



AUSTRALIAN LOGISTICS COUNCIL

FEBRUARY 2016

ALC SUBMISSION

2016-17 BUDGET



THIS SUBMISSION HAS BEEN PREPARED WITH THE
ASSISTANCE OF KM CORKE AND ASSOCIATES, CANBERRA.

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INTRODUCTION

The Australian Logistics Council (ALC) welcomes the opportunity to make a submission to the Treasury proposing possible content for the 2016-17 Budget.

By way of background, ALC is the peak national body representing the major and national companies participating in the Australian freight logistics industry.

Research undertaken by ALC confirms the importance of the logistics sector as a major employer, with the industry employing approximately 1.2 million Australians.¹

Moreover, the Bureau of Infrastructure, Transport and Regional Economics (BITRE) estimates growth in Australia's freight task will continue over the next two decades with total domestic freight projected to grow 80 per cent between 2010 and 2030, underpinned by strong growth in domestic movements of bulk commodity exports, particularly iron ore and coal, and also by continuing growth in the road freight tasks.²

Accordingly, ALC argues for the development of more efficient and productive supply chains to support both economic and employment growth.

ALC understands the current budgetary limitations on the Government.

However, it is also the case that Australia must have a 21st century freight and logistics system in place to service the modern Australian economy.

ALC therefore proposes a number of discrete investments to encourage development of a nationally oriented set of policies that will assist in the efficient movement of freight from generation point to destination.

They are:

1. Funding to continue the development of a single national Access and Pricing Regulator for utilities.
2. Actively funding and managing the inland rail project so as to bring it to fruition.
3. Funding that will allow Treasury officers to fully participate in the current road pricing working group operating under the Transport and Infrastructure Council and progress this important issue.
4. Funding to identify the standards and system platforms necessary for the collection of data for regulatory and business management purposes, by a body with the appropriate expertise for the task.
5. Funding of the proposed working group of Australian Government and state and territory transport and treasury officials proposed in the Competition Policy Review Final Report to deal with a number of matters identified in the Report.
6. Given the intention that any road pricing reform will apply, in the first instance to heavy vehicles, the Heavy Vehicle National Regulator should be funded so that it can take all necessary steps to develop the legislative and administrative requirements to facilitate the mandatory use of telematics in heavy vehicles by the end of 2017, when other proposed amendments to the *Heavy Vehicle National Law* amending the chain of responsibility laws contained in that legislation should commence operation.
7. Funding for Infrastructure Australia to allow it to act as the 'auditor' for the scheduled 2016 review of the National Land Freight Strategy. Infrastructure Australia should also provide advice indicating how well the 2011 National Port Strategy has been given effect by jurisdictions.

These are now explained in greater detail.

¹ The Economic Significance of the Logistics Industry, Australian Logistics Council <http://austlogistics.com.au/wp-content/uploads/2014/07/Economic-Significance-of-the-Australian-Logistics-Industry-FINAL.pdf>

² Freightline, BITRE, https://bitre.gov.au/publications/2014/files/Freightline_01.pdf

Rail

In its 2015-16 pre-budget submission³, ALC said:

ALC notes support for a single national access regulator for utilities on pages 294-297 of the Draft Report of the Competition Policy Review (the Harper Report).

ALC has long supported the idea of national institutions being responsible for the seamless administration of services essentially provided within a national market.

For that reason, it has supported the establishment of institutions such as the National Heavy Vehicle Regulator and the Office of National Rail Safety, and is attracted to the establishment of a body suggested by the Panel.

As a first step a single economic rail regulator could be established.

