain Strategy (NFSCS)

Australia is a national market. It follows that national coordination of freight policy is important. Given the resource impediments that jurisdictions face (as just discussed) it is important a coherent national plan is developed and coordinated by the Australian Government so all elements of the freight industry (of which the maritime logistics system is a subcomponent) can operate in an efficient and sustainable manner.

ALC was instrumental in encouraging the adoption of the National Freight and Supply Chain Strategy (**NFSCS**).[v] There are three relevant aspects to this strategy to this discussion.

National urban freight planning principles

Poor planning disadvantages freight operators as well as residents. Residential developments encroaching on freight facilities reduce both 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 also been built adjoining a freight rail line to Fremantle Port.

ALC policy is to ensure all tiers of government integrate appropriate land use planning protections to:

- Preserve freight lands – places where freight infrastructure can operate
- Create buffer zones around key freight hubs and residential development to allow 24-hour freight operations
- Generally, protect freight corridors and industrial lands from urban encroachment.

In May 2021, Australian governments agreed to National Urban Freight Planning Principles,[vi] designed to guide land use decision making across all levels of government to improve planning for freight in Australia's metropolitan areas.

Each jurisdiction will report on their practical actions to implement the Principles through the National Freight and Supply Chain Strategy annual reporting process.[vii] (Discussed below)

ALC consider the Principles a solid foundation point for national consistency in planning and will continue to advocate for their adoption and evolution to support Australia's growing freight task.

It is not a 'set and forget' document: it requires constant review, so it captures contemporary planning needs as they evolve, including:

1. Facilitating the operation and refuelling requirements of electric and hydrogen fuel vehicles
2. Ensuring the continuous efficient and safe movement of freight (24/7) from despatch point to delivery location
3. Ensuring industrial lands are preserved in urban environments to facilitate the creation of 'hubs' from which electric vehicles can efficiently service urban customers
4. Ensuring land is available in urban and port environments to allow both the unstuffing of full containers (so as to particularly allow for the micro deliveries of goods and packages to destinations in urban environments)
5. Ensuring planning regulations facilitate the delivery of parcels to businesses, through ample provision of loading zones and appropriate loading zones and appropriate loading docks and to high and medium residential developments.

The Commission should recommend the National Urban Freight Planning Principles be continuously reviewed and updated to capture contemporary planning needs are incorporated as they evolve.

National Action Plan

The Transport and Infrastructure Council created under the former COAG process endorsed a *National Action Plan* to implement the NFSCS.[viii]

This is the second important element of the Strategy.

An annual report is published setting out how the Strategy is being implemented.[ix] Attachment C of the report constitutes the progress report. It is our experience that many of the initiatives remain on the list with little movement towards implementation.

Incentivising reform

For the reasons discussed above, ALC believes that the Australian Government should exercise the constitutional powers that it possesses to ensure the objectives of the NFSCS are achieved.

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.

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. The states administer these payments which, in most cases, are subject to certain conditions placed upon them by the Commonwealth.

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

Under the new Australian Federal Relations Architecture[x] that has replaced the COAG structure, it is presumed that such funding could be offered under the Federation Funding Agreements Framework[xi], possibly through a suitable amendment to the Infrastructure Federation Funding Agreement.[xii]

With most of the major ports having now been privatised and therefore not owned by states and territories, the Commonwealth would have available the extended power to regulate with respect to corporations[xiii] as discussed in the High Court WorkChoices case.[xiv]

The Commission should recommend the Australian Government exercise the constitutional powers it has to increase the role it has to improve the efficiency and sustainability of the Australian freight and supply chain.

National Freight Data Hub

The third important element of the NFSCS is the National Freight Data Hub.

The Australian Government has developed a National Freight Data Hub, that is described on the Departmental website as:

> federated data sharing network that has an initial focus on governments providing better access to their data so that businesses and governments can make high level planning decisions.[xv]

It is a collection of government data sets. Some industry data is contained in the Data Hub, through information provided to the Bureau of Infrastructure and Research Economics as part of its freight telematics program.[xvi] However, the information has been aggregated and is not published in real time.

