

Department of Infrastructure, Transport, Regional Development, Communications and the Arts

19 September 2023

2023 Review of the National Freight and Supply Chain Strategy

Background

I am the Chief Executive Officer of Cambridge Gulf Limited (CGL).

CGL is involved in transport and logistics across the three northern States. This is a small scale operation relative to other Australian transport and logistics providers but it does give us a unique understanding of the different challenges, issues, opportunities and inconsistencies across these different States.

CGL is involved in the management and operation of a port, delivering fuel by road across the Kimberley and carting concentrate from a mine to the port.

This company is also unique in that it has a very strong focus and success rate with indigenous investment and employment in these sectors. This includes;

- 70% aboriginal employment at the Wyndham Port including management level
- The biggest shipment loaded across the Wyndham berth was completed by a 100% aboriginal stevedoring crew from the foreman down.
- A joint venture in Gove with Rirratjingu Aboriginal Corporation that imports and distributes 50M litres of diesel a year and is now in its 11th year of operation.
- A joint venture in Weipa with Knala Services, a Traditional Owner business) that distributes 80M to 100M litres of diesel, ULP and Jet A1 a year and is now in its 7th year of operation.

I am Deputy Shire President of the Shire of Wyndham East Kimberley where I am also a member of the Regional Road Committee.

I am also an Independent Director of both Gelganyem Limited (GL) and Gelganyem Investments Pty Ltd (GIPL), the two entities representing the Traditional Owners of the Argyle Diamond Mine. I have been a Director for 11 years and our current focus is on mine closure and rehabilitation (GL) and commercial outcomes for our Traditional Owner business arm through the closure process and transitioning this business into a service provider for road construction and maintenance once the mine closure and rehab work is finished.

My responses to the questions on the National Freight and Supply Chain Strategy are as follows.

Do the Strategy's current goals support the needs of the freight and supply chain sector moving forward?

Should other goals be included in the Strategy, and if so, what?

They are a good start but better outcomes would be achieved if the following goals were included.

A fit for purpose taxation and levy environment.

There should be a holistic analysis of;

- Fuel excise
- Fuel tax credits rates
- Heavy vehicle road use charge
- Vehicle license fees
- The application of toll fees

There are a number of study papers that propose amendments to the way some of these are applied and the benefits these would deliver.

There should also be uniformity of regulations across the States on an alternative to excise for EV vehicles

A Review of the States involvement in the provision of biosecurity and customs services.

The current arrangement is stressed and we are seeing the results of this in the number of ad-hoc approval request rejected by DFAT in our Kimberley Ports which is having a significant impact on importer confidence and ultimately trade into the ports of Wyndham and Broome. It is an absurd situation to find ourselves in that Ord cotton growers are compelled to consider that ports like Darwin, Brisbane and Adelaide offer a more cost effective gateway to market than the Port of Wyndham, 100kms away from Kununurra, simply because the Port can't guarantee it can get approvals to import empty containers.

We've also seen unnecessarily long delays in clearing imports like new cars through quarantine and I can only imagine that this is impacting other industries that rely on imports.

There also seems to be more regular reports on the Varroa Mite infestations due to suspected imports of queen bees from overseas.

The State Ag and Police services should be more involved in the provision of these services.

I have written to the WA Minister for Agriculture asking for support for a proposal to accept delegated authority to clear import vessels on those occasions when DFAT aren't available to visit the port. The response I received to this request was that, whilst this was a practice that used to occur until only recently, a review of these arrangements found that some States were not consistent in their approach and the activity should be undertaken by Federal agencies exclusively.

This should not be an acceptable excuse or outcome.

The States are already involved in these processes at their own borders with other States. Some States, like WA, have a more formal structure in place with checkpoints at both the major borders with the

NT. There are also other industries with very specific protocols in place that are administered by the State governments for issues like Bovine Johne's Disease (BJD), Fruit Fly and Varroa Mite.

To accept that there would still be inconsistencies in the way the States would assist in delivering the national biosecurity service is to acknowledge that these same inconsistencies are being applied by the States in their own interstate biosecurity services. To put it in plain English, it's saying that the States aren't any good at it. But the truth is that the State's are dealing with failures in the service provided by the Federal agencies for issues like BJD, Fruit Fly and Varroa Mites.

