

EXECUTIVE SUMMARY

EVALUATION OF THE AUSTRALIAN LOGISTICS INDUSTRY STRATEGY

**REPORT PREPARED FOR THE DEPARTMENT OF
TRANSPORT AND REGIONAL SERVICES**

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8 February 2007**

THE AUSTRALIAN LOGISTICS INDUSTRY STRATEGY

In early 2001, an Industry Steering Committee was appointed to prepare an Action Agenda for Australia's freight transport logistics industry, as part of the Australian Government's Action Agenda program. The Agenda was endorsed at an Industry Leaders Roundtable in March 2002.

The resulting Australian Logistics Industry Strategy (ALIS) was launched in July 2002, comprising two documents, the final report of the Steering Committee (the Action Agenda) and the Government Response from the then Minister for Transport and Regional Services.

The ALIS recognises that freight logistics activity is very significant to the economy, conservatively making up nine per cent of Australia's GDP. Activity levels in freight transport continue to grow strongly, with the national freight task projected to about double over the period 2000 to 2020.

On behalf of the Australian Government, the Department of Transport and Regional Services (DOTARS), in consultation with the Australian Logistics Council (ALC), commissioned this evaluation of the implementation of the ALIS. The evaluation focuses on progress under the five original priority areas of Leadership, Infrastructure, People, Innovation, and Sustainability, with Security added later as a sixth priority area. This evaluation is based on consultations, submissions and review of documents.

IMPLEMENTATION

The ALIS is a wide-ranging and ambitious initiative, providing a significant challenge in implementation. Industry has the main implementation task with responsibility for 19 of the 36 Actions. Ten Actions fall to the Australian Government or governments collectively, while seven Actions are joint industry-government in nature. The Actions, as prioritised in the Action Agenda, are summarised in the table following this summary. There has been no continuous public recording of achievements under each Action, or of the Strategy as a whole, since the ALIS commenced.

While separate to ALIS implementation, several of its themes are being addressed under the National Reform Agenda agreed by the Council of Australian Governments (COAG) in February 2006. The National Reform Agenda includes a range of issues affecting national transport operations, as well as infrastructure planning and regulation. Reducing the regulatory burden is another broad objective. Going forward, COAG reform decisions could have a major impact on freight logistics strategy and performance.

The Australian Logistics Council

The Australian Logistics Council (ALC) was established in September 2002, to lead ALIS implementation. The Council was initially chaired by the then Deputy Prime Minister, and Minister for Transport and Regional Services, the

Hon John Anderson MP. In October 2003, the chairmanship was passed on to Mr Ivan Backman.

The ALC initially comprised 26 members, mainly from the freight logistics industry but with some representation from users and government agencies. In 2004, the ALC restructured into two groups - the full Council, comprising around 80 senior representatives of logistics firms, their customers and governments, and an Executive Committee of 11, responsible for ongoing management of the agreed annual work program. The ALC also uses steering and working groups to progress work on agreed tasks.

After DOTARS had provided initial secretariat support, the ALC set up its own office in January 2005, with the employment of an Executive Director and support staff. DOTARS is the biggest single financial supporter of the ALC, however industry collectively contributes the largest share of funding. The Transport and Logistics Centre (TALC) provides some funding for projects.

Priority Area 1: Leadership

The ALC's role in providing a national voice on freight logistics issues received positive comment in the consultations. However, its work to date with the ALIS was seen more in terms of having built a base, rather than having achieved a substantial impact in key areas. Ongoing financial support would be needed to further develop the ALC's profile and work program.

The State-based Freight Councils have made a major contribution to the implementation of the ALIS. The Australian Government has used the priority areas of the ALIS to guide its support for the Councils, and a number of well-regarded reports have been produced. Progress has been made in clarifying the Freight Councils' relationship with the ALC, especially since the appointment of all Freight Council chairs as ALC members.

While the ALC has developed a number of effective linkages with stakeholders, particularly through its Annual Reports and Forums, other relationships require more attention in the future. Developing relevance to the needs of small and medium enterprises is one of these areas, together with communication channels. Relationships with governments are another.

The ALIS had strong support from the Australian Government, and received endorsement by the Australian Transport Council (ATC) in August 2002. Regular reports have been provided to officials on progress of the ALIS and the ALC. However, there is now industry uncertainty about the ongoing commitment of governments, particularly at senior levels. The Australian Government is seen as 'stepping back' over recent years. Further, although State and Territory governments are represented on the ALC, they have not made a substantial contribution to funding, or ALIS and ALC projects.

