

Review of the National Freight and Supply Chain Strategy

Woolworths Group Submission

September 2023

Woolworths Group, through its supply chain business Primary Connect, welcomes the opportunity to make a submission to the Review of the National Freight and Supply Chain Strategy (the Review).

Woolworths Group's diverse group of retail businesses are some of Australia's most recognised and trusted brands, and our team are at the heart of everything we do. Our supply chain business, Primary Connect, has 10,800 team members serving 4.5 million customers per day.

Primary Connect transports goods by road, rail and sea through local and international sourcing covering 315 ports globally and engaging 7,500 supply partners in our supply chain. The business provides commercial logistics solutions to business partners through PC+, improving the efficiency and productivity of supply chain operations and operates 21 Woolworths and Big W distribution centres (DCs) where products are stored before they can be picked and dispatched. Finally, Primary Connect provides transport from DCs to stores or Customer Fulfilment Centres (CFCs) through 1,300 road trailers and more than 70 carrier partners.

Given the reach and complexity of the Primary Connect business, Australia's supply chains are critical to our future economic success. Expected to grow by 26% between 2020 and 2050¹ Australia's domestic freight task is central to how we manage issues of national significance such as decarbonisation, infrastructure resilience, skills and future jobs and governance between our three levels of government. This Review has the opportunity to set a strong direction for the future growth and development of our national supply chain.

Primary Connect supported the current National Freight and Supply Chain Strategy (the Strategy) under review and its priorities and actions. The Strategy identified important challenges and opportunities for the national supply chain and was expansive in its scope. Areas that could be strengthened include the effective implementation, reporting and governance of the strategy, prioritisation of actions to ensure resources support the outcomes with the greatest economic, social and environmental dividend, and alignment with state and local government to ensure objectives can be practically implemented.

Since the original strategy was written, there have been significant events and industry shifts that impact our operating environment, including a renewed regulatory focus on decarbonisation through the Federal Government's *Net Zero 2050* plan. These elements will need to be considered by any new strategy:

- **COVID-19 Pandemic** resulted in extreme stress on supply chains and increased costs.
- **The Geo-political environment** has changed, impacting international supply chains.

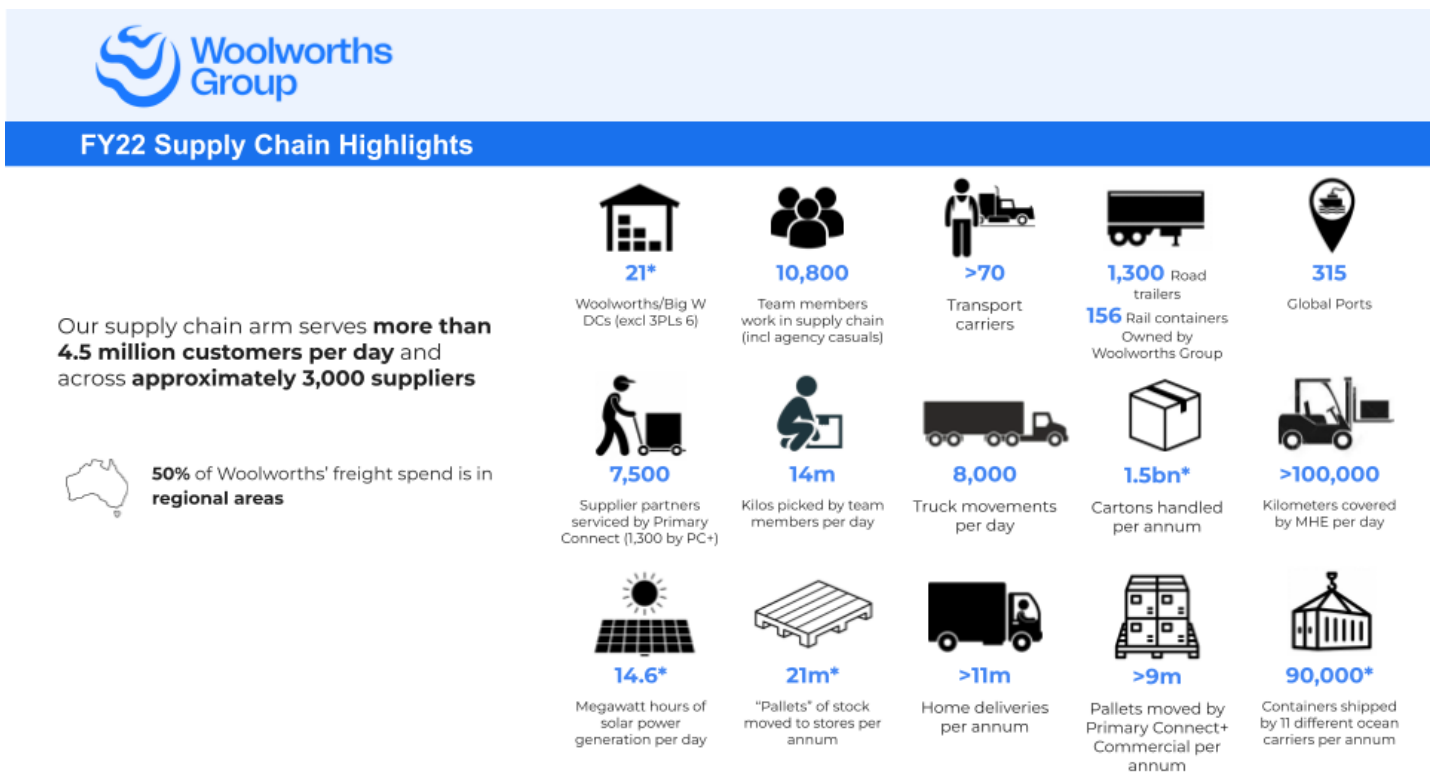
¹ *National Freight and Supply Chain Strategy Review, Discussion Paper, August 2023*

