



ALC Submission 2022-23 Budget

28 January 2022

Introduction

The Australian Logistics Council (**ALC**) welcomes the opportunity to make a pre-budget submission relating to the 2022-23 Budget.

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, efficiency and sustainability.

Given the pre-election context, we have focused on five specific issues:

1. Intermodals and rail
2. Critical infrastructure legislation and risk management plans
3. Funding of SMEs to assist digitisation of information
4. Compliance with Public Health Orders
5. International Freight Assistance Mechanism (IFAM)
6. Emissions reduction

Key issues

1. Intermodals and rail

The *Mid-Year Economic and Fiscal Outlook 2021-22* suggested an additional equity investment into what is now the National Intermodal Corporation¹ will be made to undertake land acquisitions and commence the planning, development, and delivery of Victorian Intermodal terminals for the Inland Rail.² This is an important task.

The ability of moving freight from Melbourne to Brisbane in one day could change the way freight is moved in Australia from a ratio of 30% movement by rail, to 62% by 2050.³

The role Inland Rail has in improving supply chain efficiency, road congestion and the sustainability of the Australian economy is clear. ALC is encouraged by the increasing focus on the important role intermodals play in the movement of freight.

The productivity uplift of the Inland Rail is underpinned by the connectivity to the Ports at both ends, Brisbane and Melbourne. It is therefore imperative the Commonwealth adequately and appropriately fund these intermodals. Intermodals should take into consideration urban encroachment, land and business zoning, dedicated rail freight corridors and minimal requirement to transition to road freight to move containers into the Ports. Intermodals should be planned and developed with Australia's future freight requirements in mind.

¹ Formally the Moorebank Intermodal Company

² Page 276 of MYFEO

³ ARTC *Melbourne-Brisbane Inland Rail Alignment Study – Final Report* (2010):13

The role of the National Intermodal Corporation should be framed so it can encourage broader initiatives such as:

- Prioritisation of freight in the Melbourne, Sydney and Brisbane rail corridor over underutilised passenger services
- The proposal to develop a new intermodal at Wumbulgal, near Leeton NSW to establish a rail freight capacity of up to 140,000 TEUs per annum to more efficiently service the freight needs of the Riverina region, whilst improving the amenity of the people of Griffith through the relocation of rail and road traffic from the town itself
- The Regional Rail Incentive Program. The proposed program is intended to deliver a sustainable customer incentive program to break regional containerised port freight trains at metropolitan intermodal terminals for onward distribution by dedicated terminal shuttle to Port Botany. Doing so will deliver increased regional supply chain efficiency, maximise two way loading and most importantly create greater port window capacity for the benefit of the whole port logistics supply chain.

Funding for an appropriate equity investment into the National Intermodal Corporation that will:

- 1. Facilitate the efficient end-to-end operation of Inland Rail, from the Port of Melbourne to the Port of Brisbane**
- 2. Invest in intermodals and in programs that will facilitate the movement of freight on rail rather than road.**

2. Critical infrastructure legislation and risk management plans

The Security Legislation Amendment (Critical Infrastructure Protection) Bill 2022 will be introduced into Parliament during the Autumn/Budget sittings of Parliament. It is expected to pass before the election. It will require many companies (including most ALC members) to prepare risk management plans for the critical infrastructure they operate.

The Australian freight and logistics industry supports the goal of ensuring the security of Australia's infrastructure, whilst not placing an undue administrative burden on industry.

On 26 November 2021 the Department of Home Affairs published a document setting out 'guidance' as to what it expects to see in a risk management plan with the intention of developing 'principles based' regulation.

However, because of the broad nature of the risks the legislation seeks to manage, ALC members advise:

1. The original cost of developing a risk management plan compliant with the requirements of the Bill range from \$3 million - \$10 million (depending on the company's level of coverage under the Act)

2. Additional ongoing compliance costs ranging from \$500,000 to \$8 million per annum.

This is far different to the “small regulatory impost” anticipated in the Regulatory Impact Statement for the original 2020 Critical Infrastructure Bill.⁴

It is important that government has available the information necessary to manage the cyber and infrastructure risks the country faces. However, that equally means it is essential that government supports industry to develop and implement the risk management plans necessary to meet the international risk environment.

Funds should be appropriated to the Department of Home Affairs, to enable a grant or assistance program to aid entities who must develop risk management plans for the purposes of the *Security of Critical Infrastructure Act 2018*.