Action in the area of regulation is included under Leadership. From the outset of the ALIS and the ALC, there has been an interest to provide an industry perspective on the impact of regulation. However, the effort put into this work

has varied, and industry has not yet established a voice on the impact of regulatory decisions on logistics and supply chains. On the government side, a major step was the establishment of the National Transport Commission (NTC), bringing together development of road, rail and multimodal regulation. The ALC and the NTC are building an effective working relationship.

The ALC has played an important role within the industry through the cooperative work undertaken in response to the impact of 'chain of responsibility' regulations in freight logistics. With major retailers and transport companies, the Council developed the *Retail Logistics Supply Chain Code of Conduct*, launched in November 2006. The ALC will be the ongoing custodian of the Code, and will review it annually. The ALC has also been involved in development of similar Codes of Practice for other supply chains.

The export of logistics services was the third area of activity included under the Leadership Priority Area. While there has been no concerted national export-related action by industry or governments, the ALC and Freight Councils have supported export-related initiatives and assisted exporters with logistics advice. There is not a strong case for any future national logistics strategy to retain an export focus as a core element, although opportunities should be taken, where possible, to promote Australia's logistics capabilities.

Priority Area 2: Infrastructure

Infrastructure was a key focus of the Action Agenda report, with seven Actions addressing infrastructure issues. The Australian Government's response acknowledged industry's recognition that it needed to become more involved in providing strategic advice to governments on infrastructure.

The initial steps on infrastructure in the ALIS rested mainly with governments. AusLink, a major initiative of the Australian Government for land transport infrastructure, was foreshadowed in 2002 and introduced in 2004. The introduction and development of AusLink has significantly influenced the nature of infrastructure work under the ALIS.

Much of the intent of the ALIS in regard to improved planning and decision-making arrangements for freight infrastructure has been achieved through AusLink. There is now a greater focus on integrated decision-making across road and rail, on corridor planning and port-related issues. Although more needs to be done, the potential of rail freight is now receiving attention in keeping with its strategic significance. A good start has been made in terms of revising national infrastructure program structures and increasing funding levels. Several States have also made large commitments to enhancing their freight-related infrastructure in recent years.

The ALC reviewed its approach to infrastructure matters in 2005, and developed an *Infrastructure Action Agenda*, released in July 2006. This report provided an industry view on infrastructure priorities, and responded to COAG's call to review supply chain efficiency, but it remains to be seen how

work of this nature can most effectively contribute to inform decision-making, and foster engagement by governments and industry on infrastructure issues.

Freight Councils have commissioned studies of container movements in and out of their major ports, which address impediments to efficiency. There has also been active consideration of airfreight capacities at major airports. The Victorian and South Australian Freight Councils have recently completed substantial reports on freight infrastructure in their States. These projects are consistent with the priority to infrastructure in the ALIS.

There remain areas of infrastructure policy where further progress is needed. The protection of freight corridors in land-use planning processes, the control of urban encroachment on ports and airports, and provision of space for intermodal facilities, continue as important economic issues. Operational issues affecting intermodal terminals or freight centres, such as in relation to rail access and authorised hours of business, are also concerns. Some industry representatives see potential for freight centres to be developed under 'open access' arrangements with independent third-party ownership, rather than as part of an integrated freight logistics company.

No significant work on infrastructure access has been directly undertaken under the ALIS. However, the economy-wide work initiated by COAG through its February 2006 Communiqué has significant implications for future decisions on the pricing of, and access to, transport infrastructure.

From comments made in consultations, it is clear industry would welcome a dialogue with governments about how, and in what areas, it can best make a contribution on infrastructure policy and planning. The ALC would have a key role in this process, as a national organisation bringing together representatives of providers and users of freight logistics, across both modes and the range of other logistics services.

Priority Area 3: People

The need for the industry and governments to address the human resource pressures facing freight logistics has become more evident since the ALIS was introduced. Consultations for this evaluation identified the industry's skills and recruitment situation as a critical area for national attention. While some of the pressures have arisen through buoyant labour market conditions, specific challenges also face the industry, such as its low careers profile.

The ALIS, through the work of the ALC, is seen as having made a difference already on the 'people' front, succeeding in bringing together a collective and cohesive industry position, across the various modes and professions.

Substantial assistance in addressing this Priority Area has come from the establishment in 2005 of the Transport and Logistics Centre (TALC), through an agreement between the Australian and New South Wales Governments. The TALC has played a major role in the ALIS 'people' agenda, including in partnership with the ALC.

