

31 July 2020

The Secretariat
NSW Review of Federal Financial Relations
52 Martin Place
SYDNEY NSW 2000

Via email: FFRRReview@treasury.nsw.gov.au

**Re: NSW Review of Federal Financial Relations: *Supporting the Road to Recovery*
Draft Report**

Introduction

The **Australian Logistics Council (ALC)** welcomes the opportunity to provide comment on the NSW Review of Federal Financial Relations: *Supporting the Road to Recovery* Draft Report (the Report).

ALC is the peak national body representing major companies participating in the freight logistics industry. ALC's policy focus is on delivering enhanced supply chain efficiency and safety.

ALC notes the Report contains a number of significant recommendations across a range of policy areas. However, ALC's concerns are primarily focussed on two recommendations:

Recommendation 13: *The NSW Government should work with the Board of Treasurers and state transport departments to design a nationally compatible and fair road user charging scheme for electric vehicles, and*

Recommendation 15: *The NSW Government should commence a trial for a congestion cordon around the Sydney CBD to better understand how Sydney drivers respond to time-based road pricing.*

In summary, ALC seeks an assurance from the NSW Government that these proposals will be pursued in a manner that does not detract from or create barriers to continued investment in electric vehicle technology by the freight and logistics industry, and will not add significantly to operational costs for freight and logistics operators.

In particular, ALC believes it is vital that the NSW Government's policy design process takes account of important differences between rate of maturation in electric vehicle (EV) market for passenger vehicles and the rate of uptake for EVs in the freight/commercial sector.

Further, ALC encourages the NSW Government's consideration of measures to address urban congestion to take greater account of the important role that rail can play in facilitating the safe and efficient movement of freight. Additional investment in productive freight rail infrastructure will be vital to meet the NSW Government's modal share targets and keep pace with growing trends toward automation in the logistics sector.

Electric Vehicles in the Freight and Logistics Sector

In mid-2018, ALC formed an *Electric Vehicles Working Group* comprised of leading companies within its membership. The purpose of the Working Group is to work with governments at all levels to focus on ways to enhance uptake of electric vehicles specifically within the freight and logistics sector.

This Working Group has previously made submissions to several departmental consultations and parliamentary inquiries, including the Senate Select Committee on Electric Vehicles and Transport for NSW's Electric and Hybrid Vehicles Plan.

Leading companies within ALC's membership including Linfox, Woolworths, Australia Post and DHL share a commitment to decreasing the carbon footprint of the logistics industry and have undertaken significant investments over recent years to incorporate EVs within their own operations.

These range from the acquisition of electric trikes by companies including DHL and Australia Post to facilitate parcel delivery in urban areas, to significant investment by Woolworths in retrofitting larger vehicles within its fleet to convert them from internal combustion engines to EVs. Some of these larger vehicles can achieve a range of up to 200km on a single charge.

Through its Working Group, ALC has advocated for a range of incentives to specifically enhance uptake of EVs in the freight and logistics sector, including discounts on vehicle registration charges and stamp duty relief. However, to date there has been little move on this front from many state and territory jurisdictions.

Uptake is further hindered by a lack of supply of freight EV models suited to the Australian market, where our use of right-hand drive renders models produced for most large international markets impractical.

Manufacturers of freight and commercial EVs are unlikely to be persuaded to produce vehicles suited to the Australian market if demand is further curtailed by the prospect of increased operational costs.

While there are some Australian companies (including SEA Electric) that are leading the way in converting freight and commercial vehicles from internal combustion engine models into EVs, any measures put in place by government that add further operational costs to freight EVs risks sending the wrong signal to operators and may result in lessened demand for such technology.

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Whilst understanding the equity imperative for bringing passenger EVs into a road user charging system, ALC is concerned that subjecting the still nascent market for freight and commercial EVs to the same charging regime as any designed for the passenger EV sector will further dampen the already sluggish levels of uptake across the industry.

Delivery curfews and the impact of COVID-19

The ongoing COVID-19 pandemic has placed extraordinary demand pressures on the supply chain, as consumers react to restrictions by changing the type of products they purchase, and the way they purchase them.

Early in the pandemic, there were outbreaks of 'panic buying' at major retailers (particularly supermarkets) nation-wide on a wide range of non-perishable food items, cleaning products and medical supplies.

At the same time, there has also been an exponential increase in parcel movements, including e-commerce deliveries, putting strain on the pre-existing delivery models of many operators.

The freight and logistics industry has felt these effects nation-wide, particularly through dramatically increased demand for the home delivery of groceries, medical supplies and other household essentials during the pandemic.

It is anticipated that consumer use of e-commerce and home delivery services will continue to increase throughout and beyond the current public health crisis. Revenue for the online shopping industry is predicted to increase by 11.1% in 2020. Prior to the pandemic, this increase was only anticipated to be 2.4%.¹

These surging demand pressures required freight and logistics operators to work collaboratively with governments to identify and remove barriers to the efficient resupply of retail stores, so that consumers could access essential products when they needed them.

One of the key barriers identified was the existence of delivery curfews (mainly imposed via local governments), which prevented the use of loading docks overnight at major retail facilities and the use of certain routes by freight vehicles at particular times.

