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IMPROVING PLANNING POLICY FOR FREIGHT

DEVELOPING AND IMPLEMENTING THE
NATIONAL FREIGHT AND SUPPLY CHAIN STRATEGY
DISCUSSION PAPER 3

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The Australian Logistics Council (ALC) is the peak industry body representing the major and national freight logistics companies, with a focus on national supply chain efficiency and safety.

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OVERVIEW

On 24 November 2016, the then-Prime Minister, Hon. Malcolm Turnbull MP, announced that the Commonwealth Government would undertake a National Freight and Supply Chain Strategy (the National Strategy).

ALC was the industry leader advocating for the development of a National Freight and Supply Chain Strategy.

Australia's supply chains do not stop at state borders, and our rapidly-growing population will add significantly to the nation's freight task in the years immediately ahead.

As such, now is the right time for national leadership to establish a consistent approach to planning, infrastructure development and the regulation of freight movement.

To inform the development of the National Strategy, the Commonwealth undertook the Inquiry into National Freight and Supply Chain Priorities (the Inquiry) throughout 2017.

The Inquiry released its Report (the Inquiry Report) on 18 May 2018, during the Transport & Infrastructure Council (TIC) meeting in Darwin.

The priorities identified in this Final Report will now underpin the development of the National Freight and Supply Chain Strategy.

ABOUT THIS DISCUSSION PAPER

In welcoming the release of the Inquiry Report on 18 May, ALC noted its recommendation of continuing industry involvement in the development and implementation of the Strategy.

ALC believes that this is essential to make certain that the Strategy which is released is one that will meet the needs of industry, and permit Australia to meet its growing freight task efficiently and safely.

To help achieve that objective, ALC has been releasing a series of Discussion Papers since mid-2018 designed to provide insight into industry's thinking on the Strategy's implementation, and the areas that should be prioritised for action.

This is the third Discussion Paper in that series, and focusses on how the Federal Government can use its existing powers to deliver greater national consistency in planning outcomes, and ensure freight movement is properly prioritised in planning systems operated by state, territory and local governments.

INTRODUCTION

Population growth has become an increasingly salient issue in public debates over recent years. Increasing numbers of Australians appear to be examining challenges such as housing affordability, increasing traffic congestion in our cities and slow wages growth – and concluding that our present levels of population growth are not sustainable.

But is that the whole story?

After all, Australia is a geographically large country that, on the face of it, should easily accommodate far more than the 25 million people.

The fact that our major cities appear to be groaning under capacity constraints says as much about our approach to planning as it does about our approach to population.

This is certainly true of the challenges currently being faced by many participants in the nation's freight logistics sector.

The costs, congestion and curfews that confront those who move freight throughout Australia are a direct result of one thing – a consistent failure by governments at all levels over many decades to properly incorporate freight movement in their planning policies.

Freight is no less essential to the day-to-day lives of Australians than a reliable supply of potable water or electricity. Without the freight logistics industry, Australian households could not feed or clothe themselves, much less maintain a comfortable standard of living.

Regrettably, this reality is not being reflected in the way our governments deal with freight issues. Most Australian jurisdictions still do not have a dedicated minister for freight. This lack of direct accountability within government for a key economic sector has obvious flow-on consequences.

Too often freight priorities run a poor second to residential priorities in planning decisions, and many of our planning systems fail to properly acknowledge the vital role of freight efficiency in establishing liveable communities.

This situation must change if Australia is to successfully meet its growing freight task and satisfy the demands of consumers who increasingly expect faster delivery and lower costs.

In ALC's view, now is the time for the Federal Government to demonstrate national leadership. By using a mixture of incentives and constitutional powers, the Federal Government can drive the establishment of a consistent national approach to planning to give freight the focus it deserves.

The policies in this paper do not propose a radical shift in Federal-State relations. Rather, they encourage the Federal Government to use precedents already set in other policy areas to foster greater national consistency in planning for freight movement.