- **Extreme weather** has impacted infrastructure and the ongoing impact of climate change
- **Skills and labour** have been impacted by border closures, lower migration and an ageing population
- There is a growing industry presence of **automation and robotics**, new technology and disruption.

We are members of the Australian Logistics Council (ALC) and the Business Council of Australia (BCA) both of which are making submissions to the Review and these submissions have had our input and support. Given these submissions are comprehensive, this submission will focus on four key areas of keen interest to us:

1. Decarbonise our supply chain to reduce emissions
2. Increase infrastructure resilience to reduce impact of outages on community
3. Support skill development and workforce transition
4. Align with state and local government through better governance

Woolworths Group FY22 Supply Chain Metrics



The content of this document covers the 2022 financial year, 1 July 2021 to 30 June 2022 (FY22). *F23 updated numbers

1. Decarbonise our supply chain to reduce emissions

We are driving decarbonisation across scope 1, 2 and 3 emissions in a staged plan to 2050. This plan has achieved a 36% reduction in scope 1 and 2 emissions since 2015. The next stage will be to achieve a 63% reduction in scope 1 and 2 emissions and a 19% reduction in scope 3 emissions by 2030, before achieving net positive emissions by 2050.

A significant component of these targets and the actions supporting them is the decarbonisation of our supply chain and transport fleet. Our transport network is one of the largest business supply chains in Australia and New Zealand and we have seen a 19% growth in online delivery volumes in the past year². Tackling transport decarbonisation will therefore require significant effort due to the size and complexity of our own fleets and those of our logistics partners.

Depending on the operational structures and ownership, emissions from our supply chain vary between direct scope 1 and indirect scope 3 emissions. Our directly managed fleet – scope 1 transport emissions – comprises some 3,500 assets, from light vehicles to semi-trailers. As with the rest of our value chain, scope 3 transport emissions represent the larger part of our footprint, and are outside of our direct control.

High Performance Vehicles (HPV) increase productivity as these vehicles can carry more payload than a B-double producing environmental and safety benefits. These vehicles have been found to reduce the number of trips required to move the same volume of freight, reducing emissions and increasing productivity by up to 20 - 30%.³

In 2023 we launched our first transport decarbonisation strategy that outlines priorities for decarbonising our fleet across three pillars; transitioning to a zero-emissions fleet and delivering cleaner, quieter neighbourhoods; leading low-carbon practices through efficient operations; and developing zero emissions transport infrastructure (e.g. EV chargers) across our network. This strategy is anchored in our commitment that by 2030, we aim to convert our Australian and New Zealand home delivery fleet to zero-emissions vehicles.

