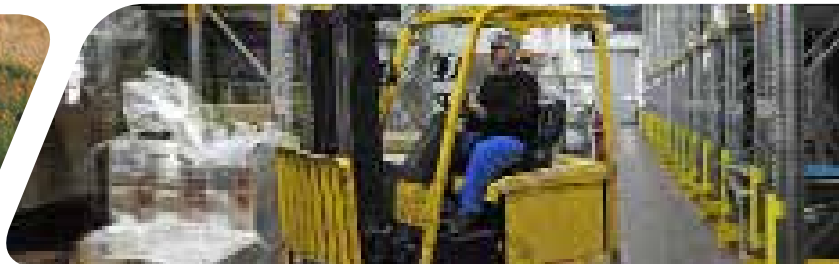


DECEMBER 2016

ALC SUBMISSION ON THE PRODUCTIVITY
COMMISSION'S DISCUSSION PAPER
***'INCREASING AUSTRALIA'S
FUTURE PROSPERITY - 5 YEAR
PRODUCTIVITY REVIEW'***



THIS SUBMISSION HAS BEEN PREPARED WITH THE
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ALC RESPONSE TO THE PRODUCTIVITY COMMISSION DISCUSSION PAPER

INCREASING AUSTRALIA'S FUTURE PROSPERITY – 5 YEAR PRODUCTIVITY REVIEW

The Australian Logistics Council (ALC) welcomes the opportunity to make a submission to the Productivity Commission's Discussion Paper *Increasing Australia's Future Prosperity* (the discussion paper)

By way of background, ALC is the peak body for Australia's logistics industry, representing the major Australian logistics customers, providers, infrastructure owners and suppliers.

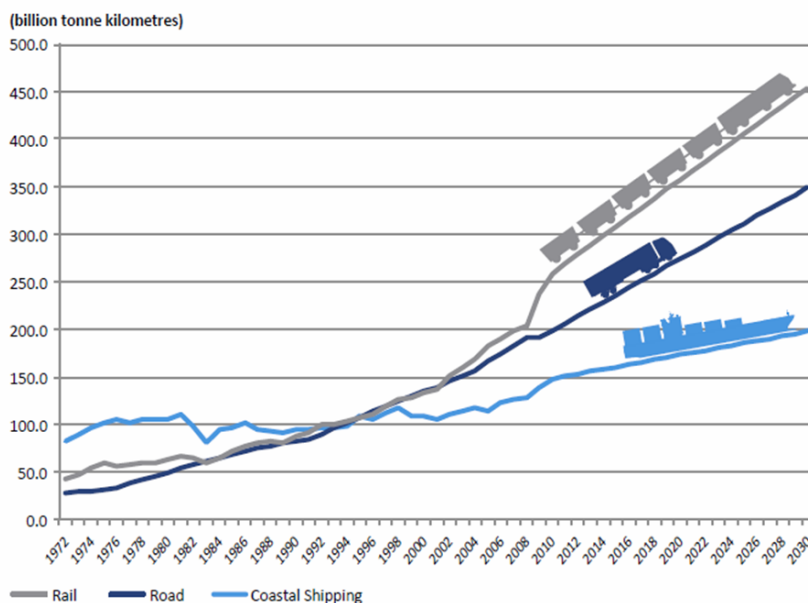
Australia's social and economic wellbeing relies heavily on ensuring Australia 'gets its supply chains right'.

A report by ACIL Allen and ALC found the Australian logistics industry adds \$131.6 billion a year or 8.6 per cent to GDP. And importantly, a one per cent improvement in efficiency will yield a \$2 billion-a-year benefit.

More efficient supply chains are a must when considering the size of freight task, and the geographical realities Australia's freight logistics industry faces.

As the graph below indicates, the national freight task has grown considerably since the 1970s.

Freight task by transport mode, 1972 – 2030



Source: BITRE 2010, Long term projections of Australian Transport Emissions: Base Case 2010, Report prepared for Department of Climate Change and Energy Efficiency, BITRE, Canberra.

This trend is expected to continue at a similar rate over the coming decades.

Infrastructure Australia predicts the national land freight task will to grow by 86 per cent between 2011 and 2031¹. The National Transport Commission also estimates Australia's freight task will increase by 26 per cent over the next decade.²

¹ Infrastructure Australia, Australian Infrastructure Plan, 2015

² National Transport Commission, *Who Moves What Where*, 2016

These observations provide hard evidence that inefficiencies in the industry will cost Australia dearly unless all governments continue to focus on reform of regulation and infrastructure.

ALC notes the Commission proposes to gather responses around various overarching microeconomic themes.³

In this brief submission, ALC would suggest one such theme that can be monitored longitudinally by the Commission over the years is **productivity and land use**.

Urban encroachment has the ability to undermine the existing and future operation of the freight supply chain.

The lack of buffer zones and land separation setbacks and design mitigation measures for sensitive use developments have the ability to impact on the efficient operation of freight-related infrastructure.

Unfortunately, the freight supply chain cannot sustainably support Australia's growing freight demand if freight facilities and infrastructure continue to be restricted in realising their optimal capacity, due to restrictions imposed on their use or operating conditions. The imposition of restrictions on the operation and use of freight infrastructure will only add costs to consumers and businesses.

As ALC said in its response to the 2015 Infrastructure Audit:

ALC members confirm the need to protect future (and existing) transport corridors (and buffers) that are likely to see more usage and/or land use changes around them.

.....

The impact of land use changes on existing transport corridors has already led to curfews and bans on what were once transport corridors in major cities.

For example, members report that the gentrification of inner areas of Sydney and Melbourne has seen more families move into areas that have historically been used as freight routes (both rail and road).

This has resulted in a number of measures from governments that have led to reduced productivity and efficiency including curfews, bans and changed operations.