Ultimately, such an approach will reduce uncertainty, duplication and costs for the industry – and contribute to lower prices for Australian businesses and households.





WHAT IS THE ISSUE?

The Importance of Operational Flexibility

Throughout the process of industry engagement and consultation that has occurred during the development of the National Freight and Supply Chain Strategy, many in the freight logistics sector have emphasised their need for 24/7 operational flexibility.

This is necessary to ensure the efficient and safe movement of freight throughout supply chains, and to meet business and consumer expectations around rapid freight delivery. These expectations have increased significantly over recent years, due to:

- » growing popularity of eCommerce platforms;
- » an increasing volume of goods being imported as local manufacturing has declined; and
- » increased demand for Australian exports as a result of free trade agreements with growing Asian markets.

Freight's Place in the Planning Hierarchy

At the same time, Australia's growing population and the increasing popularity of inner-urban living has seen demand for land and further residential development in our major cities soar.

This has resulted in two negative consequences for the freight logistics sector:

- » a reduction in the supply of land available to expand key freight facilities to meet a growing freight task; and
- » the imposition of restrictive regulatory practices – such as noise curfews and bans on heavy vehicle access – as governments seek to appease residential interests.

Where there is conflict between the efficient operation of freight logistics infrastructure and increased population densities, too often the latter will win.

This is emblematic of the type of ad-hoc thinking that has driven Australia's approach to freight planning for far too long.

The development of the National Freight and Supply Chain Strategy is an opportunity to rethink our approach – and recognise the importance of freight to all Australians by lifting its place in the planning hierarchy.



ACHIEVING NATIONAL CONSISTENCY IN PLANNING

The Problem: Who is in Charge?

The power to make planning decisions primarily remains a function of state and territory governments, with many of the more granular aspects of decision-making in this area devolved to local governments and other statutory authorities.

This is a reality imposed by the Australian Constitution - which historical experience has shown is notoriously difficult to alter.

State and territory governments have traditionally been resistant to any perceived attempt by the Federal Government to 'take over' policy areas for which they retain responsibility.

Although state governments will sometimes refer their powers in a particular area to the Commonwealth (as most states have done with their industrial relations powers over the past two decades), the political potency of planning issues in many local communities suggests this is unlikely to occur anytime soon.

Accordingly, the Commonwealth has two main levers available to it in order to promote greater national consistency in planning; the provision of incentives, and the use of existing constitutional powers.

Using Incentives to Drive Outcomes

Transfer payments from the Federal Government to state, territory and even local governments have been widely recognised as an effective way to achieve desired policy reform objectives.

For example, when a series of economic reforms were undertaken from the mid-1990s under the banner of *National Competition Policy*, a key aspect of incentivising their completion by state and territory governments was the provision of National Competition Policy payments.

Commencing in 1997/98, these payments were made to the states and territories (on a per capita basis) provided they had achieved satisfactory progress against their reform commitments.

In essence, these payments were the means by which the economic gains from reform were distributed throughout the community.

As the benefits of reform flowed through to the Federal Government in the form of higher taxation revenue, the gains were returned directly to the state and territory jurisdictions that had participated in the reform process.

Incentive Payments Today

Although National Competition Policy payments to state and territory jurisdictions ceased in the mid-2000s, the Federal Government clearly still regards such arrangements as worthy of emulation.

For example, in December 2016, the Federal Government and all states and territories (other than Victoria and Queensland) signed the *Intergovernmental Agreement on Competition and Productivity – Enhancing Reforms*, which notes that “*The Commonwealth will provide payments to the States for the delivery of reforms that drive Australia’s economic performance and living standards.*”¹

The Agreement goes on to explicitly state that in order to “*qualify for payments, the States will deliver reforms consistent with the terms and conditions of this Agreement.*”²

Of particular interest is the list of regulatory reforms set out at Appendix A of that Agreement, which places “*commercial planning and zoning*” as the first item in a list of 14 areas identified by the *Competition Policy Review* as priorities for action.³

1 Intergovernmental Agreement on Competition and Productivity-Enhancing Reforms, December 2016 (p.4)

2 *ibid* (p.4)

3 *ibid* (p.9)

It is also worth noting that the 2017-18 Commonwealth Budget offered incentive payments to the NSW Government and relevant local governments to support reforms designed to accelerate housing supply in Western Sydney, to account for a growing population and improve affordability in the housing market.⁴

The use of incentive payments to drive reforms at the state and territory level is also something that has recently been flagged by the Federal Opposition.