We have begun working towards our aim with the introduction of 27 new electric vehicles (EVs) to replace some of our fleet of 1,200 home delivery trucks. The Federal Government's recent National Electric Vehicle Strategy was primarily focused on consumer vehicles - light passenger and commercial vehicles contributed 60% of Australia's transport emissions in 2022⁴. Targets for the increase in commercial/heavy vehicle EV uptake are needed to support greater adoption and support industry growth.

² See *Woolworths Sustainability Report 2023* for further detail and progress <https://bitly.ws/VF3a>

³ *High Productivity Vehicles, the next generation in freight vehicles*, Victorian Freight and Logistics Council, 2008

⁴ *National Electric Vehicle Strategy*, DCCEEW, April 2023.

Supply side policy issues such as local component assembly and manufacturing are an important upstream focus that would benefit from Federal Government policy leadership. More onshore component manufacturing will mean the decarbonisation of supply chains and transport fleets becomes easier and less costly.

Demand side issues such as supportive urban design for vehicles is the responsibility of local and state governments, however the Federal Government can coordinate and partly fund these initiatives with a view to ensure consistent design principles and delivery across the three levels of government.

As a part of the Federal Government's *Net Zero 2050* plan, there is a proposed sectoral strategy for the transport sector. Coordination and alignment across this developing work, the National Electric Vehicle strategy and this Review will be important to provide certainty for industry.

Recommendations:

- Set targets for the increase in commercial/heavy vehicle EV uptake and coordinate with state governments the delivery of supply chain infrastructure and complementary state level policies.
- Lead and foster the growth of local component assembly and manufacturing to promote easier and more cost effective adoption of EV's.
- Coordinate and partly fund initiatives that support consistent last mile urban design principles to support uniform delivery across the three levels of government.

2. Increase infrastructure resilience to reduce impact of outages on community

Increasing the resilience of infrastructure will assist in managing the specific impact of climate change on our infrastructure and the reliable delivery of goods and services.

Road and rail freight corridor closures due to severe weather are a significant problem that has economic, environmental and equity impacts. This was identified in the 2021 Infrastructure Australia paper *A Pathway to Infrastructure Resilience* which found that by 2050, the annual economic cost of natural disasters in Australia is expected to more than double – from an average of \$18 billion per year to more than \$39 billion per year⁵. This research recognised that the strategic alignment of all levels of government, sound infrastructure investment decision making and data on assets and network vulnerability were critical inputs to produce a more resilient system.

The Bureau of Infrastructure and Transport Research Economics' (BITRE) *Road and Rail Supply Chain Resilience Review – Phase 1 report* released in February this year provides important data to

⁵ *A Pathway to Infrastructure Resilience*, Advisory Paper 1, Opportunities for Systemic Change, Infrastructure Australia, August 2021

inform further work. This phase 1 report has found that there are ways to lift the resilience of Australia's critical infrastructure in the face of changing risks. The report utilised the CSIRO's Transport Network Strategic Investment Tool (TraNSIT) to identify and assess 52 critical road and 13 critical rail supply chains from the National Key Freight Routes (KFRs). KFRs are determined due to their importance to local supply routes or pathway to markets, volume use, value and proportion of essential commodities⁶.

Many of these routes identified correspond with routes where we have experienced outages in the past financial year, and in many cases these routes intersect with supply chains to communities in which we operate and service across regional Australia, as well as long distance links between States.

Primary Connect is a user of rail freight under a number of different models across the four key rail corridors that intersect with the critical rail KFRs identified:

1. **East-West (eastern states to WA)** - in which SCT Logistics provide a mix of container and wagon services, as an integrated rail operator.
2. **Adelaide-Darwin** - controlling the containers and directly engaging with Aurizon, who recently acquired the operation from OneRail.
3. **Melbourne-Brisbane** - where we use SCT Logistics as the integrated rail operator for services.
4. **Brisbane-Far North QLD** - Engaging Team Global Express (TGE) (previously Toll) as a forwarder on the Pacific National Train.