3. Funding SMEs to assist the digitisation of information

One of the initiatives arising from the National Freight and Supply Chain Strategy has been the development of the National Freight Data Hub. The Data Hub is critical in ensuring data driven policy decisions and targeted investment in infrastructure that supports Australia’s population growth and future freight task.

ALC has long recognised that data is the ‘new oil’ that will facilitate the efficient and sustainable operation of the Australian supply chain. It is imperative that the Data Hub continues to be funded through the forward estimates and is incorporated into the Australian Data Strategy.

The Government should enhance the appropriations provided for the continued development of both:

1. The Data Hub
2. The Australian Data Strategy being coordinated by the Department of Prime Minister and Cabinet.

Digitisation of the freight and logistics supply chain is an important focus of the sector. One of the major drawbacks is 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. It is of note that when introducing legislation amending Australia’s cybersecurity laws, skills shortages in IT and cybersecurity are a challenge.⁵

⁴ <https://www.legislation.gov.au/Details/C2020B00201/Explanatory%20Memorandum/Text> Pages unnumbered.

⁵ Ibid paragraph 150

The COVID-19 pandemic and subsequent border closures have further exacerbated skills shortages across the sector, including cyber specialists and data analysts.

As a minimum, the development of courses at the Certificate III or IV level would assist in developing a pool of employees able to manage and manipulate data. This skillset could be the basis for apprenticeship and traineeship programs supporting smaller operators to collect and interrogate data, identify and mitigate cyber risk and provide career paths within the freight and logistics sector.

Funds should be appropriated to support the necessary skill attraction and development to allow the freight and supply industry to:

- 1. Use digitised data in the movement of freight**
- 2. Build capability in freight and logistics SMEs to manage cybersecurity risks.**

4. Compliance with Public Health Orders (RATs)

ALC members and their workers are fundamental to maintaining supply of essential goods, including food, medicines and healthcare supplies. Furthermore, it is critical that our members continue to keep the supply chain functioning across Australia, which necessitates the use of Rapid Antigen Tests (RAT) in the workplace. Our members have been using RAT as a proactive health measure since August 2021, these measures have not been subsidised by government.

Although, ALC members welcome the modified furlough arrangements and agreed national definition of close and casual contacts, continued compliance with Public Health Orders and requirements can only be absorbed by businesses for a finite period. As such funding should be provided to subsidise essential and critical sectors to meet Public Health requirements.

Funds should be appropriated to support the provision of Rapid Antigen Tests to employers within essential and critical sectors.

5. International Freight Assistance Mechanism (IFAM)

IFAM is necessary to ensure essential imports such as medicines and medical supplies can be transported to Australia. Pre-pandemic 80% of air freight was moved in the bellies of passenger aircraft. Due to significant drops in air travel, and this trend is continuing, despite international borders reopening, it is imperative air freight continues to be subsidised.

ALC acknowledge the IFAM program is funded until July 2022, however, noting the changeable nature of the pandemic, provisions should be allocated for the extension of this program.

Funds should be appropriated to support air freight past July 2022, supporting supply chain resilience and security.

6. Emissions reductions

Transport is Australia's third largest source of greenhouse gas emissions, with the highest rate of growth. The freight and supply chain sector faces a number of challenges in reducing emissions but if Australia is to meet its international obligations in terms of emission reduction targets, then, after the energy sector, it is an obvious focus for action.

ALC has been encouraged by The Australian Government's commitment to reach net zero emissions by 2050 and targeted action through the Technology Investment Roadmap. Efforts to support the transition have been funded through the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC) but ALC believes that a specific and targeted focus on the heavy vehicle sector will provide added impetus at an early, and important, stage of the transition and help fast track enterprise-level initiatives.

Additional funding be provided to ARENA and the CEFC to build on their existing body of work and help drive the transition to low emission vehicles in the freight and logistics sector with a focus on:

- 1. Demonstrating the benefits of hydrogen, and other low emission fuels, in reducing heavy transport emissions to encourage interest by small-medium sized operators, through targeted education campaigns**
- 2. Testing and trialling zero emissions vehicles for the freight and logistics sector for use in Australian conditions**
- 3. Expanding current programs to develop refuelling infrastructure on major freight routes linked to current low emission technologies such as hydrogen**
- 4. Supporting the transition to clean energy and on-site recharging facilities in freight and logistics facilities such as warehouses and distribution centres.**

Thank you for the opportunity to provide this submission. Should you require additional information, please contact Rachel Smith, Director – Policy and Advocacy on 0433 569 301 or rachel.smith@austlogistics.com.au.

Yours sincerely



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