The benefits are:

- » *a single economic regulator would reduce uncertainty – as it delivers a consistent approach to key regulatory rules – e.g. cost of capital, contracting approaches, network rules*
- » *the regulatory regime would differ according to circumstances: for instance there would be different rules for grain versus coal networks, different rules for vertically integrated vs non vertically integrated track providers. However, any differences would have an economic rationale*
- » *having a single national economic regulator would reduce the risk of regulatory capture*
- » *the volume of rail work for the national regulator would allow the creation of a specialised centre of rail expertise rather than spread over 6 different organisations, as is currently the case; and*

- » *the movement of freight across state borders by rail would have the same access rules throughout the country, an appropriate outcome given the effective single national market that exists in Australia in the 21st Century.*

Recommendation 50 of the Final Report of the Competition Policy Review reaffirmed the concept of a single national Access and Pricing Regulator.

The Government remains open to the recommendation, undertaking to continue discussions with states and territories as to how a new national framework could be developed between the Commonwealth, states and territories to promote economic growth. This includes the most appropriate institutional architecture to support reform.⁴

ALC hopes that there are funds in the Budget that will allow for these discussions to take place and for a suitable administrative mechanism to be developed.

Once developed, ALC assumes that rail access issues would fall within the ambit of such a body.

Inland Rail

Inland rail is critical to Australia's freight future given the expectations of the growth in the freight task.

The Inland Rail Implementation Group has finalised its business case and handed it to government.

The business case confirmed economy-wide modelling indicating the Inland Rail Programme will increase gross domestic product by \$16 billion over the 10 year construction period and 50 years of operation.

This project is now developing a high level of industry interest as evidenced by the fact alternative consortia has also sought to have proposals considered.

It is important that the Government continues to actively fund and manage this project so as to bring it to fruition.

³ <http://austlogistics.com.au/wp-content/uploads/2015/02/Budget-submission.pdf> : Page 3

⁴ *Australian Government Response to the Competition Policy Review (2014):38* – see: www.treasury.gov.au/~/media/Treasury/Publications%20and%20Media/Publications/2015/Government%20response%20to%20the%20Competition%20Policy%20Review/Downloads/PDF/Govt_response_CPR.ashx

Road

In a Ministerial Statement made on 2 December 2015⁵, the Hon Paul Fletcher MP, Minister for Territories, Local Government and Major Projects announced the Government will accelerate work with states and territories on heavy vehicle road reform and will investigate the benefits, costs and potential next steps of options to introduce cost reflective road pricing for all vehicles.

This was in response to Recommendation 3 of the *Competition Policy Review*, which called for cost reflective road pricing with the aid of new technologies, with pricing subject to independent oversight and revenues used for road construction, maintenance and safety.

The work being undertaken to develop a new road pricing regime by the Transport and Infrastructure Council (**the TIC process**) is recognised.

However, the *Competition Policy Review* also made the following suggestion:

Within 12 months of agreeing to this recommendation, a working group of Australian Government and state and territory transport and treasury officials should be commissioned to develop pilots and trials. This working group will advise governments around: choosing technologies to allow mass time-of-use and location-based charging; creating road funds and directing revenues to these funds; and reforming road authorities to restructure their operations along the lines of other infrastructure network providers.⁶

ALC has always considered that participation of Treasury officers in the TIC process would:

- » provide additional expertise in the TIC road pricing process; and
- » permit any newly developed road pricing mechanism to form a seamless component of any broader revenue reforms that may be developed by COAG and the Commonwealth.

ALC therefore requests funding be found to allow Treasury officers to participate in the TIC process.

Telematics

ALC has long argued that it should be mandatory for heavy vehicles to carry telematics devices so that data relating to speed and fatigue offences are available for use by both businesses and enforcement agencies. This data can therefore be used to manage obligations imposed under the Chain of Responsibility provisions of the *Heavy Vehicle National Law*.

In a letter dated January 2016 addressed to members of the Transport and Infrastructure Council, ALC said:

In 2010, ALC members Toll, Linfox and Asciano wrote to the National Transport Commission arguing that the existing chain of responsibility (CoR) legislation provides a sound basis for improving road safety for both heavy vehicle drivers and those who share the roads with them.

However, increased company monitoring of fatigue management and speed is required to improve compliance.

