



victoriantransportassociation^{inc.}

Department of Infrastructure and Regional Development

Inquiry the National Freight and Supply Chain Priorities

Submission on behalf of the
Victorian Transport Association

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4.0 SUMMARY



1.0 ABOUT THE VICTORIAN TRANSPORT ASSOCIATION (VTA)

1.1 Profile

The Victorian Transport Association (VTA) has over 800 members and is dedicated to the service of members and supporters in all sectors of the transport and logistics industry.

With over 100 years' experience and a specific business focus, we possess the industry acumen, market knowledge and industry contacts that enable members to capitalise on the current commercial and regulatory environments.

Recognised as Australia's pre-eminent multimodal prime contractor and employer organisation in transport and logistics, the association works with all levels of government, the unions, statutory authorities and the industry to achieve mutually beneficial outcomes. The VTA is committed to enhancing the image of the industry while helping improving the commercial environment for our members to operate.

1.2 Representation & Services

The VTA represents the industry through a variety of means and provides major services to its members and industry.

The VTA also has the experience and expertise to provide valuable information, advice and programs for:

- Industry Regulations and Compliance
- Industrial Relations
- Education & Training

2.0 VTA RESPONSE TO THE INQUIRY INTO NATIONAL FREIGHT AND SUPPLY CHAIN PRIORITIES

2.1 Introduction

The VTA commends the Department of Infrastructure and Regional Development in relation to the inquiry into *National Freight and Supply Chain Priorities* (the Inquiry).

The VTA also acknowledges that this Strategy is being undertaken in the context of a growing Australia and the need for a freight system that advances the nation's prosperity and meets community expectations for safety, security and environmental amenity into the foreseeable future. The VTA also recognizes that an integrated supply chain perspective is central to managing the performance and future designs of roads, ports, rail, intermodals and airports.

The VTA fully endorses the key objective of the Inquiry, that is, to determine how to best lift the productivity and efficiency of Australia's freight supply chain. This is crucial for our nation's competitiveness, viability and sustainability for the future.



At the same time, while the VTA acknowledges the Australian and state governments for the many strategies and reforms already produced to date, the VTA is adamant that it is time to develop a comprehensive master plan for Australia's supply chains which articulates the solutions to effectively address the many challenges confronting the nation's supply chains.

The VTA maintains that there needs to be a far greater sense of urgency, the 'political will' and sound comprehensive evidence to develop a detailed national strategy.

2.2 VTA's Approach to the Submission

The VTA acknowledges the extensive amount of work involved in the preparation and collation of the associated documentation for this Inquiry. This includes the recent achievements and foundations contained in the following reform and strategic documents:

- Infrastructure Australia's 2015 *Australian Infrastructure Plan* and the 2016 Australian Government Response to the plan;
- the 2012 National Land Freight Strategy and 2011 National Ports Strategy;
- recent Productivity Commission reviews, including reviews of the National Access Regime, Infrastructure and Agriculture (2013-2016); and
- master plans for our major ports and airports.

The VTA has consciously limited its justification for the development of a national strategy in this submission as it agrees with the rationale contained in the *'Inquiry into National Freight Supply Chain Priorities'* document. As part of the preparation of this response, the VTA also carefully reviewed the support documents included in the primary document.

The VTA has adopted the 'thought-starter questions' and headings as a broad framework for this submission. The VTA has included specific examples pertaining to Victoria, however, the underlying issues are very applicable to the national supply chain landscape involved with this Inquiry.

3.0 VTA RESPONSES TO THE INQUIRY

The following are the VTA responses to each of the selected key topics provided in the Inquiry document.

3.1 What is moving where, why and how?

Supply chains are complex, not only in terms of how the movement of goods is managed, but also in the interactions of the multiple parties involved in facilitating these movements. These activities and parties exist in an environment heavily influenced by external variables, including societal expectations and new technologies.



