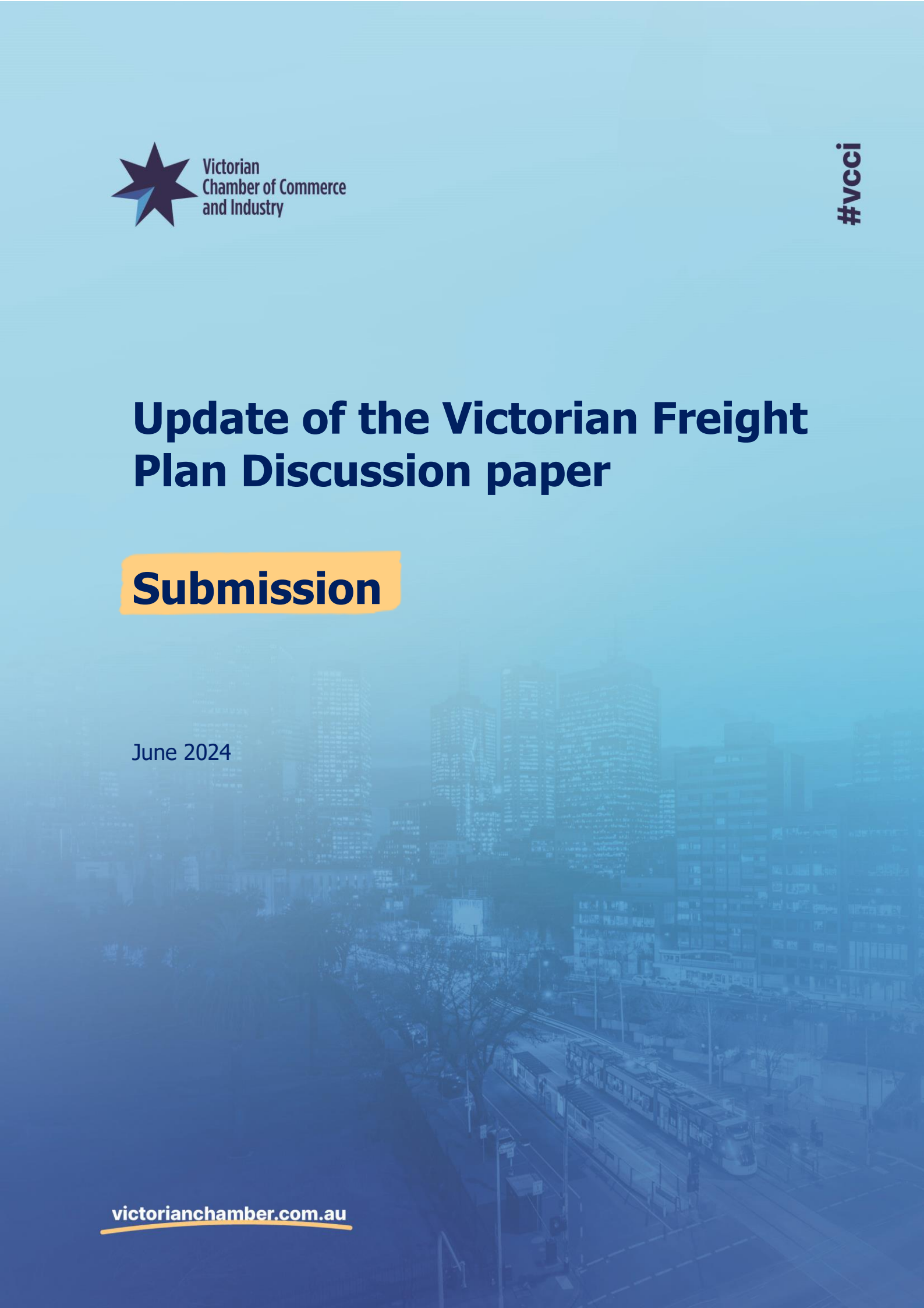
Victorian Chamber of Commerce and Industry

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Update of the Victorian Freight Plan Discussion paper

Submission

June 2024



victorianchamber.com.au

Executive Summary

The Victorian Chamber of Commerce and Industry (Victorian Chamber) welcomes the opportunity to make this submission given the significant economic contribution that the freight and logistics industry makes to Victoria.