It also doesn't provide the States with the best opportunity to protect their own interstate borders if they aren't involved in the National service. When an overseas pest makes it through our ports or airports, it doesn't arrive in Australia, it arrives into a specific State or Territory. That State or Territory and every other State or Territory with a common border has to learn pretty quickly on what needs to be done to contain and hopefully eliminate it. Their service providers would be far better positioned to do this if they were involved in the providing the national service and up to date with all of the relevant detection, testing and treatment practices and protocols.

The State and Territory Police forces have had to learn to administer their borders through the COVID experience. Some States and Territories did far better than others through the early stages and the others had to learn from their mistakes. These learnings should be built upon to enable the State and Territory Police to provide assistance with managing our international borders rather than being lost until they need to be relearnt again for the next big issue that comes our way. Building resilience is a term that is being used more and more commonly and this is an example of doing the exact opposite if we don't take the opportunity to learn from this.

A review of the Financial Assistance Grants (FAGS) system.

FAGS is funded to the tune of \$3.2B annually

This money is provided to the States and Territories who determine how it is split between their Councils.

There is a substantial inequity in how this is split across the 137 local government areas in WA.

The following table provides a comparison of the City of Stirling, WA's largest local government area by population, and the Shire of Wyndham East Kimberley (SWEK), one of that States largest local government areas by land area.

	Stirling	SWEK
Rateable properties	101,238	1.377
Rates revenue	\$180M	\$10M
Average rates payable	\$1,777	\$3,731
FAGS funding	\$6.8M	\$4.8M
Length of road infrastructure	1,081kms	1,377kms

If FAGS was not available to either of the local government areas and they had to fund the shortfall by raising rates, Stirling would need to increase rates by just \$67.85 per property (3.8%) and SWEK would need to increase rates by \$1,711 per property (45.9%).

This inequity has been raised with the Federal Government and the response is that the money is provided to the State so the way it is distributed is an issue for them to resolve.

This is a cop out by the Federal Government.

This is a \$3.2B annual program and the Federal Government should be ensuring that the funds are distributed in a fair and equitable means and that any Federal Government objectives in the context of this strategy are considered in the way it is distributed.

The Federal Government objectives in relation to local government roads need to be considered in this strategy in the following context. The Federal Government road infrastructure connects with the road infrastructure owned and maintained by local governments. In many cases, local government roads connect Federal Government roads to ports. The ability of local government areas to provide and maintain roads of an appropriate standard is a critical consideration for this strategy.

In the smaller underfunded Councils that are already burdened with excessively high property rates, pot holes and other road defects are becoming more and more acceptable due to the Councils lack of financial capacity to address them without having to seek more grant funding.

A review of the Disaster Recovery funding Framework in the context of this strategy

This is another Federal Government funding arrangement that is managed through the State Government and it is broken in WA.

There are many examples of inordinately long waits to get approval to do the works and even longer waits to get reimbursed. For example, by the time the Shire of Wyndham East Kimberley (SWEK) received approval to repair a section of the Kalumburu Road, two years has passed delivering two more wet seasons and the associated damage they brought compounding the issue further.

A revised budget has been undertaken and the repairs are now estimated to be in the order of \$10M. SWEK has respectfully declined to accept the funding pledge and undertake the work as we simply don't have the capacity to carry this debt, which is the equivalent of our annual rates revenue, for a long period of time.

When I was part of a recent Kimberley delegation to Canberra, a current Federal Government Minister noted being in this position when they were part of local government and waiting three years for a reimbursement.

The issue around betterment needs to be addressed to avoid the ongoing waste of funds associated with repairs to regularly impacted infrastructure like the Kalumburu Road where gravel and other materials have to be sourced further and further away after each event compounding the cost of repairs. In this same example, greywater from the workers camp had to be tinkered back to Kununurra for disposal because the DRFA funding couldn't be used to install permanent small treatment plants and septic systems in strategic locations which would have been once off investments delivered at a fraction of the \$1M in costs budgeted for 2023 to transport the wastewater out, which will be an ongoing cost every time the work needs to be done.