The VTA acknowledges the importance and need to develop a more appropriate land productivity framework. The VTA also notes that it is not just about *Who Moves What Where*, but it must also include, 'Who goes where, when, how and how much'. The VTA believes that this Inquiry requires a careful examination and analysis of the data of the specific road freight industry sectors in order to achieve a more accurate and meaningful Strategy.

Due to the complexity of supply chains, they are difficult to understand for those that are not directly involved. Supply chains and freight networks are like the arteries and capillary systems in our bodies. All reliant on each other but working individually to ensure that the respective part of the body is serviced, on demand. The analogy of the Australia and the human body, the flow of blood throughout and the ability for ongoing improvement is very relevant. In formulating a *National Freight and Supply Chain Strategy* there is a need to understand how fit the current system is and what needs to be done to ensure that greater capacities and productivities can be created.

Historically, the four different freight modes have not been integrated adequately and many opportunities have been lost to insular, narrow thinking that has been driven by self-interest. As a nation we need to release ourselves from this way of thinking and open up the benefits that will come from greater intermodal connectivity.

Understanding the freight networks is vital in formulating a *National Freight Supply Chain Strategy*. There are over forty individual freight sectors in Road Freight alone and these can also be broken down to specific geographical locations and individual customer requirements.

The following are typical road freight sectors:

- Long Distance Road Freight
- Container Transport
- Furniture
- Local Government
- Warehousing
- Contract Distribution
- Tip Trucks
- Armored Vehicles
- Waste
- Concrete/Aggregate
- Mining Industries
- Earthmoving & Demolition
- Bulk Tankers
- Car Carrying
- Refrigeration
- Ancillary Transport
- Country Carriers
- Agriculture
- Primary Producers
- Federal Government Agencies
- Building & Construction
- Oil & Petroleum
- Wholesale & Retail
- Freight Forwarding

These sectors can then be broken down into different types of operators. An example of these are as per the following:



- Hire & Reward – Prime Contractors
- Sub-Contractors
- Freight Forwarders
- Fleet Operators
- Interstate Carriers
- Ancillary Operators
- Country Carriers
- Waste Operators
- Farmers
- Retailers / Manufacturers
- Small Businesses
- Hired Vehicles (Rent)
- Federal Authorities
- Army
- Australia Post
- Government Agencies
- State
- Local

At the same time, the VTA is also concerned that there is a real dilemma for government decision makers at all levels, national, state and local, whereby we witness, on an on-going basis, a lack of a genuine commitment to work together, share information and advance effective and efficient measures to improve productivity. There are a host of reasons for this situation, however, the key point is that it creates genuine barriers for driving change and achieving productivity gains.

The above is also demonstrated in many of the current issues facing decision makers. The state of Victoria has a number of major projects currently being implemented or proposed. They are certainly needed and will assist in growing the economy. At the same time, the VTA is witnessing the real effects of the decision makers trying to simultaneously appease all stakeholders. This is clearly demonstrated in the planning and consultation processes associated with the current West Gate Tunnel Project. It is vital that such projects form part of are carefully considered state, as well as, national master plan(s).

We fully understand and appreciate the need and the importance of thorough consultation with such projects. Where we do have issues, is in the imbalance demonstrated in accommodating 'community amenities' at the expense of the transport and logistics industry. In our quest to accommodate changing demographics and higher density living, we are forgetting the significance and rightful place of the industry's role and its contribution to business, community and the national economy.

3.2 Competitiveness in the Australian freight sector

The VTA notes that a key outcome from the Inquiry will be to establish whether inefficient infrastructure planning, delivery and operation has created congestion in freight networks and supply chains, ultimately harming national productivity and competitiveness.

As a peak industry body, the VTA knows first-hand that productivity is being severely impacted by the tolling regimes for light and heavy vehicles. It is the position of the VTA that all Tolls should reflect the net impact upon the infrastructure in a fair and equitable way.



The VTA is very aware and concerned that this has certainly not been the case for the transport and logistics industry in recent years as demonstrated by the current tolling regime. The ability to recover sudden direct cost increase is difficult in the transport industry. The increase of tolls as an indexed value of cost at the current rate has placed a new focus on tolls that see cost outweigh transit time and maintenance. It is extremely important we achieve the 'right' balance and it is addressed in the inquiry.