During 2020, industry also participated in a joint Freight Industry Data Exchange Pilot aimed at improving the visibility of, and access to freight and supply chain data with a view to improving end-to-end supply chain visibility and productivity and permit freight information to be provided on a real time basis.

A report on this Pilot was prepared for the Department of Infrastructure, Transport, Regional Development and Communications.[xvii]

It concluded that several areas needed work including the development of:

- Minimum freight consignment data set standards that would enable the direct sharing of real-time freight consignment data between supply chain partners
- Minimum data transfer technology standards/platform to automate real-time sharing of data between supply chain partners
- EDI data transformation standards and tools to facilitate easier exchange of business data, particularly freight supply chain information, across different EDI systems and between different freight supply chain partners.[xviii]

The current ALC position is to encourage businesses to use the Data Hub whilst an industry-based data standard is developed as one of the projects funded using the Freight Hub's four year's $16.5m funding package announced in the 2021-22 Budget and is which part of the Australian Data Strategy being coordinated by the Department of Prime Minister and Cabinet.[xix]

Skills

During 2021, ALC held several events at which members and other industry members discussed how supply chain data can be used. One of the major drawbacks identified was the fact that many smaller industry participants simply do not use information in a digitised form. A degree of 'data illiteracy' exists in the freight and supply chain.

The absence of digitised information means that the visibility of freight is lost and inefficiency occurs. Cybersecurity threats also mean even small operators require staff with some degree of IT knowledge to deal with issues as they arise.

These could be grounds for governments to encourage the development of training in data management at the apprenticeship level so there are workers able to facilitate the management of data by smaller operators.

The Commission should recommend:

1. **The development of a standardised data set that can be used by industry to provide end-to-end visibility of freight as it moves down the supply chain as part of the Australian Data Strategy**
2. **Government investment in skills so SME supply chain participants can use digitised data to facilitate the efficient movement of freight.**

Freight lands

As discussed with Commission officers, for ports to work properly they need to be protected from land uses that impacts the efficient operation of the infrastructure.

A lot of land surrounding ports carry the broad planning zone classification of 'industrial land' (or similar phraseology). However, bulky goods stores have been classified as being a permissible use for an industrial land zone. This then generates consumer traffic that causes congestion in an around the port. It also means that the land is used in a way that would facilitate the efficient movement of freight around ports, such as for example places where empty containers may be stored.

ALC endorses the points contained in a May 2017 joint presentation from NSW Ports and the NSW Department of Planning and Environment, which noted:

1. Ports are clearly too important to not be part of Metropolitan planning, the viability of which need to be protected.
2. We need a plan and clear direction on what we are planning for at all levels of government.
3. Compromised planning outcomes between industrial and residential uses fails both industry and residents. We need a sustainable land use planning solution that allows industry to operate and expand in order to increase economic activity and jobs. Land use compatibility including land separation.
4. Planning regimes must acknowledge freight as an urban priority. It's important that it gets recognition in planning at a state, regional and local government level.
5. The planning system needs to recognise that the current operational environment will change (particularly 24/7 operations) and therefore impacts could intensify including amenity impacts on sensitive uses. Also, that the industry will continue to change and evolve.
6. Retention and protection of industrial and employment lands are required including suitable sizes for freight logistics and port related lands.[xx]

It is our view that jurisdictional planning instruments need to recognise that only compatible land uses should be permitted in and around ports so that they can grow and maintain efficiency.

The Commission should recommend that a distinct planning category called 'freight and logistics lands' as distinct from 'industrial lands' be developed so relevant land use instruments can permit freight infrastructure such as ports to operate efficiently.

Curfews

Freight and logistics operations are affected by local government planning regulations related to operating hours, vehicle size and noise limits. There are 537 local councils in

Australia all with their own regulations, which makes doing business incredibly complex for a national operator.

Current curfew legislation and regulation is archaic and not suited to the changing demands of modern society. Australia's freight task is set to increase by 60% by 2040, this task can not be met without the ability for freight and logistics operations to operate in a 24/7 manner.

Furthermore, with the construction of the Inland Rail, it is critical freight moves in a continuous manner to reap the productivity uplift of this significant, nation building piece of infrastructure and the net economic benefit.