Victoria is Australia's freight and logistics capital. Our State is fortunate to have a quadruple competitive advantage including the Port of Melbourne - Australia's largest general cargo and container port - two curfew-free airports and an extensive road and rail network. For this reason, it is the preferred state for many operators.

Safeguarding this competitive advantage must be the cornerstone of the updated Freight Plan.

The Victorian Chamber strongly encourages the Victorian Government to set ambitious goals that explain how it will protect and enhance the globally competitive freight and logistics that is located here in Victoria.

We encourage the Victorian Government to lift the ambition of the Freight Plan and deliver a blueprint and strategic plan for action focused on efficiently expanding the capacity of the sector to cater for future growth as well as by lifting productivity.

The current Freight Refresh Plan falls short. The Victorian Chamber urges an urgent recasting of the Discussion paper to address the matters raised in this paper.

Freight and logistics services are largely provided by private businesses with little direct role for government.

However, government does have a range of policy levers that can impact on growth and productivity of the sector including through the planning, infrastructure, regulation, taxation and education and skills training functions.

These policy levers need to be explored comprehensively in the Freight Plan and include a clear vision for an investment and planning framework that meets future challenges and higher freight volumes such as a growing population, a changing economy and shifting public expectations concerning safety.

The areas of policy coordination that the Victorian Government should prioritise include:

- a clear roadmap that supports the identification, funding and delivery of new investments in freight infrastructure, prioritised by the highest net economic and social benefits;
- an efficient, trusted regulatory framework;
- strategic, integrated urban and regional land use planning and the reservation and protection of freight corridors needed for future growth;
- a skilled workforce via the vocational and education training system;
- work with the Federal Government to support innovation in freight services including through business investment tax breaks and
- given the intersection with the Federal Government particularly for trade, critical infrastructure and defence, it is important that the Freight Plan addresses how it will drive a nationally consistent approach to policy wherever possible.

Rail Freight

The Victorian Government's previous freight policy *Delivering the Goods – Victorian Freight Plan 2018* aimed to significantly increase the share of freight moved by rail rather than road. However, this ambition did not transpire with the recent Victorian Auditor General report on the *Effectiveness of Rail Freight Support Programs* finding that there has been no increase in share of container freight moved by rail either in metropolitan or regional areas.[1]

Nevertheless, the Victorian Chamber acknowledges that improvements in the regional rail network will have significant benefits to the movement of freight. This will require consistent and sufficient funding for upgrades to the regional rail network, track and signalling equipment and improved stations. Additional requirements include rail network gauge standardisation and access to a linked up intrastate and interstate network.

The Victorian Chamber supports the expansion of a clearly planned national (interstate and intrastate) rail network. This is a matter that involves the Federal Government and requires a well-planned strategy that identifies areas for priority investment. The Victorian Chamber notes recent announcements regarding the Beveridge Interstate Freight Terminal. However, delivering the dual terminal strategy is essential. This together with the integration of the freight terminals with the Melbourne-to-Brisbane Inland Rail and Port Rail Shuttle will significantly increase the commercial viability of rail freight services and allow for an efficient, reliable and costs competitive rail freight network to flourish.

In our recent federal pre-Budget submission, the Victorian Chamber urged the Victorian and Federal Governments to develop an integrated transport plan for the next two decades to provide market certainty. This would require clearly setting out strategic priorities for forward investment over the next decade on road and rail projects relating to freight routes and terminals and envisaged a series of upgrades to regional rail routes. This is essential so that business investment can proceed with a level of assurance about the future of these projects. We commend the recently announced decision to enter into contracts for the $31 billion Inland Rail project.

As an adjunct to this, the Victorian Chamber notes the strategic advantages of utilising infrastructure in our regions. The recent report by the Mildura Rural City Council on the Murray Basin Freight Rail Network found that of the almost 40 million tonnes of freight suited to rail, 72 per cent will go by road. Ballarat with its critical mineral and mineral sands reserves is not connected to the national rail network. These are matters which must be addressed and should be canvassed in the freight strategy.