The VTA cannot over-emphasise the importance of a fair, equitable and flexible tolling regime being implemented and what the transport and logistics industry contributes to the national economy cannot and should not be under-estimated.

The VTA has already made a number of such recommendations in other infrastructure project submissions in relation to productivity and efficiency. As an example, the West Gate Tunnel Project, the tolling regime should acknowledge the multiple user and shuttle service providers to the Port of Melbourne at an agreed threshold of daily movement. The transport operator should be eligible for a discount on the current tolling rates that would encourage full usage of the system.

Furthermore, the VTA maintains that additional heavy vehicle classifications should be installed that encompass the inclusion of High Productivity Freight Vehicles (HPFV).

While transport businesses are expected to invest in and make changes based upon market demands and customer expectations there still remains no financial incentive for businesses when adjusting to government led changes such as road curfews, major roadworks or slow planning.

3.3 Urban Growth pressures

The VTA is concerned by the impact of not effectively planning for industrial, commercial and retail developments. We used to have defined industrial regions. Unfortunately, this has lapsed or is not given the consideration it really desires in the interest of all stakeholders. The encroachment and overlap of suburban with industrial and commercial developments is impacting and reducing land transport productivity.

We are witnessing the serious impact demonstrated by: heavy vehicle curfews, major safety concerns with bicycle paths, clearways, infrastructure capacity; restrictions on access and times of deliveries to name a few. They are important issues to be considered and addressed as they are negatively impacting upon achieving improved productivity for the transport and logistics industry. The VTA advocates that more thorough planning of all infrastructure must be carefully considered for in a more strategic manner.

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The local community of the Inner West, led by loud local residents, have decreed their commitment to getting all container movement off the streets of the City of Maribyrnong. With a sympathetic Government this is turning into a reality with the related transport companies left without support as the local councils bow to the vocal minority. All major arterial roads are planned to be curfewed to Heavy Vehicles, 24/7, before any additional infrastructure is built.

Local supporting services will be forced by local government to change their business models, relocate and be financially penalised for operating so close to the port precinct. Councils will also increase the inclusion of bike paths in competition with truck routes and increase the pressure on container transport companies.

The Local Councils continue to cram in more rate payers by approving high density housing in close proximity to major freight and transport routes. For example, the announcement of 14 x high rises in Fishermans Bend will see public amenity issues place pressure on Lorimer Street, the only HPFV route for the Webb Dock port, with trucks being forced to accept restrictions and curfews.

Also, the announcement of a 30,000 person housing development at E Gate will see even greater pressure on existing freight being challenged as commuter routes.

Efficient supply chains rely upon 24/7 operations and the VTA wishes to highlight to the Inquiry that urban encroachment, lack of buffer zones and land separation setbacks have the potential to seriously impact upon efficient operation of freight related infrastructure.

3.4 Port Corridor Pressures- protected land, sea and air connections

According to various technical reports, the annual total container market in Australia is approximately 7 million containers (Twenty-foot Equivalent Units; TEU) with the following approximate distribution:

- Port of Melbourne: 2.5 million containers (TEU; including Tasmania's mainland domestic and international traffic);
- Port Botany (Sydney): 2.2 million containers (TEU);
- Port of Brisbane: 1.1 million containers (TEU);
- Port of Fremantle: 700,000 containers (TEU);
- Port of Adelaide: 350,000 containers (TEU).

The Port of Melbourne handles more containerised goods than any other Port in Australia. In 2014-15, the port handled 2.58 million 20 foot equivalent units (TEU), or around 36% of Australia's container trade.

Further to the urban pressures mentioned in the previous section, port corridor pressures are also impacted by terminal operations and by the low investment by stevedores.