These roads are an integral part of the infrastructure used to move freight around remote regions and the disaster recovery framework needs to be considered in the context of this strategy in terms of reliability of access and the potential cost savings by addressing the betterment issue more appropriately and achieving long term savings by not having to repeat the same remedial work over and over again.

A National standard applied to road construction where Federal funding is provided.

Roads in regional WA are constructed at a very high standard and this is reflected in the volume of freight that is allowed to be carted by a road train combination.

A freight subsidy arrangement was provided by the State to compensate road freight providers for the cost associated with taking the 2,000km detour to deliver to Kununurra after the Fitzroy Crossing bridge collapsed.

Something that the State didn't account for at the time was that travelling through other State jurisdictions limited the amount of freight that could be carted in a road train combination. I am informed that the reduction in carrying capacity was in the order of 30%. Assessing the rationale behind this may deliver a significant and immediate improvement in road freight carrying capacity in these other jurisdictions.

Compliance with the National Heavy Vehicle Regulations

Not all States are currently required to comply with this which is not a good situation and leads to complications for road freight operators who are required to cross borders.

Should the National Action Plan focus on a smaller number of targeted national actions, or do you want to retain the existing reporting structure?

No to this. We need the big picture to identify the which of these smaller targeted national actions would deliver the most impact either with our current available resources or with modest increases in these.

If we focus on a smaller number of targeted national actions, what action areas should be included in the National Action Plan that require national coordination?

Even without the big picture, there are some obvious issues that need to be addressed and the issue around State involvement in the delivery of the Federal biosecurity and customs service is the most pressing.

What KPIs are useful to measure the success of the Strategy?

What data do we need from industry, state and territory governments to measure potential KPIs?

Depending on what recommendations come from this strategy, an assessment of the requirement for base data would be the first step so there is something to measure the effectiveness of the strategy against.

A couple of things that I can think of that should be measured from now are:

- The number of ad-hoc approvals refused due to resourcing issues.
- Some form of performance reporting from Ports on the effectiveness of any changes in the provision of bio-security and customs services.

What outcomes, findings or principles should the Review take into consideration from related works?

Minimum Stock Obligations- current position and strategies

Australia has been performing worse and worse each year in this space and it seems Australia's heavy road haulage, long distance train network and shipping industry will be relying on fossil fuels for a long time to come. Any strategy to reform parts of the supply chain or shift from one form of transport to another needs to consider things like to availability and capacity of fuel storage facilities.

The Federal grant program to assist with the construction of more fuel import storage serves to confuse the message on the pace of the transition away from fossil fuels. Australia has not been meeting its obligations under the International Energy Agreement for many years. Doing it now is at odds with transition from fossil fuels.

The Department of Infrastructure, Transport, Regional Development and Communications Fuel - Supply Chain Benchmarking Report of 20 August 2021 provides an assessment and comparison of the fuel supply chains in Australia, New Zealand and Canada. This and any other reports relating to the movement of fuel into and around Australia need to be considered in this strategy. Any considerations on establishing, moving or improving transport hubs or routes should be informed by these learnings so they don't introduce weaknesses or impose unacceptable economic consequences for the fuel supply chain.

Review of the Critical Minerals List

In January of this year the Minerals Council of Australia recommended that Potash and Phosphate be added to the National Critical Minerals List in response to the consequences of China's decision to cease the exports of fertilisers. One of the weaknesses in Australia's reliance on road freight as the dominant pathway for moving freight around the country that was exposed was the industries reliance on Ad-bl. The Federal Government had to fund the opening of domestic production capability to keep this industry moving.

Productivity Commission 2006 Two Case Studies on Road vs. Rail Freight Costs

This is one study of the economic and environmental attributes of different methods of freight. Presumably there would be others that have been done at both National and State level. These studies will provide the strategy with good data and some useful ideas on measuring the pros and cons of alternative freight methods.

Any assessment undertaken should have a clear and informed position on the importance of Federal Excise to the Federal Government, which includes an understanding of whether 100% of the excise collected is used for road infrastructure or whether any of it is used to fund other areas of Government spending.

As a person who is keenly interested in positive outcomes for aboriginal employment and business development, I believe it would be appropriate to include aboriginal content in the scorecard for any comparison drawn between alternative freight methods. This should not just be for the freight task itself but should also include the provision and maintenance of infrastructure.