ALC has accordingly advocated that technology which 'date stamps' the time and location of events, generally through data taken from the Engine Management System (ECM) of the vehicle, which is transmitted through the General Packet Radio Services (GPRS) network for processing by the road operator, should be made mandatory. This is because it provides the most convenient mechanism through which operators can maintain the safe operation of the fleet and ensure that chain of responsibility obligations are discharged.

Whilst this information may not be able to be used for a regulatory purpose (such as proving beyond reasonable doubt that a particular heavy vehicle was breaking the speed limit at a particular place at a particular time), it is probably (in conjunction with other information such as rosters and safe driving plans) the best way of illustrating that an operator has taken all reasonable steps to ensure that Chain of Responsibility obligations are being met.

⁵ <http://paulfletcher.com.au/speeches/parliamentary-speeches/item/1540-ministerial-statement-road-pricing.html>

⁶ Harper Review: 216

It is well known that Part 6.1 of the NSW Roads Act 2013 effectively requires heavy vehicles to carry analogue tachographs.

This is now outdated technology – indeed some of the standards incorporated into the law have been repealed as obsolete.

Given the need for NSW (the largest jurisdiction participating in the national scheme) to amend its law, ALC believes that the time is now appropriate for the National Regulator to take the lead in encouraging nationally consistent legislation (i.e. the HVNL) to make mandatory the requirement to capture data that will facilitate the management and auditing of safety performance.

It is becoming increasingly apparent that telematics also has an important role to play in any new road funding mechanism that may be designed.

In a Ministerial Statement made on 2 December 2015, the Hon Paul Fletcher MP, Minister for Territories, Local Government and Major Projects, announced the Government will accelerate work with states and territories on heavy vehicle road reform and investigate the benefits, costs and potential next steps of options to introduce cost reflective road pricing for all vehicles.

This was in response to Recommendation 3 of the Competition Policy Review, which called for cost reflective road pricing with the aid of new technologies, with pricing subject to independent oversight and revenues used for road construction, maintenance and safety.

As Minister Fletcher said in the Statement:

A third factor is that, until relatively recently, it was a complex task to determine the number of kilometres a vehicle had travelled, and to levy a suitable charge. Advances in technology now make it much easier and cheaper to determine this, for example through the use of GPS-based telematics devices in a vehicle which capture data and report it over a network.

This can be data not just about distance travelled, but also on other variables such as fuel usage, the vehicle's weight, the particular route travelled and so on - which for example could potentially allow for different rates to be charged for roads of different quality standards. Of course it will be important to maintain confidentiality and privacy safeguards and this is an issue that will need to be worked through very carefully.

ALC harbours concerns that as telematics technology becomes more dynamic and cheaper, different jurisdictional regulators will require heavy vehicles to use multiple pieces of hardware prescribed by particular laws to capture data fields that may be identical to information required by other regulators.

As an example, section 144AC of the *Protection of the Environment Operations Act 1997* (NSW) allows the NSW Environmental Protection Authority to require certain operators transporting waste to carry specific approved GPS tracking devices.

It would now appear that telematics will need to be carried for road pricing purposes, with heavy vehicles being the first class of vehicle subject to any new pricing regime sooner rather than later.

Given this, ALC believes that legislation should be developed immediately that focusses on the development of open standards and a systems platform approach, consistent with international standards, without the overriding concern to ensure the collection of data to 'evidentiary standards' rather than prescribing particular pieces of hardware.⁷

It is essential that all Australian jurisdictions who wish to obtain data permit the use of hardware compliant with such nationally consistent standards.

ALC therefore recommends the Budget provide funds for the following projects:

1. The identification of the standards and system platforms necessary for the collection of data for regulatory and business management purposes, by a body with the appropriate expertise for the task.