While Victorian International Container Terminals (VICT) has built a new wharf that will be difficult to attract new business, the remaining stevedores have not chosen to invest in their respective operations to any large degree. Existing stevedores have not adopted autonomous systems that were originally muted 15-20 years ago and invested in minor equipment upgrades. Additionally, existing quays and wharves have not been upgraded leaving stevedores unsure of what investment should be undertaken in Equipment.

Even the new stevedore, VICT, could provide additional service had a 20metre piece of wharf upgrade was carried out at the original time of construction.

Other pressures relate to operational factors such as terminal gate capacity. Gate capacity at the stevedore may be able to be increased, however, it is exit capacity that will drive terminal based efficiencies. Little work has been undertaken to examine the ability of the exit processes for each wharf.

The new Coode Road closure for Dubai Ports World Australia (DPWA) is a specific case whereby coordination of respective stakeholders in developing a more efficient traffic flow have not understood the necessity of vehicle access to roads outside of the port precinct.

It is not that freight will not be able to move into and out of the Port, as the freight industry will adjust accordingly. However, the process will become disproportionate in its costs, the players reduce and the market value for these services increase the competitiveness of the Port of Melbourne.

Companies will lower their market expectations, reduce their appetite for investment and may seek new markets away from the Port of Melbourne.

At this stage, there is no *Master Transport Plan* for the Port of Melbourne. A recent example is the Webb Dock Port capacity plan that did not address the real issues of volume and access. Creating a 'band aid' approach to road improvement, not including a rail connection and not creating a freight transport zone in planning codes will mean that this Port will struggle to meet the demands of even the smallest increases in activity in terms of road access.

Trucks are viewed in general terms by the community as invasive and a threat to the standard of living in the areas upon which they operate in the Inner West of Melbourne. This attitude is exacerbated by the fact that due to there being no Master Transport Plan developed and communicated there is little defence or position the heavy vehicle industry can take accept to acknowledge that there are other road users.



3.5 End to end supply chain integration and regulation

Supply chains are complex, not only in terms of how the movement of goods is managed, but also in the interactions of the multiple parties involved in facilitating these movements. These activities and parties exist in an environment heavily influenced by external variables, including societal expectations.

More specifically, we need to be committed to improving supply chain productivity whereby the free flow of goods and services is based upon reducing the number of links in the chain. The VTA continues to advocate for productivity gains achieved by such initiatives (but not limited to):

- Larger vehicles and implementation of A Double vehicles on specific routes
- Highway/metropolitan splitting of areas
- High Productivity Freight Vehicles (HPFV) routes to rail heads in country areas
- Developing intermodal connection areas
- Improving access to ports, and addressing 'last mile' issues
- Improving inter-modal connectivity

When we examine and plan for productivity improvements it is also vital that the associated laws and regulations, governance; investment, access and usage and operational functionality associated with the issue (s) are carefully considered.

The value of Intermodal Connectivity is also a key driver of improved productivity. Road and rail, sea and rail, road and sea and air and road need to be identified and vital to the growth of the country and bringing the supply of good to the demand.

Every major port should have a rail connection. This should be integrated with a road based plan that does not impede land use development and in fact, increases the expanse of the major residential centres.

Supply chains service people both directly and indirectly. Reducing the need to be in conflict with supply chains and the population is also a factor in driving intermodal development.

More freight needs to travel throughout Australia by rail. Rail infrastructure needs to connect road and sea terminals in every capital city, directly.

As highlighted in the research, investment in key identified infrastructure is paramount for achieving supply chain productivity and efficiency. By way of an example, there has not been the investment and project to develop rail access as a major mode connecting the Ports. Spasmodic services are current but do not connect directly with any wharf with container costs increasing as the containers are handles between modes.

Plans for a port rail shuttle are limited and are necessary for the efficient movement of containers in and out of both the container wharf precincts.



The Webb Dock precinct needs to be able to integrate and rail system if it is to manage the movement of an estimated volume of 1 Million TEU per annum. While any such planning would be expensive, intrusive and not easily accepted by the public due to encroachment upon community amenity.

An intermodal hub located to the west of Melbourne between the Melbourne metropolitan area and Ballarat will enable rail to be connected with road and the port based operation. There is a vital need to build a hub that will keep trucks away from the port, include an inland port and AQIS and have access to interstate networks.