There has been recent progress in regard to raising the industry's profile, with a national "Transport and Logistics" brand endorsed by the ALC to give an industry-wide focus for careers promotion. At least one national web-based 'portal' for information on career, education and training options should be available in the near future.

Many Freight Councils have been active in promoting career opportunities in the industry. The ALC has worked with Freight Councils and other industry groups in providing an industry presence at Careers Expos across Australia.

The industry's training system is complex and fragmented. Progress has been limited in better defining education and training structures. While there has been considerable effort put into developing a national accreditation framework, there has as yet been no resolution.

The important task of establishing the industry's current training effort and relating that to future skill needs, and funding, has also proved difficult to address. A constraint is the dearth of relevant data, which makes it hard to assess skills development in freight logistics relative to other industries. Further work remains to be done before a persuasive case can be made to governments and industry for enhanced funding and effort.

The ALIS also addresses workplace relations, in particular their impact on the flexibility of logistics operations, and occupational health and safety (OH&S).

Consistent with the ALIS, issues relating to operational flexibility have been a focus of several Freight Councils. Major studies have been completed in New South Wales and, more recently Victoria, focusing on improving the flow of international container-based supply chains. These studies provide a substantial base for action by industry and governments. The Freight Councils could work with the ALC on developing a national industry view.

ALIS-related work in the area of OH&S has been limited. The industry's OH&S record is poor, and at the lower end of performance across Australian industry. A National Safety Summit for the industry was initially considered for early 2006, with Australian Government support, but is now planned for 2007.

Priority Area 4: Innovation Through Technology And Knowledge

The first element of this Priority Area covers e-Logistics, involving applications of information and communications technology (ICT) and intelligent transport systems (ITS). Early activity by the ALC saw the endorsement of the EAN:UCC universal open system for data transfer (now titled GS1), as well as participation in a number of studies of ICT issues affecting logistics. However, activity by the ALC has fallen away after this positive start. ITS applications have not been developed under the ALIS, but are a focus of AusLink.

The consultations indicated some support for the ALC to remain active in the ICT area, particularly in promotion of public domain or 'common-use' systems,

so encouraging wider take-up, including by small and medium sized firms. Proprietary ICT systems operated by the industry's larger operators, as a part of their competitive advantage, were seen as a constraint on industry-wide application. However, more work needs to be done to better understand the issue, identify examples and assess the scope for response.

The second element under Innovation relates to strategic knowledge. The ALC has led the most substantial activity in relation to data, an area where there are major deficiencies in enumerating the nature of logistics activities, especially in a supply chain context, and industry performance. The work on data is still to produce major results, but settlement of key indicators and their collection is now in prospect.

Included under this element were a number of Actions directed to the promotion and implementation of best practice in supply chains at the level of the firm. While the ALC has published case studies in innovation and supply chain operation, there has been only a partial response to these Actions. Neither has there been any activity of substance related to reviewing accreditation arrangements, an area where there remain concerns about duplication and inconsistency. However, this is another area where more work is needed to flesh out the issues and assess the capacity for a response.

The third element specifically addresses innovation, as well as research and development. The ALC's study of innovation processes in the industry in 2005 was path-breaking work, and sets a high standard for future activity in regard to innovation. There has been no further work on take-up of government innovation programs. The freight logistics industry could be missing opportunities here because of lack of information.

The unsuccessful outcome of the two recent attempts to establish a Cooperative Research Centre in freight logistics indicates that this option is effectively closed. However, moves to coordinate and discuss future research work are a welcome development, and could help to increase the impact of the relatively limited extent of freight logistics research in Australia.

Priority Area 5: Sustainability

In the early years of the ALC there was a substantial effort to promote the ISO14001 series of standards on environmental management, however the impact does not appear significant. It is too early to assess the results of the ALC's own 'Charter' for best practice environmental management, which was introduced in May 2006, but the initial response of companies, industry associations, and government agencies has been promising.

It is noted that a number of COAG initiatives are underway to examine aspects of climate change, as well as reviews and responses by individual governments. Any future national logistics strategy should build a close linkage with decisions in these areas. In addition, more efficient logistics operations will generally have favourable environmental impacts and this aspect should be brought out more by the ALC and industry groups.

There has not been detailed follow-up to the ALIS actions relating to the management of packaging or other waste stemming from logistics operations.

Priority Area 6: Security

There is general consensus that the ALIS and ALC have struggled to make a major contribution in freight security. The most substantial project on the movement of high consequence dangerous goods has not yet produced results, for reasons out of the control of the ALC, and has led to some disaffection with the processes of government. It must be noted, however, that security is a complex area, involving a very wide range of government agencies. Future industry contributions on security under a logistics strategy would seem best as advisory in nature rather than developmental.