The Shadow Treasurer, Hon. Chris Bowen MP, has said that if elected, he would move to:

“...establish a new independent COAG Economic Reform Council that will be given more autonomy in its remit to examine, track, and report to COAG on long-term reform priorities.”⁵

As part of this proposal, he suggests a new COAG Economic Reform Council:

“...might examine restructuring payments to the states to include incentive or reward payments, which helped drive reform in the 1990s and were used successfully until mid-last decade.”⁶

Given the apparent bipartisan consensus that incentive payments are an effective way for the Federal Government to drive state and territory participation in regulatory reform, ALC suggests that the approach should also be used to achieve reforms in planning.

Section 96: Using Existing Powers to Drive Reform

Outside the provision of incentive payments to state and territory governments to implement policy reforms, the Constitution also provides the Federal Government with a significant power that could be used to achieve the sort of planning reforms that the freight logistics industry requires.

Under Section 96 of the Constitution, the Commonwealth can make conditional grants of money to the state and territory governments.

These grants are commonly known as specific purpose payments (SPPs) and are used to fund programs in a wide range of areas. The states administer these payments which, in most cases, are subject to certain conditions placed upon them by the Commonwealth.

Very often, these SPPs support programs and outcomes that are not within the realm of the constitutional powers granted to the Federal Government (as listed in Section 51 of the Constitution). These include health and education, road, environmental and infrastructure initiatives (including road funding).

Given that SPPs are used by the Federal Government for infrastructure funding, ALC's view is that it is entirely appropriate for the Federal Government to attach to such funding to certain conditions that will improve national supply chain efficiency.

Current constitutional arrangements clearly give the Federal Government the power to enhance supply chain performance by making the continued provision of infrastructure investment dependent on the delivery of key reforms to planning policy.

The Federal Government should not be afraid to use that power.

4 Commonwealth Budget 2017-18, Budget Paper No. 2 (p. 142)

5 Hon. Chris Bowen MP, Address to the 2018 Outlook Conference, 11 October 2018

6 *ibid*

WHAT PLANNING REFORMS ARE NEEDED?

Priority Actions

In November and December 2018, the Department of Infrastructure, Regional Development and Cities (DIRDC) undertook a series of industry focus groups across the nation regarding draft elements of the National Freight and Supply Chain Strategy.

One of the potential action areas discussed for inclusion in the National Strategy was designed to:

Ensure freight demand is recognised in transport and land use planning across and between jurisdiction boundaries and freight modes, to meet the demands of the growing freight task.

Examples of potential actions

- 9.01** Government freight planning is linked to the National Strategy.
- 9.02** Identify best practices for corridor and precinct protection.
- 9.03** COAG Transport and Infrastructure Council to actively support corridor development and protection.
- 9.04** Promote strategies to protect nationally significant freight-related infrastructure from urban encroachment.
- 9.05** Recognise the contribution of regions in freight planning.

These potential actions largely accord with those that have been identified by ALC members and other industry participants over recent years as necessary elements of a cohesive national approach.

A National Approach to Corridor Protection

A consistent national approach to corridor protection is essential to achieving the planning reforms that the freight logistics industry needs.

Effective corridor protection not only serves to prevent future community discord over land use, but can also deliver significant savings for taxpayers when it comes to the cost of building infrastructure.