These curfews inhibited the industry's ability to keep pace with extraordinary levels of demand and led to instances where some product lines were unavailable to consumers – despite the fact there was plenty of stock available in warehouses and distribution centres.

The suspension of these curfews was a vital step in restoring stock levels and maintaining consumer confidence about the supply of essential goods, helping to alleviate the occurrence of panic buying throughout the community.

¹ IBISWorld 2019, Online Shopping - Australia Market Research Report, IBIS World, Melbourne,

Research subsequently conducted by ALC confirms that there is now broad community support for the permanent removal of these curfews in order to ensure communities have reliable access to essential items.

In a survey undertaken in mid-June 2020, 71 per cent of participants indicated they are in favour of permitting supermarkets and other large retail facilities to use their loading docks at night.² Similarly, 78 per cent of respondents agreed that the COVID-19 pandemic has made the efficient delivery of parcels and goods more important than ever.

The NSW Minister for Planning, Hon. Rob Stokes MP, has recently indicated that the NSW Government is open to making the changes to curfews instituted in response to COVID-19 permanent.³

If that is to occur, electric vehicles will need to play a key role, as their lower noise emission profiles mean that delivery activities (particularly in CBDs and densely populated urban areas) can be undertaken in a less obtrusive manner.

This is another reason to avoid policy responses that could have the perverse outcome of disincentivising industry investment in EVs in the freight sector.

Dealing with congestion

ALC is supportive of practical efforts to address road congestion, given that delays caused by congestion can add significantly to costs in the freight and logistics sector.

However, as noted in the previous section, the COVID-19 pandemic has required participants in the freight and logistics industry to change the way they operate in order to meet altered patterns of demand and customer expectations during the ongoing public health crisis.

In an already challenging economic environment, freight and logistics operators can ill afford to have their operational costs further increased by the imposition of congestion charges on the Sydney CBD, at the very time where demand for direct delivery of groceries and other essentials direct to households has never been higher.

Although the freight industry is willing to play its part in the design of practical policy responses designed to reduce general road congestion, ALC strongly encourages the NSW Government to work closely with industry in the design of any trial for a congestion charging scheme applying to the Sydney CBD so that unintended consequences for the industry and for consumers can be avoided.

We would further encourage the NSW Government to broaden its focus in this area by particularly examining the contribution that rail can make to moving freight through urban

² Newgate Research, [Community Attitudes to Freight and Coronavirus](#), June 2020

³ <https://www.smh.com.au/national/nsw/noise-fears-as-24-hour-supermarket-deliveries-slated-to-stay-20200612-p5520n.html>

areas, thereby reducing road congestion and placing downward pressure on road maintenance costs.

This includes making investments in productive freight rail infrastructure, including port rail shuttles, intermodal terminals and using the opportunities offered by technology to increase the capacity of the existing rail network through investment in initiatives like the Advanced Train Management System (ATMS), developed by the Australian Rail Track Corporation (ARTC) in conjunction with Lockheed Martin.⁴

Greater modal shift from road to rail not only includes reduction of congestion and maintenance costs on NSW roads, but also would result in wider productivity and environmental benefits for the community across the entire state.

In that connection, ALC encourages the NSW Government to continue its close cooperation with the Commonwealth on the delivery of the Inland Rail project. In a challenging economic environment such as that engendered by COVID-19, projects such as Inland Rail will not only be critical to enhancing the resilience of our national supply chain, but are vital to continued economic development and generating employment opportunities for those living in regional communities.

To further strengthen rail's contribution to meeting the NSW freight task and ensure the state meets its target of achieving 28 per cent road to rail share of freight moving to and from Port Botany by 2021⁵, ALC encourages NSW to consider the adoption of an incentive scheme.

Some Australian jurisdictions provide incentives that directly encourage operators to move freight onto rail. Examples include the Mode Shift Incentive Scheme (MSIS) operating in Victoria, and the Container Rail Subsidy paid by the Western Australian Government to increase the proportion of container freight on rail moving in and out of Fremantle Port.

ALC encourages the NSW Government to study such approaches and work with industry to design a similar incentive model suitable to the NSW context.

Conclusion

ALC is grateful for the opportunity to make comment on the above key aspects of the NSW Review of Federal Financial Relations: *Supporting the Road to Recovery* Draft Report.

We believe it is essential that the NSW Government's reform agenda be pursued in a manner that does not lead to unintended negative consequences and added costs for the freight industry and consumers at an economically challenging time, given the ongoing impact of the COVID-19 pandemic.

⁴ See <https://www.artc.com.au/projects/atms/>

⁵ See [NSW Freight and Ports Plan 2018-2023](#) (p 51)

We also believe it is important that the NSW Government takes a broader focus when examining the challenge of road congestion and pays particular attention to opportunities for rail to play a greater role in moving freight safely and efficiently.

Should you wish to discuss this submission further, I can be contacted on 0417 142 467 or at Kirk.Coningham@austlogistics.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kirk Coningham', written in a cursive style.

Kirk Coningham OAM
Chief Executive Officer