The old Melbourne Market site would be ideal site to re-locate those transport businesses in the Inner West. It would provide efficient access for sea, road and rail services in the one logistics hub. It would reduce travel time, road activity and encourage more containers directly onto rail.

Productivity and efficiency improvements of supply chain must be supported by structured and disciplined town planning and infrastructure regulation. The lack of inclusion of the supply chain in residential and commercial developments has consistently, in the past, led to ongoing community conflict, a reluctance to invest and an increase in operating costs for the service provider.

Examples that need to be considered when looking at town planning supporting supply chain development include, specific Port Zone buffers, industry and commercial hubs, street design, cycling integration, operator safety, national standards.

We currently have residential planning that does not consider supply chain productivity as a key element of new proposal unless they are directly a freight based proposal. The efficient flow of freight is vital for every community to flourish.

3.6 Changing Technology

As outlined in the associated documentation for this Inquiry, 'Digital technology has the potential to transform every aspect of moving freight through a supply chain.'

Businesses in Australia and globally are already innovating, developing mobile applications to schedule and streamline the collection and delivery of containers at ports, and through the supply chain more broadly. Applications such as these increase productivity and reduce costs by more efficiently utilising labour and supply chain infrastructure.

Governments are developing heavy vehicle asset registers and infrastructure investment plans, requiring assessment of key road freight routes in relation to access, safety characteristics and ride quality. The VTA is fully supportive of developing and adopting the technological advances, however, they must also be supported by timely, consistent and relevant legislation which delivers improved efficiencies and a reduction in 'red-tape' for the stakeholders.



The use of technology and the reliance on its ability to communicate quickly is essential for the review of many associated practices within specific supply chains that will benefit all stakeholders.

For example, many customs processes, both import and export, need to be reviewed with an intent to use technology at a deeper level than ever before. Also, road vehicle standards need to be reviewed on the basis that large, lighter vehicles that have a greater degree of technology and safety systems can become more flexible in their operation.

It is important to understand that by defining what is productive and safe for the whole of the community will bring the improvements and developments that will lead Australia into the future.

3. 7 Additional Drivers of Change

It will also be important to identify future opportunities emerging from a dynamic freight industry. As volumes increase and demand evolves there will be specific and individual desire to look towards the government, both federal and state, to support the development of specific supply chains. This support will not be just financial but also in parameters involving labour, access and investment.

Specific opportunities will come from the development of infrastructure and the ability of this infrastructure to be functional in the existing environment. For example, the introduction of the Inland Rail system should not just be limited to Brisbane and Melbourne but also be a part of a larger perspective that takes in the connection of all capital cities by an open system linked to intermodal satellite hubs.

It is just not the supply chain efficiencies that large scale infrastructure developments bring to the industry but also the indirect value to all of the markets and industry sectors that are reliant on the efficiency of these networks.

By reviewing and relieving industry of many of the systemic parameters surrounding the physical nature of the equipment and the regulation surrounding their use, there is an opportunity to drive and achieve productivity improvements while still improving safety regimes.



4.0 SUMMARY

The VTA fully supports this Inquiry and understands the rationale and the context for a national Strategy due to 'a growing Australia and the need for a freight system that boosts the nation's prosperity and meets community expectations for safety, security and environmental amenity into the foreseeable future'.

We appreciate this growth is being driven by Australia's growing population and from increasing demand for Australian resources and produce, especially in Asian markets. Australia needs to ensure it has the infrastructure to compete with other resource rich countries to supply the products to supply the products.

Australia needs a consistent approach to improving supply chain safety and efficiency. This is crucial for our nation's competitiveness, viability and sustainability for the future. The VTA fully endorses the key objective of the Inquiry, that is, to determine how to best lift the productivity and efficiency of Australia's freight supply chain.

The VTA would be pleased to expand and discuss any aspect of this submission and indeed welcomes this opportunity.

Peter Anderson
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