Infrastructure Australia underscored this fact in 2017, when it found that close to \$11 billion could be saved on land purchases and construction costs for seven future infrastructure priorities listed on the Infrastructure Priority List if swift action was taken to preserve relevant corridors.⁷

The development of a National Transport Corridor Protection Strategy will enable the Federal Government to properly identify future transport corridors and begin to implement policies that can protect these corridors. This will deliver savings on infrastructure costs for taxpayers, whilst simultaneously contributing to enhanced supply chain efficiency.

These measures should include the acquisition of land to help protect key freight transport corridors from the effects of urban encroachment.

A National Corridor Protection Strategy should also identify sites to be preserved for the construction of intermodal terminals and warehousing precincts.

The construction of such facilities will be critical to servicing the freight needs of a growing population and addressing road congestion in Australia's major cities in the years ahead.



Failure to properly protect freight corridors leads to the encroachment of residential development on freight infrastructure. Photo Credit: SITE planning + design

⁷ Infrastructure Australia, *Corridor Protection: Planning and investing for the long term* (July 2017), p.2

An Effective National Freight Planning Policy

Corridor protection is a vital first step in ensuring the nation's planning regimes deliver for freight. However, there are other key issues that will also need to be addressed.

Establishing Distinct Planning Recognition of Freight and Logistics Lands

For too long, terms like 'industrial lands' or 'employment lands' have been used as a catch-all when discussing non-residential land use, particularly in urban areas.

Yet as our growing population increases demand for land, the application of such broad terms in planning instruments is no longer sufficient to ensure the operational flexibility that those involved in the freight logistics sector require.

For instance, land that is broadly zoned for 'industrial' or 'employment' purposes may still ultimately allow the establishment of a consumer bulky goods or even retail facilities near a crucial freight facility, such as a port.

The construction and operation of such a facility can give rise to increased traffic congestion on roads that provide the only access to and from freight facilities. This conflicting land use impedes supply chain efficiency and may also present safety risks.

Priority Action 1:

To provide certainty for all parties and prevent future land use conflicts, all jurisdictions should be required to incorporate 'freight and logistics lands' as a distinct category in their planning instruments. To help achieve this outcome, the Federal Government should require the inclusion of such a category in planning instruments as a precondition for investing in transport infrastructure projects.

Preventing Curfews and Other Operational Restrictions

The larger our cities grow, the larger the freight task gets. Accordingly, if we wish to grow our cities and ensure their continuing functionality and amenity, we must adopt policies that support the increasing freight task.

Yet, too often, the default instinct of many of our urban planning systems – not to mention political representatives – is to adopt policies that impede urban freight delivery, especially in CBD areas, by limiting access for freight vehicles, banning them from using certain routes and restricting the time of day (or night) they can undertake deliveries.

Placing curfews and other regulatory restrictions on the movement of freight vehicles ultimately harms consumers – as their expectations around rapid delivery times cannot be met, and as delays in freight movement add to the price paid for goods.

Priority Action 2:

The Federal Government should use its constitutional powers to ensure that any investment it makes in freight transport infrastructure requires the explicit agreement of the state, territory or local government receiving funding that it will not impose curfews or other operational restrictions on freight logistics operators using the infrastructure.





Land Separation Policies

Over recent decades, successive governments have permitted industrially zoned employment lands around key freight facilities such as ports and airports to be progressively rezoned to permit mixed land uses, including residential, commercial and retail.

The continuing encroachment of non-freight development on these critical freight facilities has a range of negative consequences for the efficiency of freight movement – particularly the creation of congestive pressures on surrounding road infrastructure, and pressure from the occupants of newly-constructed residential developments to limit the operational hours of nearby freight infrastructure.

At the same time, this rezoning of land from industrial to commercial and residential purposes has also seen the supply of land available to freight logistics facilities that wish to expand their operations to meet a growing freight task dwindle.

In ALC's view, the Federal Government should demonstrate leadership in this area by requiring state, territory and local governments seeking funding support for infrastructure projects to demonstrate that their planning instruments contain appropriate land separation policies – and appropriately protect sites identified as suitable for freight and logistics purposes in the future.