Rail reliability has been a challenge across all areas in both wet and hot conditions. During FY23, we experienced 299 days of disruptions with 176 days due to natural disasters and 19 major incidents. These disruptions mean that the supply of goods or fresh food to certain communities or parts of Australia is undermined.

We support the longer term investment in Inland Rail and the pathway, including terminals, that will connect Melbourne with Brisbane and the many communities in between. In light of the recent review of the project, we also see the need to concurrently balance longer term investment against shorter term reliability and performance of the current network when evaluating investments in rail.

Of the routes we use regularly, three routes in particular have seen significant disruption. Two of these routes align with critical rail KFRs identified by BITRE as highly or very highly vulnerable to disruption. The third, the Northern NSW line has been disrupted significantly recently by flooding, impacting the ability to deliver goods to communities in this region :

⁶ *Road and Rail Supply Chain Resilience Review - Phase 1 Report*, BITRE, February 2023

Infrastructure	BITRE identified	Details	Woolworths action
Trans Australian railway - managed by ARTC - both WA and SA routes	<p>Identified as as critical rail KFR Very High vulnerability</p> <p>Extensive flooding in Jan/Feb 22 forced the closure for 24 days, causing widespread disruptions to supply chains.</p>	<p>Supports a high volume of freight (12.7m tonnes annually)⁷ - 70% of supermarket retail goods are delivered to WA via this route.</p>	<p>Expanded and invested in our distribution network in WA.</p> <p>Initiated coastal shipping capability to supplement rail</p> <p>This includes expanding inventory holdings in our Perth DCs/stores and plans for expanding DC capacity.</p>
Northern NSW - ARTC	N/A	<p>Region has experienced significant flooding and a major event that impacted Northern Rivers communities in and around Lismore. Key rail connection for Melbourne to Brisbane (and return)</p> <p>Older track and challenging access conditions have compounded outages</p>	<p>Greater share of freight moving on road to reduce the reliance on rail freight which suffers from lower reliability and resilience.</p>
Far North Queensland - QR (Queensland Rail) (state)	<p>Sections identified as critical rail KFR with Low - High Vulnerability</p>	<p>Runs from Brisbane to Cairns (including through Mackay, Bowen, Innisfail and Townsville regions) just under 1,700 km in length.</p> <p>Concerns extend from Townsville to Mt Isa, just under 1,000kms</p>	<p>Invested further in our Townsville Distribution Centre to increase inventory holdings.</p> <p>Increased capacity for freight to move on road supporting service and reliability outcomes</p>

⁷ Road and Rail Supply Chain Resilience Review - Phase 1 Report, BITRE, February 2023

		(currently not used by us) Primarily exposed to cyclones & storms and bushfires, impacted by seasonal flooding and rail	
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Recommendation:

- The BITRE phase 1 report provides data on where National Key Freight Routes are most vulnerable to outages and many of these findings correspond with significant outages that have occurred in the past 24 months. These disruptions undermine the efficient and reliable supply of goods to communities and generate a wider economic and social cost, found to increase over time.
- We recommend working with Infrastructure Australia to coordinate and drive investment from all levels of government in the routes BITRE found to be very highly/highly vulnerable to outages to mitigate risks and ensure the sustainable supply of goods to communities supported by these routes.

3. Support Skill Development and Workforce Transition

A skilled workforce ready to meet future industry demands is critical to an efficient national supply chain. Without a workforce with sufficient depth and skill to meet changing industry needs, new growth and productivity will be undermined.

Driver shortage

There are fewer new truck drivers entering the logistics industry, and a greater number leaving the industry. As our population ages, this challenge will only grow in prominence. There is a high attrition in drivers due to the nature of the work and high stress, including time away from family, health and wellbeing impacts and responsibilities on road.

Many younger drivers leave at an early stage for other professions - it takes three years to obtain a full licence after an unrestricted car licence and insurance costs inhibit younger drivers from



entering the industry and then staying. The average driver age is 47 years old, seven years older than the general working age and only 3% of drivers are female⁸.

These workforce challenges impact operations within the supply chain. An increased attrition rate produces fewer experienced drivers to cover workforce gaps. There is also less workforce flexibility in covering industry or route disruptions.