Relatedly, the Federal Department of Infrastructure, Transport, Regional Development, Communications and the Arts together with the ARTC should lead the identification, development and delivery of rail projects that expand the network as well as identifying and delivering resilience measures for the network. This work should also draw on resources such as Bureau of Infrastructure and Transport Research Economics (BITRE) data and operator feedback and interface with Infrastructure Australia processes, Victorian Government priorities as well as freight operators.

There are hundreds of millions of dollars of private sector investment that could be unleashed with the right policy settings and signals from Governments. Examples of suspended projects include the $55 million GrainCorp Project regeneration, $46 million Sunraysia Mallee Port Link project, $12 million Export hay Processing facility at Sunraysia Mallee Port Link and $500,000 grain cleaning and container packing operation at Ouyen.

[1] Victorian Auditor General's Office Effectiveness of Rail Freight Support Programs June 2023

Recommendations

01	The Federal and Victorian Governments need to coalesce around the delivery of strategic freight priorities given the competitive advantages of our ports. The Victorian Chamber urges the Victorian and Federal Governments to develop an integrated transport plan for the next two decades to provide market certainty. This would require clearly setting out strategic priorities for forward investment over the next decade rail projects relating to freight routes and terminals and envisaged a series of upgrades to regional rail routes.

Road Freight

Victoria's, and indeed the nation's, road system provides for the movement of the majority of non-bulk freight. The extent and nature of that road network, which allows also for point-to-point servicing of freight with limited if any double handling, means it is the most efficient mode currently available. These practicalities mean that Government will always need to plan for upgrades of the road network simply because they remain a central component of the freight network.

The Victorian Chamber recommends that the State and Federal Governments work together to identify priorities for future road projects that remove bottlenecks between key precincts and their markets, therefore supporting the movement of freight. Ultimately, these projects remain fundamental to decongesting the road network for passenger vehicles and moving trucks off local and suburban streets.

Other initiatives that would help prioritise the movement of freight include dedicated freight lanes at specific times of the day/night, favourable signalling on major arterial roads and allowing trucks carrying hazardous goods onto key routes during off peak times. The Victorian Chamber supports sensible interventions of this nature..

Conflict between road and freight users is often more pronounced in a central city context. City Government interventions in relation to last mile deliveries can create further issues and inhibit the movement of goods from key hubs to warehouses, shops, businesses and consumers.

There are two issues for consideration in this context. First, ensuring that the road network is sufficiently designed to facilitate heavy vehicle access to sites. In regional areas, this means ensuring that the infrastructure around key warehousing, transport and logistics sites is sufficient to allow for the efficient access for trucks to move goods and product. Secondly, in built up central city areas, there needs to be provision for 'micro mobility' approaches with associated curb side facilities and parking to support deliveries in residential and commercial areas.

We note a significant area of focus in the Freight Plan Discussion Paper relates to the decarbonisation of the freight industry. The Discussion Paper notes that the Victorian Government has set some of the most ambitious targets in the world. Government, therefore, has a significant role to play in incentivising and encouraging the take up of efficient and clean freight vehicles. Some of these issues will be picked up in the emerging technologies section of this paper.

The Victorian Chamber supports programs that catalyse uptake of lower emitting trucks. Initiatives such as the Zero Emission Vehicle (ZEV) Commercial Sector Innovation Fund are examples of good projects that should be expanded and have greater reach, focusing on the private sector. Federal Government incentives, including through the taxation and depreciation systems, have a clear role to play. Conversely, the Victorian Chamber will not support the imposition of any costs, penalties and the like on businesses to support decarbonisation of the industry.

Relatedly, we note the recent initiatives such as the National Decarbonising Transport Summit in Canberra which has brought together industry and Government. Decarbonisation of the industry must be coordinated at the national level with industry at the centre to develop and agree on sector wide actions with Government. Industry is best placed to provide best in market proposals, appropriately assess and allocate risk, and invest in innovation to reduce emissions across the asset lifecycle, and as technology evolves.

Recommendations

02	The Federal and Victorian Governments identify priorities for future road projects that remove bottlenecks between key precincts and their markets and therefore supporting the movement of freight. There are range of other sensible interventions that would make better use of existing infrastructure and help prioritise the movement of freight, such as dedicated freight lanes at specific times of the day/night, favourable signalling on major arterial roads and allowing trucks carrying hazardous goods onto key routes during off-peak times.