Priority Action 3:

The Federal Government should only provide funding for transport infrastructure projects to jurisdictions that develop and adhere to land separation policies that appropriately zone freight, commercial, industrial and residential lands – and implement policies to protect lands identified as suitable for freight purposes.

Adopting a Clear Set of Planning Principles

Greater national consistency in planning outcomes would be vastly more likely if there was an agreed set of National Planning Principles in place, to which state, territory and local governments would be required to adhere in order to receive Commonwealth funding support for the delivery of significant infrastructure projects.

ALC has developed a set of principles (see over page) that could be adopted by the Federal Government and used to encourage all jurisdictions to deliver more consistent planning outcomes for the freight logistics sector.

By adopting these principles and encouraging jurisdictions to incorporate them within their own planning systems, the Federal Government would be playing a leadership role, whilst ensuring that state, territory and local governments retain their primary responsibilities in the planning space.

Priority Action 4:

The Federal Government should adopt the ALC National Planning Principles as an example of best practice in planning, and use incentive payments and other constitutional powers available to it to secure their adoption by all jurisdictions.



Better land separation policies would help prevent conflict between interests of freight operators and residential communities. Photo Credit: SITE planning + design

ALC NATIONAL PLANNING PRINCIPLES

- 1** All planning instruments must recognise that planning for transport and logistics (including ensuring the continued efficient operation of existing ports and other freight and logistics infrastructure) is an urban priority. This means that caps, curfews and other restrictions on how infrastructure (particularly ports and airports) are operated and used must be avoided.
- 2** Compromised planning outcomes between industrial and residential uses fail both industry and residents. Planning instruments must incorporate sustainable land use planning solution that allows industry to operate and expand in order to increase economic activity and jobs near where people live. Planning instruments should therefore contain land use compatibility features including:
 - a) land separation between residential and freight and logistics lands; and
 - b) retention and protection of lands that are suitable in size for freight and logistics purposes.
- 3** Planning instruments must ensure that industrial lands and transport corridors are capable of operation 24 hours a day, seven days a week. State and territory governments must ensure planning instruments provide for mitigation measures when sensitive use developments (e.g. residential) are located close to freight infrastructure.
- 4** Planning instruments must identify a clear linkage of road and/or rail infrastructure between employment lands and other clearly identifiable freight generation points, as well as other significant transport infrastructure such as ports, airports and intermodals.
- 5** Governments must establish effective corridor protection mechanisms to ensure timely preservation of surface, subterranean and air corridors and strategic sites for future infrastructure priorities.



CONCLUSION

Freight and supply chain issues affect every Australian. The everyday goods that Australians buy, such as food, clothing and household appliances, all need to be transported by freight logistics operators.

Without freight, Australian households and businesses cannot function.

Inefficient supply chains lead to negative outcomes, including lost export income, reduced employment, higher consumer prices and an economy that is less globally competitive.

Ensuring that our planning systems adequately prioritise the efficient and safe movement of freight through our supply chains is essential if Australia is to meet its growing freight task in the future and remain globally competitive.

ALC believes this is the right time for the Federal Government to incentivise state, territory and local governments to undertake reforms that will ensure the centrality of freight movement in day-to-day life is properly reflected in planning regimes.

This need not entail a wholesale shift in the division of responsibilities between the Federal Government and other jurisdictions - but will require the Federal Government to use its existing powers to drive nationally consistent outcomes.

As this paper notes, there are clear precedents for the Federal Government to provide incentive payments to other jurisdictions in return for undertaking policy reforms across a range of areas that are designed to enhance productivity.

Similarly, the Federal Government has the power to attach conditions to funding it provides to support the delivery of infrastructure projects.

Given the importance and urgency of securing greater supply chain efficiency and safety, the time is now right for the Federal Government to use both these policy levers in order to secure planning reforms that will finally ensure the movement of freight is appropriately and consistently prioritised by governments at all levels.

The urgent requirement for national leadership is widely accepted. It's time for action.



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