Another example is that as freight rail has started increasing operations in our major cities, especially operating at night time. The people who live close to these rail lines are increasingly making noise complaints.

An integrated strategic and statutory planning system which protects and facilitates freight-related infrastructure development and its use is required at all levels of government. The efficient use of existing freight-related infrastructure (roads, rail and pipelines) is being compromised through inappropriate land use planning decisions and / or restrictions imposed on the use of the infrastructure asset to address community concerns.⁴

The 'efficient use' of existing and future infrastructure should be defined and measurable as part of the development of the 15 year Australian Infrastructure Plan. Infrastructure which has been constructed and isn't able to operate at its maximise design capacity, due to operational restrictions (e.g. no night time operations / use),

³ DP:20

⁴ <http://www.austlogistics.com.au/wp-content/uploads/2015/09/ALC-Submission-to-the-Australian-Infrastructure-Audit.pdf> : 11

should not be considered efficient or sustainable for either private or public sector infrastructure providers. (Emphasis added).

Looking to the future, there will be a need for additional intermodal terminals in western Sydney. The Western Sydney Employment Lands are likely to emerge in future decades as the centre of the major freight generating activities in Sydney, particularly with the decision to proceed with a Badgerys Creek airport.

Statutory protection of ports and freight-related infrastructure and corridors is required. Some progress is being made in NSW on future infrastructure corridor preservation (e.g. the Outer Sydney Orbital) however, the focus continues to be on the land required to build the infrastructure.

Both existing and future infrastructure corridors require protection from sensitive uses (e.g. residential, child care centres, hospitals, etc) which have the potential to compromise and restrict the 'full operational capacity' of the infrastructure asset. This requires the identification and statutory protection of the adjoining lands (i.e. the creation of a 'buffer zone' (physical land separation) between the infrastructure asset and sensitive use) in order to maximise the operational use of the infrastructure asset.

A case that illustrates ALC concerns is the Port of Melbourne.

As ALC said in its submission to Infrastructure Victoria's 30 year plan paper:

At the request of the Government, Infrastructure Victoria is considering the state's future port capacity, and it has suggested that this is a decision that should not be rushed.

This means the Port of Melbourne will be Victoria's premier port for years into the future.

It therefore means that the asset will need to be worked near to capacity so it may handle the projected freight traffic.

The Port of Melbourne predicts that by 2025, Victorian port international and mainland container volumes are projected to increase to 4.7 million TEU.

This is a 214% increase on the 2.2 million TEU of international and mainland containers which were handled by the Port of Melbourne in 2013-14.⁵

It must always be remembered that the transport and logistics industry is one of the most important drivers of the Victorian economy. Victoria's manufacturing base needs an efficient logistics sector to receive materials and to send out finished product.

It is therefore important that residential developments do not encroach on the port precincts.

To that extent, ALC notes the publication of the Government's *Fisherman's Bend 2050* vision, which anticipates housing 80,000 people in a 455 hectare area near Victoria's principal port precinct.

ALC members report that this development could impact on the functioning of the most important international freight asset in the State.

It is imperative that any further development in the port area does not restrict any element of the port's function, including in particular the movement of road and rail freight and operations of the port over the full 24 hour cycle.

⁵ http://www.parliament.vic.gov.au/file_uploads/Port_of_Melbourne_CorporationAnnual_Report_2013-2014_h66GswKm.pdf

This vicinity is also already a highly used logistics precinct. Prioritising urban uses over freight priorities will mean that CBD freight will be more expensive and more difficult to guarantee delivery times.

The final Strategy must remind decision makers that these are considerations that must be taken into account when increasing urban density in or near the centre of cities.⁶

ALC was pleased Infrastructure Australia recommended the development of a **National Freight and Supply Chain Strategy** and that the Government has supported the development of such a strategy. ALC understands the first step in this process is an independent inquiry to look at how the productivity and efficiency of Australia's freight and supply chain infrastructure can best be lifted, with a special charter to examine any regulatory and investment barriers and opportunities to improve the capacity and reduce the costs of transporting goods through our major national container ports, airports and intermodal terminals.⁷

Another ALC priority reflected in the Australian Infrastructure Plan picked up by the Government was a requirement for the Australian Government, in partnership with the States and Territories to establish effective corridor protection mechanisms to ensure the timely preservation of surface, subterranean and air corridors and strategic sites for future infrastructure priorities.

In its response, the Government said:

The Australian Government recognises the importance of ensuring that the future infrastructure needs of the country are well-planned for and that economic infrastructure is protected appropriately from incompatible uses. This is critical to driving productivity and reducing future costs. To support this work in November 2015, the COAG Transport and Infrastructure Council agreed to develop a work program to protect transport corridors and precincts. The majority of projects will be completed during 2017.⁸

These projects are vitally important if Australia is to get its supply chains right.

The development of an 'efficient use' measure of existing and future infrastructure of national significance (discussed above) would inform these types of endeavours to ensure that the interests of freight - and thus the productivity of the Australian economy - are not prejudiced.

ALC believes that the Productivity Commission is well placed to assist in the development of such a measure that can then be published as part of any rolling 5-year productivity review that is designed to be the microeconomic equivalent of the Intergenerational Report, under a broad theme of **productivity and land use**.⁹

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⁶ <http://www.austlogistics.com.au/wp-content/uploads/2016/10/ALC-Submission-on-Victorias-draft-30-year-infrastructure-strategy.pdf> : 5

⁷ Australian Government: *The Australian Government's Response to Infrastructure Australia's Australian Infrastructure Plan* (November 2016):9
https://infrastructure.gov.au/infrastructure/publications/files/Australian-Government-Response-to-Australian-Infrastructure-Plan_Nov-2016.pdf

⁸ Response: 59

⁹ DP:2



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