Air Freight

The Victorian Chamber notes the work currently underway relating to the National Freight and Supply Chain Strategy, Five Year National Action Plan and the Aviation Green Paper.

Unlike all other modes detailed so far in this submission, air freight and passenger travel are uniquely intertwined. Around 80 per cent of air freight travels in the hold of passenger aircraft.

Importantly, air freight represents around 21 per cent of Australia's international trade and is, by definition, high priority, high value goods.

Ensuring regulatory settings around airports are fit-for-purpose is fundamental to realising these economic benefits in full.

As a vital part of the national transport system, the efficient and effective operation of Australia's airports and the broader aviation industry, while maintaining their social licence, must be a fundamental outcome of the Victorian Freight Plan.

Relatedly, other emerging aviation technologies, particularly drones and Advanced Air Mobility (AAM), have the potential to radically transform the freight sector.

Effective land-use planning and appropriate zoning is critical to ensuring that noise impacting residences are minimised, while at the same time balancing the need for commercial aviation and freight growth.

Inappropriate development around airports can have safety, operational and efficiency implications for airlines with flow-on effects for the viability of airports in terms of ability to provide economic benefits to the areas they service.

This has direct implications for airport sites and related industries.

Melbourne Airport has been a beneficiary of planning laws and schemes, as a result of the foresight of successive Victorian State Governments. It is arguably a good practice model and should be maintained to safeguard the 24/7 curfew free operations of the airport.

Planning around Melbourne Airport has envisaged a four-runway airport since the 1960s. Given that this airport is now reaching capacity at peak periods, the Victorian Chamber urges the State Government to advocate to the Federal Minister for Infrastructure, Transport and Local Government to approve the third runway for Melbourne Airport. This will be vital for delivering more capacity to the national aviation network, unlocking new export markets for Victorian primary producers and ensuring the ongoing competitiveness of Victoria's freight system.

Equally, there is merit in considering the opportunities for additional commercial, freight, defence and charter services at Melbourne Avalon Airport. Consideration could also be given to the regional airport network across Victoria and opportunities this presents in the context of future growth for freight movement.

Recommendations

03	As a vital part of the national transport system, the efficient and effective operation of Australia's airports and the broader aviation industry must be a fundamental outcome of the Victorian Freight Plan. Ensuring regulatory settings around airports, particularly in relation to land-use planning, are fit-for-purpose is fundamental to realising these economic benefits in full.

Maritime Freight

Given Victoria's strategic advantage of hosting a number of gateways of imported and exported goods and products, including Australia's largest container port, it is imperative that the Freight Plan look specifically to the long-term needs of each of these major container ports.

Consideration must be given to their capacity to handle future transport requirements, waterside and landside, as well as whether there is a role for specific support in improving landside transport productivity through future investments.

In this context, rail infrastructure servicing the nation's ports deserves particular consideration. The Port of Melbourne's Webb Dock is a case in point.

Targeting high-volume freight nodes and corridors for modal shift to rail will maximise the benefits of government investment in terms of emissions and congestion reduction.

Beyond the ports, coastal shipping regulations should be reformed to create more flexibility and resilience in the system. We agree with the Productivity Commission *Lifting productivity at Australia's container ports Inquiry Report 2022*, which argued the case for reform, with streamlining of licensing requirements facilitating greater competition.

Relatedly, the increasing frequency of weather events that have impacted interstate transport offer the opportunity to focus on domestic coastal shipping in the future. Flexibility and reduction in red tape are priorities in this context.

Another area that should be examined as part of the Freight Plan is whether there is any potential impact of future industries - defence bases, AUKUS requirements as well as net zero emissions associated technologies such as wind turbines – on future freight movements.

Global shipping companies have already begun introducing lower emissions biofuel blends into their operations. Victorian companies are ideally placed to be suppliers for these types of fuels. The Freight Plan must consider how to incentivise and support this transition, particularly in the context of its benefit to the Port of Melbourne, strategic importance to trade with Southeast Asia and associated revenue opportunities for the Victorian Government.

The Victorian Chamber also notes the submission provided by the Port of Melbourne and adds its weight and support to their submission.