OVERALL ASSESSMENT

Overall, there has been good progress in addressing the breadth of the ALIS. As the following table indicates, most of the 36 Actions can be categorised as 'ongoing', in that work has commenced and is continuing. However, in some cases an initial response has not been sustained. In part this has reflected changes in priorities and resourcing. Only four Actions have not been addressed, and two others addressed in a limited way.

Against the terms of reference for the evaluation, the ALIS is highly *appropriate* in being consistent with government and industry priorities and, in turn, community needs for this large and critical part of the economy. The consultations brought out the value of the supply chain perspective of the ALIS and its emphasis on taking a more holistic and strategic approach to enhancing Australia's freight performance.

Relative to the wide-ranging plan of action proposed, the implementation of ALIS has been modestly resourced. For the outputs achieved against these resources, it can be said to meet the criterion of *efficiency*. However, a continuing requirement is to choose and manage priorities well, to ensure the available resources are best directed to the areas of greatest potential impact.

The most challenging judgement is about the *effectiveness* of the ALIS. There is no agreed set of objectives against which to assess the Strategy. Activities under the ALIS have had a relatively short time to flow through to produce outcomes, such as reducing costs, raising the industry profile, and increasing the flexibility of logistics operations. The ALIS has been implemented during a period of significant change in both industry structure and government policy approaches, making it difficult to isolate its impact. Further, it is important to acknowledge that a number of the key objectives of the ALIS are now being addressed in a whole-of-government, whole-of-economy, reform process.

With these qualifications, the ALIS has been effective in providing a framework for an improved relationship between industry and governments.

The industry is better placed to respond to the increasing demand for its services and to achieve productivity improvement. The ALIS has also brought together logistics providers and their customers from other industries to address common interests (such as skills requirements and information systems) and to develop specific responses (such as Codes of Conduct for particular supply chains).

NEXT STEPS

There is continuing support for a national initiative in freight logistics. However the approach of the ALIS would benefit from review and revision to reflect the changes in both industry and government over the past four years, experience in implementation, and newly emerging issues. It would be appropriate to wind up the ALIS, and to move to a new strategy. The new approach could be independent of the Government's Action Agenda program.

Industry would be the driving force in this reassessment, but governments should be closely engaged and supportive. The ALC would lead the industry effort, which is suggested should cover the period up to 2010. However the level, sources and term of funding for the ALC need to be clarified. In the immediate future, a substantial contribution will still be required from governments. For the longer term, industry and governments should clarify their respective objectives and decide whether to continue the current shared funding arrangement or move to the ALC's core activities being funded fully by industry, with government support project or activity based.

The new national initiative should be monitored and reported on an annual basis. Coordination of this process is a role for the ALC, reporting on priority tasks against agreed milestones and deliverables. There should be an emphasis on seeing work through to implementation.

The priority areas in a new national initiative would develop from the ALIS, but be fewer in number and less detailed. Inclusion could be considered of transport infrastructure; industry profile; education and training; workplace relations and operational flexibility; and sustainability. Guiding principles for developing the new initiative should be to focus on freight logistics in a supply chain context, to avoid duplication with other work (for example in specific transport modes), and to seek outcomes that enhance productivity and cost-competitiveness. The future direction should blend the strategic with the specific, and include an emphasis on identifying impediments and bottlenecks, and practical responses to such problems.

The move to the next stage could commence with a statement from the Australian Government acknowledging the progress made under the ALIS, recognising industry's growing contribution and inviting industry to take the lead in developing the future national freight logistics initiative. The Government could indicate its financial support through the transitional process, undertake to facilitate channels of communication with industry, and to seek State and Territory endorsement of the new approach.