ADF – the Defence White Paper 2016, the Defence Strategic Update 2020 and the 2023 Stephen Smith/Angus Houston review of the ADF's structure, preparedness and investment

These and other relevant studies on defence should be considered in this strategy.

Defence requirements are a consideration for the Tanami Road and the Kununurra by-pass to take traffic off of the Kununurra Diversion Dam which with its height and weight restrictions, would inhibit the movement of some defence assets through the north.

The establishment, movement or improvement of transport hubs or routes should also be considered in the context of what this achieves for the ADF's objectives to avoid the potential for having to duplicate effort.

The ADF is showing much more interest in northern Australia and its infrastructure. The longstanding pun on Australia's obsession with building defence capacity around our southern centres is that the threats from the south posed by New Zealand and the penguins of Antarctica haven't eventuated so Australia is now thinking about the threats from the north.

Not only is the threat to the north where the focus ought to be, the north is where nation's economy is driven from and the assets delivering this are very exposed with limited protection.

The importance of industry in the Pilbara was clearly understood by the Federal Government, but more importantly by the WA State Government whose Covid protocols were very effective in maintaining and growing these industries during lockdown.

The ADF aren't proposing to deploy a significant number of additional assets into the north but are providing opportunities for the USDF to do so. It is debatable whether the ADF's reluctance to position more assets in the north is the right approach but they are keenly interested in ensuring that the infrastructure in the north has the capacity to accommodate any deployment or increased defence activity.

I don't believe that the infrastructure connecting the south to the north is getting the attention it needs to support the ADF strategy. The Federal Government's recent decision to move the money allocated for the Tanami Road out of the forward estimates in the 2023 mid-year review is testament to this.

The Tanami would provide the most direct year round route from the south east to the north west when the road is fully upgraded. Subsequent to this decision to defer the Tanami funding, Cyclone Ella showed just how fragile the existing connectivity of the north to the south is with the loss of the Fitzroy Crossing bridge. Almost 12 months later, the East Kimberley is preparing itself for another wet season without direct access to the south.

Academia

I recently completed an MBA in Shipping and Logistics and was impressed with the number of case studies on ports and other parts of the maritime industry that have reinvented themselves through reforms and attention to all infrastructure bottlenecks – the hinterland infrastructure as much as the port infrastructure itself. People working in the industry who have been exposed to these learnings will bring the knowledge into the industry. The Government's policy and decision makers may not have had the same exposure and accessing these case studies would be invaluable to them.

International learnings

There would be other countries that have undertaken very similar strategic reviews of their freight and supply chains. Some of these like the Chinese Belt and Road initiative have broader objectives and some are more focused on individual areas. There would be some really good success stories and not so good failures that could inform this strategy.

Australia's embassies and staff would, or should, have a good understanding of where there are examples of both the good and the bad.

Are the current governance arrangements appropriate to support the effective implementation of the Strategy going forward?

What role, if any, should the Freight Industry Reference Panel have to support the implementation of the Strategy?

The panel looks to have well rounded high level experience and expertise in the industry but I'm concerned that there is the potential for overlooking issues and opportunities at the grass roots levels, or as they like to say in many contemporary operational forums "where the rubber meets the road.

I say this because the Secondary objectives of the Reference Panel are listed as;

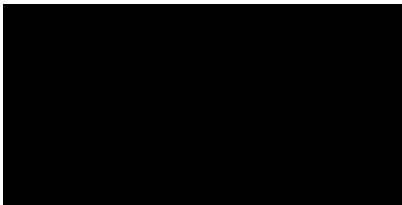
- *Provide feedback and advice on national issues identified by transport and infrastructure ministers and senior officials.*
- *Encourage industry sponsorship for actions under the Action Plan.*
- *Comment on other priorities for freight at the request of ministers or senior officials.*

There should be a fourth dot point added to this.

- Provide feedback and advice on national issues identified by transport and infrastructure industry bodies – unions and employer associations included.

Without being disrespectful to Ministers and senior officials, in my experience the people who work in the industry and are represented by unions and employer associations have a more intimate understanding of the issues and what needs to be done to address them.

Yours sincerely



Tony Chafer
Chief Executive Officer