Recommendations

04	It is imperative that the Freight Plan look specifically to the long-term needs of each of Victoria's major container ports. This must include maximising potential new Victorian based industries associated with alternative fuels that will increasingly be used by global shipping lines and the associated benefits to be accrued by the Port of Melbourne.

Planning

It is anticipated that Victoria's freight task will continue to grow. This raises the concept of the need for a Freight Plan that is well integrated into the broader strategic and economic plan for the State.

Managing urban encroachment, as well as competing land uses of freight and logistics precincts, and transport corridors, is critical to the long-term efficiency and competitiveness of Victoria's freight and logistics sector.

This means ensuring appropriate zoning recognition and planning controls are in place to protect land for new industrial and intermodal precincts. This applies equally to existing precincts adjacent to the freight terminals and corridors at the Port of Melbourne, Melbourne Airport and Avalon Airport. This will help balance the need for industrial activities, efficient freight operations and community amenity.

It is important to note that storage and logistics activities require supporting infrastructure. This includes general warehousing, cold storage facilities, empty container parks, truck marshalling areas and the like.

The increase in the Victorian population over the next twenty years is estimated to coincide with a significant increase in freight conveyance.

As our cities and regional centres grow there will be a need to preserve space for freight corridors and make sure that the laws that govern the use of infrastructure enable efficient freight services.

Future freight routes will need to be protected.

The Victorian Chamber supports the conclusions by Infrastructure Australia that *"targeted protection initiatives may be required to facilitate the movement of freight and deliveries in the established parts of our cities"*[2].

The Victorian Freight Plan must identify and plan for the sites that will need to be reserved for intermodal freight terminals and new port infrastructure, along with appropriate buffers to protect them from urban encroachment.

Infrastructure Australia's report *Corridor Protections* highlighted the future costs of failing to reserve corridors now for major projects that are expected to be needed in the future including the Outer Melbourne Ring Road.

Recommendations

05	As our cities and regional centres grow there will be a need to preserve space for freight corridors and make sure that the laws that govern the use of infrastructure enable efficient freight services. Future freight routes will need to be protected. The Victorian Freight Plan must identify and plan for the sites that will need to be reserved for intermodal freight terminals and new port infrastructure, along with appropriate buffers to protect them from urban encroachment.

Emerging technologies

Autonomous heavy vehicles are ready for future deployment on public roads. Autonomous haulage trucks are in use in the mining industry. As the technology matures for on-road autonomous vehicles, particularly in the point-to-point passenger space, similar systems are making their way onto heavier vehicles. Transurban has already conducted Australia's first on-road trial of these vehicles, which identified both regulatory and road infrastructure issues that need to be addressed.

Heavy vehicles, particularly those travelling long distances across Australia, face unique conditions and safety challenges. The freight plan should be dovetailing now with the Federal Government to make sure regulation is ready for these vehicles.

[2] Corridor Protection: Planning and Investing for the Long term, infrastructure Australia, 2017, Page 6

In parallel to this, 'vehicle-to-everything' technology (V2X, referring to communication between vehicles and other vehicles, pedestrians, infrastructure and networks) is advancing. Future proofing of infrastructure may be necessary to ensure that there are appropriate communication and power supply backbones to support long-term requirements. This type of infrastructure will go hand in hand with autonomous vehicles in the future.

Recommendations

06	The Victorian Freight Plan should solve for the specific issues for heavy autonomous vehicles, to allow them to operate on public roads when the technology is ready.

Alternative Fuels

Sustainable Aviation Fuels (SAFs) represent a strategic opportunity for Australia to drive economic growth, create tens of thousands of green jobs, secure Australia's domestic fuel security and decarbonise aviation and, by extension, other industries.

This is particularly pertinent given the potentially lengthy ramp up period for the transition to zero emissions vehicles.

Building a Victorian SAF industry will also address issues associated with domestic fuel production and storage and security.

Victoria is well placed to be a market leader with Victorian based companies already exploring projects for the production of SAF locally with a view to a long-term future and manufacture in Australia.

Biofuels and other lower carbon fuel products could have an important role to play during the transition period. There should be specific policy work undertaken to identify how these can be successfully used at scale in the Australian market.