⁷ A particular concern of some enforcement agencies

2. For the proposed working group of Australian Government and state and territory transport and treasury officials to deal with the other matters identified in the Competition Policy Review Final Report. These include the obligation to develop pilots and trials for road pricing, creating road funds and directing revenues to these funds. It would also involve reforming road authorities to restructure their operations along the lines of other infrastructure network providers, which would build from the work already done, or is being completed, through the TIC process.
3. Given the intention that any road pricing reform will apply, in the first instance, to heavy vehicles, the Heavy Vehicle National Regulator should be funded so that it can take all necessary steps to develop the legislative and administrative requirements to facilitate the mandatory use of telematics in heavy vehicles by the end of 2017, when other proposed amendments to the Heavy Vehicle National Law amending the chain of responsibility laws contained in that legislation should commence operation.

National Land Freight Strategy

The National Land Freight Strategy was formally approved and released by the (then) Standing Council on Transport and Infrastructure (SCOTI) in September 2013.

The Strategy is due for review in 2016.

According to the Strategy document:

The objective of this Strategy is to improve the efficiency of freight movements across infrastructure networks, minimise the negative impacts associated with such freight movements and influence policy making relevant to the movement of freight. The Strategy's long term outcomes are to ensure:

- » *an efficient, productive and competitive national land freight system;*
- » *a sustainable land freight system that responds to growth and change; and*
- » *that policies affecting land freight are aligned and coherent across governments.*⁸

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

ALC generally agrees with the substance of Audit's observations, which repeats the themes of previous Infrastructure Australia reports, and particularly agrees with the observation that national infrastructure markets must operate to improve investment decisions and give consumers choice.

*Australian Governments have previously appeared to have had a greater commitment to adopting processes that advanced a broader national interest, highlighted by the development in 2011 of the National Ports Strategy (the NPS).*⁹

Some of the elements of the NPS remain relevant.

They include:

- » agreeing the relevant port, landside links nodes and sea channels that should be considered as part of a 'port';
- » improving productivity and prioritising freight on port corridors, through identifying port land corridors for trials;
- » identification of landside access routes of strategic importance to the efficient function of the relevant port and designate these as national port freight corridors;
- » developing planning documentation reflecting the challenges faced by each port and how the capacity to meet the freight task will be safely provided; and
- » assessing how opportunities for real-time technology systems to improve port-related supply chain performance are being applied.

⁸ Page 1: see - http://transportinfrastructurecouncil.gov.au/publications/files/National_Land_Freight_Strategy_Compressed.pdf

⁹ www.austlogistics.com.au/wp-content/uploads/2015/09/ALC-Submission-to-the-Australian-Infrastructure-Audit.pdf

Whilst some jurisdictions have applied the NPS to its planning strategy documents (notably Queensland in its Queensland Ports Strategy) other jurisdictions have not.

The National Land Freight Strategy (the NLFS) is said to 'build' on the NPS.

However, ALC has been somewhat disappointed with a document lacking a wholehearted commitment to a national strategy that is accompanied by a less than ambitious workplan.⁸

It is important that the promise of the identification and protection of major freight routes from urban encroachment and the development of appropriate infrastructure to carry the Australian freight task is honoured.

In its submission to the Audit, ALC recommended (amongst other things) that Infrastructure Australia act as the 'auditor' to this review, so that there is a clear indication of how well Australia's jurisdictions have given effect to the National Land Freight Strategy.

ALC also suggested that at the same time Infrastructure Australia should provide advice indicating how well the 2011 National Port Strategy has been given effect by jurisdictions.

The Commonwealth should provide funding for the proposed review and the role of Infrastructure Australia suggested by ALC.

In this way, Australians can determine what governments have done to ensure there is connectivity between freight generation and destination points and what needs to be done going forward.

CONCLUSION

Should the Government make the investment in the reviews discussed above, it will set in place a capacity to develop policies that will allow the freight and logistics industry to provide the necessary support to efficiently move goods from freight generation point to destination, thus improving the efficiency of the Australian economy and the welfare of all Australians.

ALC therefore commends these suggestions to the Government.

Australian Logistics Council
February 2016



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