During the height of the pandemic, National Cabinet made the sensible decision to temporarily relax freight curfews and delivery restrictions. These temporary planning measures are managed differently depending on the state or territory.

In June 2021 ALC undertook research with CT Group on constituent sentiment to the permanent relaxation of curfews. Key research findings from work done in NSW were:

- More than 60% of respondents said they would be in favour of removing curfews to enable smooth movement of freight goods
- Noise concerns are not a primary issue, with only 1 in 7 respondents feeling that transport noise levels have increased since the beginning of COVID-19
- Only 6% are aware of temporary changes to curfew regulations due to COVID-19
- Only 2% feel as those noise levels have increased due to freight transport, like trucks.

In terms of managing curfew regulations, the research found:

- 72% of respondents feel the NSW Government is best placed to manage the regulation of freight and the supply chain, with 71% of these supportive of this change
- In contrast, just 7% of respondents feel local government should manage these regulations

NSW recently made the decision to keep the current measures in perpetuity providing certainty for business and enabling more efficient operations of distribution centres and the ability to optimise freight routes and modality. The onus is also on the supply chain to demonstrate best practice when it comes to managing relationships with neighbours through noise mitigation, adoption of new technologies such as quiet pallet jacks and upgrading of fleets to zero emission vehicles.

The COVID-19 pandemic has demonstrated that an agile and pragmatic response can lead to a more productive and efficient supply chain.

The Commission should recommend operational curfews and road usage curfews be reviewed and repealed to reflect modern community and consumer expectation and providing a nationally harmonised system that enables the efficient and productive movement of freight.

Harmonised Port Benchmarking Tool

Port congestion and in port wait times are increasingly topical. In the ACCC report into Container Stevedoring Monitoring Report published on 4 November 2021, the World Bank and IHS Markit reports were referenced:

> A recent study by the World Bank and IHS Markit showed that even before the recent logistical issues caused by the pandemic, Australian container ports were relatively inefficient and well below international best practices. The study ranked Australia's largest container ports, Melbourne and Sydney, in the bottom 15% and 10%, respectively, of the 351 global ports in the study.[xxi]

Ports that have ranked highly in the World Bank report are typically export and/or transhipment ports that are fundamentally different to import dominated ports.[xxii] In fact, one of the top 10 performing ports is located in Alaska, operates six months of the year and only exports lobster.

To ensure equitable and comparable data is collected and ports are assessed in accordance with their functionality, it is recommended a harmonised port benchmarking tool be developed and implemented. This will ensure that we are comparing like with like when making both domestic and international comparisons.

The Commission should recommend an 'Australian Ports Benchmarking' Tool be developed and implemented to assess Port efficiency in an Australian context, taking into consideration the increasingly strong Australian import market.

Attachment

Container Stevedoring Report

The ACCC published its most recent *Container Stevedoring Monitoring Report* on 4 November 2021.[xxiii]

The major issues raised were:

Industrial relations	The trend towards larger vessels sizes, which requires timely port investment
Regulations requiring ships to use more environmentally friendly fuel.	Increasing bargaining power of shipping lines
Port privatisation	Congestion caused by imbalance of empty containers- that is, containers of various categories not being freely available as required.
Vertical integration between different levels of the supply chain, potentially impact competition.	

With the ACCC suggesting that the following required further consideration:

Address industrial relations and restrictive work practices issues across the supply chain.	Ensure privatised ports do not levy excessive rates and charges.
Repeal Part X of the *Competition and Consumer Act 2010*. Part X permits shipping lines to collaborate on prices, capacity and schedules (amongst other things) that would otherwise be considered as anti-competitive conduct.	Invest in infrastructure to fix inefficiencies in the supply chain caused by larger ships, lack of rail access to Australian container ports and shortages of space in 'empty container' parks.

Similar issues were also discussed by the Commission in its final study report on Vulnerable Supply Chains released on 13 August 2021.