There could also be consideration of what other technologies, retrofits, and adjustments may be able to be deployed in the more immediate term to address the need to lower greenhouse gas emissions from heavy vehicles.

A technology-agnostic, market-based approach to incentivise in this area may make sense, but further policy work would be needed to establish what that would look like.

Recommendations

07	The Victorian Freight Plan should consider how lower carbon fuels and alternative technologies can be used to reduce greenhouse gas emissions from the existing heavy vehicle fleet, including whether there is a role for incentives to help drive the uptake of these changes.

AI and Intelligent Tech:

New technologies are profoundly impacting the ways in which goods are being manufactured, stored and transported. Included within these new technologies are artificial intelligence and machine learning, to robotics and 3D printing

There are opportunities for the use of these technologies to drive improvements in freight productivity. Timely deployment of intelligent traffic management tools for example, that utilise multimodal sensors, would help address urban transport challenges for freight (and passengers) through more efficient and effective use of transport infrastructure.

Deployment of these technologies across the network shows great potential and could significantly enhance freight movement productivity.

The Victorian Chamber supports appropriate deployment of these 'intelligent technologies' to support freight operations. Relatedly, there is a demonstrable need for greater government and industry collaboration on research, data capture and information exchange in a way that does not create an unnecessary burden on business.

Such collaboration needs to be underpinned by the creation of systems that collect and analyse significant volumes of Big Data, which should help uncover hidden patterns, correlations and trends. Its effective utilisation will help ensure that technologies are utilised in the most appropriate points in the transport network and at the most appropriate times. They will also help assist with asset management, including predictive maintenance.

Recommendations

08	Collaborate with industry to help fast-track the deployment of regulated Intelligent Transport Systems technologies on key freight corridors allowing for comprehensive freight network data that is shared.

Skills

Business across Victoria and nationally is facing a skilled workforce recession.

According to Hays Salary Guide FY23-24, 88 per cent of Australian companies are experiencing skills shortages. Eighty per cent of Australian businesses expect that the skills shortage will negatively impact their growth plans.

Victoria's current trajectory is problematic. Victoria will need 400,000 apprentices by 2025.[3]

[3] Trade Institute of Victoria. (2023). Are women a key solution in the labour and skills shortage facing Victoria?. https://www.tiv.vic.edu.au/women-labour/

This issue is multiplied in the freight and logistics industry, which is characterised by a workforce that is aging twice as quickly as the national average. Given the significant industry growth and digitisation within this sector, action is needed to attract new workers to the sector with the appropriate skills.

More than 90 per cent of the 1.2 million jobs created out to 2026 will require a post-secondary qualification, with 40 per cent of those typically needing a VET qualification.[4]

The World Economic Forum's *Future of Jobs Report 2023* estimates that 60 per cent of workers will require reskilling before 2027.[5]

Despite this, the number of new apprentices in Victoria is trending downwards.[6]

These crucial occupations include jobs in manufacturing, renewable energy and digital, alongside more traditional occupations.

The Victorian Chamber is advocating on matters relating to apprentices through the Federal Government Strategic Review of the Apprentice Incentive System. We welcome the Victorian Government support by joining our advocacy work on this important issue.

There is a demonstrable need for a comprehensive plan to ensure there are enough skilled workers to meet the current and future freight task.

Recommendations

09	Support the Victorian Chamber's advocacy on apprentices through the Federal Government Strategic Review of the Apprentice Incentive System. There is a demonstrable need for a comprehensive plan to ensure there are enough skilled workers to meet the current and future freight task.

Data to enhance freight network performance

The Victorian Chamber supports calls by the Port of Melbourne for the Freight Refresh Plan to establish performance indicators that allow for measurement of the efficiency, environmental impact and commercial operability across the network.

These measures must be developed in close consultation with industry to ensure unintended consequences are mitigated.

[4] Workforce Australia, National Workforce Strategy 2022-2027
[5] World Economic Forum Future of Jobs Report 2023 WEF_Future_of_Jobs_2023.pdf (weforum.org)
[6] Victorian Shadow Minister for Education. (2024). Apprentice and trainee opportunities plummet across Victoria amid Labor skills policy failure. Apprentice and trainee opportunities plummet across Victoria amid Labor skills policy failure (sarahhenderson.com.au)

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