IMPLEMENTATION OF THE AUSTRALIAN LOGISTICS INDUSTRY STRATEGY

Priority Area and Action	Responsibility	Status	Future Directions
LEADERSHIP			
Implementation and Development			
A36 Establish the Australian Logistics Council	Industry, with the Australian Government	Completed	Need to further develop role of ALC, establish financial viability and enhance State and regional linkages. SME contact to be reviewed by ALC
A33 Establish national industry consultative framework	Industry	Ongoing	Further action necessary to build industry support for ALC
A34 Australian Transport Council support	Australian Government	Ongoing	Little direct interaction since initial endorsement – review level of support and future communication channels
A35 Coordinate government activities	Australian Government	Ongoing	Original intent not met. DOTARS to consider future options
Regulation			
A28 Review progress in regulatory reform	Industry	Ongoing	Original intent not met. ALC to reconsider role in context of NTC activity and any action under A34
A29 Broaden approach to regulatory reform	Joint governments	Ongoing	Governments to reconsider in context of A34
A30 Insurance and liability review	Industry	Not addressed	Industry to review. If no priority, drop from core strategy
Exporting services			
A21 Review export performance	Industry	Ongoing	Addressed only in ad hoc way. Drop from core strategy
A22 Promote global logistics chain capabilities	Australian Government	Ongoing	As for A21
INFRASTRUCTURE			
A23 Develop strategic framework	Joint governments	Ongoing	Need to reassess nature of industry input and consultative channels with governments
A24 Secure transport corridors	Joint governments	Ongoing	As for A23
A25 Assist freight centre planning	Joint governments	Ongoing	Scope for further industry input on planning and access issues
A26 Review Federal infrastructure funding	Australian Government	Ongoing	Largely achieved in structural terms with AusLink
A27 Audit logistics facilities	Industry	Ongoing	Limited response. ALC to review industry priorities
A31 Assess access regimes	Industry	Ongoing	Limited direct response. ALC to consider in infrastructure work and against COAG work streams
A32 Accelerate rail reform	Joint governments	Ongoing	Need remains to accelerate. Industry role to be considered in context of A23

PEOPLE			
Education and Training			
A13 Develop national education and training framework	Industry	Ongoing	Remains a key area. Needs to continue in next stage of the TALC
A12 Promote career and training opportunities	Industry	Ongoing	Can now move to next phase with roll out of transport and logistics branding
A14 Develop learning networks	Industry	Ongoing	Limited progress. Could be refocused toward management training and mentoring
A15 Create education and training web portal	Industry	Ongoing	With portals now in prospect, focus to switch to ongoing funding/maintenance issues
A16 Review education and training funding	Industry	Ongoing	Central to addressing future skill needs. Requires substantial commitment and enhanced data
Workplace Relations			
A10 Promote more flexible work arrangements	Industry	Ongoing	Much groundwork done, task is more now in implementation, including possible development of a national approach
A11 Improve occupational health and safety	Industry and joint governments	Ongoing	Further develop Code of Conduct applications. The scope for a national initiative in OH&S to be considered by ALC
INNOVATION THROUGH TECHNOLOGY AND KNOWLEDGE			
e-Logistics			
A9 Address inter-connectivity of systems	Industry	Ongoing	Review against other priorities and resourcing. Need to identify areas where an impact could be made, and scope to promote take-up of any chosen projects
A7 Demonstrate benefits of e-Logistics	Industry and joint governments	Ongoing	Limited progress. Consider together with A8 and A9
A8 Improve freight distribution through e-Logistics	Industry and joint governments	Ongoing	Limited progress. Consider together with A7 and A9
Strategic Knowledge			
A1 Enhance data and analysis	Industry and joint governments	Ongoing	Need to resolve approach across ALC and governments. Consider special surveys and publishing indicators of performance
A2 Provide best practice information packages	Industry	Partially addressed	ALC to pursue in context of Code of Conduct work and Environmental Charter
A3 Produce template service level agreements	Industry	Not addressed	Review, but likely drop from future strategy
A4 Review accreditation arrangements	Industry	Not addressed	Need to better define problem and scope for action, before including in future strategy

Innovation, Research and Development			
A5 Analyse innovation processes	Industry	Ongoing	Review future approach. Desirable to retain a focus subject to other priorities and resourcing
A6 Improve research and development capabilities	Industry and joint governments	Ongoing	Concept of a national research forum merits further development
SUSTAINABILITY			
A20 Promote environmental accreditation	Industry and joint governments	Ongoing	Continue 'best practice' efforts as in IS14001 and Environmental Charter promotion. Consider implications of COAG and other related work
A17 Reduce congestion and emissions	Industry and joint governments	Partially addressed	Valuable to continue a focus on cross-modal issues. As for A20, also consider implications of COAG and other government actions
A18 Life-cycle assessments to reduce environmental impacts	Industry	Not addressed	Drop as a separate action, and pursue in context of 'best practice' approaches
A19 Eliminate packaging waste	Industry	Partially addressed	As for A18
SECURITY			
No specific action, but main focus on carriage of dangerous goods	Industry	Ongoing	Remain as an activity, but not a priority area. Industry role to be more advisory than developmental