Table F1 of the report set out the following.[xxiv]

Table F.1 **Policy options to address risks to shipping and ports capacity**

Policy option and rationale	*Costs of options*
Regulatory changes to improve the operation of maritime shipping and port operators, for example, addressing: • possible barriers to competition (including across different transport modes) • labour constraints (such as restrictions that affect essential workers' ability to work during a pandemic) • improved implementation of regulation (for example, more streamlined customs procedures).	• Compliance costs on businesses, and costs to government to implement changes. • Increases risks on the community or lowers firms' incentives to make investments to manage risks (for example, making investments to boost capacity).
Improving data sharing between government and industry, and the use of data standards to improve efficiency in logistics and risk management.	• Costs for firms and government to implement data standards or data requirements. • Increases costs to firms in complying with data standards or improving data governance.
Investing in infrastructure or human capital (or incentives for private infrastructure investment) to build additional redundancy into ports and shipping, including considerations of: • port location and substitution • ship vessel or container size and type • connection to road and rail infrastructure • technology improvements and automation.	• Costs of investing in deepening port channels, building wharf side infrastructure, and building connections to other transport modes. • Risk of underutilisation and stranded assets. • Reduces incentives for firms to invest in effective risk management (including across different modes).
Support investment in domestic maritime shipping fleet to build capacity in certain routes, and to protect against nations restricting access to vessels.	• Costs of building high redundancy and potential for rent-seeking. • Reduces incentives for firms to invest in effective risk management (including across different modes). • Unlikely to protect from all forms of risk or lead to self-sufficiency across all forms of shipping/container needs. Risk of nations restricting access appears to be highly remote.

ALC agrees the issues canvassed in both these publications are relevant to the efficient operation of Australia's maritime logistics system.

End Notes

[i] https://future.transport.nsw.gov.au/plans/nsw-freight-and-ports-plan-2018-2023
[ii] Page 51
[iii] https://www.audit.nsw.gov.au/sites/default/files/documents/Rail%20freight%20and%20Greater%20Sydney_0.pdf
[iv] Page 18

[v] https://www.freightaustralia.gov.au/

[vi] https://www.freightaustralia.gov.au/what-are-we-doing/urban-freight-planning-principles

[vii] As some jurisdictions are doing, in a small way. See: https://www.freightaustralia.gov.au/annual-report/appendix-c/better-planning-coordination-and-regulation

[viii] https://www.freightaustralia.gov.au/sites/default/files/documents/national-action-plan-august-2019.pdf

[ix] https://www.freightaustralia.gov.au/sites/default/files/documents/2020-21-annual-report.pdf

[x] https://federation.gov.au/

[xi] https://federalfinancialrelations.gov.au/federation-funding-agreements-framework

[xii] https://federalfinancialrelations.gov.au/sites/federalfinancialrelations.gov.au/files/2021-05/ffa_infrastructure.pdf

[xiii] Pl 51(xx) of the *Constitution*

[xiv] *New South Wales v. Commonwealth* [2006]HCA 52 https://eresources.hcourt.gov.au/downloadPdf/2006/HCA/52

[xv] https://www.infrastructure.gov.au/infrastructure-transport-vehicles/transport-strategy-policy/freight-supply-chains/national-freight-data-hub

[xvi] https://datahub.freightaustralia.gov.au/projects/telemetry/ The BTRIE freight telematics program is explained here: https://www.bitre.gov.au/sites/default/files/documents/bitre-road-freight-congestion-report-2019.pdf See page 120.

[xvii] https://www.bitre.gov.au/sites/default/files/documents/freight-data-exchange-data-aggregation-pilot-project-report.pdf

[xviii] Page 4

[xix] https://ausdatastrategy.pmc.gov.au/sites/default/files/2021-12/australian-data-strategy-action-plan.pdf

[xx] From NSW Ports and NSW Department of Planning and Environment presentation To Plan for Freight or not Plan for Freight: That is the question (5 May 2017) https://www.infrastructure.gov.au/sites/default/files/migrated/transport/freight/freight-supply-chain-submissions/Australian_Logistics_Council.pdf: 13

[xxi] https://www.accc.gov.au/system/files/Container%20stevedoring%20monitoring%20report%202020-21.pdf
[xxii] https://www.portofmelbourne.com/response-to-committee-for-melbourne-benchmarking-melbourne-report/
[xxiii] https://www.accc.gov.au/system/files/Container%20stevedoring%20monitoring%20report%202020-21.pdf

[xxiv] https://www.pc.gov.au/inquiries/completed/supply-chains/report: 208