Primary Connect has responded to this challenge by digitising inbound processes at distribution centres and is actively working to further reduce truck turnaround times to improve driver experience. Training for staff and updated transport facilities also improve the working experience of many drivers. Finally, we work closely with governments across state borders on process standardisation and advocating for competency based licensing.

At the National Cabinet meeting held on 20 January 2022, the importance of this issue was recognised and a commitment was made for the Infrastructure and Transport Reform Committee to consider competency based licensing for truck drivers.

Following this meeting at the Infrastructure and Transport Reform Committee, it was agreed that Austroads would develop a draft framework by mid-2022 for industry consultation.

Recommendation:

- Prioritise and elevate the Austroads work on competency based licensing for truck drivers and place a timeframe on delivery.

Workforce transition

In line with customer demands for convenience and increased competition, we have a strong focus on supply chain innovation, including automation. The Covid-19 pandemic saw a significant acceleration in the development of our ecommerce network. In the past three years, customer visits to our website and app have increased by 150% to 16.3m visits per week. eCommerce sales growth has increased 37% CAGR since 2019 and continues to grow.

Our supply chain processes incorporate automation and robotics to service this growth. Our Dandenong distribution centre and our Moorebank NDC and RDC and Auburn CFC, to be completed in the coming years, all incorporate state-of-the-art automation and robotics. Collectively we are investing ~\$2b annually in our supply chain. These advances also create employment opportunities

⁸ Labour market insights, Jobs and Skills Australia, 2022.

for a more diverse workforce than traditional centres. This diversity supports improved gender balance, but also opens career pathways to people with disability.

Critical to ongoing efficient operation will be ensuring there is a pipeline of suitably qualified people to work in an increasingly automated supply chain as more automated operations are commissioned across industry.

Two of the areas where we have seen the most acute need through our e-commerce growth is in machine learning followed by broader engineering roles. In those engineering roles the interoperability of skills is vital.

We are interested in exploring the benefits of a Skills Passport announced recently as part of the Federal Government's *Employment White Paper* to our future supply chain workforce.

Recommendation:

In the near term, consideration should be given by the Strategy to:

- **Whole supply chain workforce mapping:** Different businesses face different skills challenges. Workforce mapping by the Department of Industry could link with the ABS to identify future trends in skills shortages, informing policy responses.
- **Curriculum alignment:** Stronger alignment between schools, TAFE and industry on the skills needed will support sustainable career pathways.
- **Skilled Migration:** Longer-term skills solutions are only sustainable when paired with strategic-skilled migration to help bridge skill gaps. Jobs and Skills Australia should work with the Department of Immigration to better link the Skills Priority List with Skilled Migration Programs - more responsive to industry needs and particularly including a greater supply of heavy vehicle drivers.
- **Leading and coordinating between states** on uniform competency based heavy vehicle driver licensing is another important element in a stronger, more resilient supply chain.

4. Align with state and local government through better governance

Across urban, inter and intra state, and international freight - coordination and alignment between all three levels of government is critical to deliver outcomes under the new strategy. Through national meetings of Transport and Infrastructure Ministers, there is an opportunity to align state governments on strategic objectives, accountability and responsibility for delivery. Regular reporting and measurement of strategy outcomes at these meetings and the identification of areas where the strategy needs to change is critical.

The strategy must remain flexible and focused on the most important priorities. This requires responsiveness to the changing nature of customers, business and the national supply chain supported through regular monitoring of performance.

The Planning Ministers' forum is also a relevant complementary forum given the Federal Government's announcement of a national urban policy in the 2023-24 budget, a policy where urban and last mile freight will be an important consideration. The NSW government is leading work on climate adaptation and resilience for planning policy through this forum that will have ramifications for freight and supply chain routes.

We note that many of the elements of the strategy will only be realised through integration with state and local strategic planning and transport policies and plans and many jurisdictions are currently reviewing their central documents. Integration with these documents will be important to ensure the strategy's objectives can be practically implemented.

We consider that identification of urban last mile freight routes and sympathetic urban design to reduce congestion and protection of critical freight corridors (realised through these documents and supporting transport and infrastructure plans) to be critical for a robust end-to-end strategy. Consistency and flexibility for delivery times and curfews to reflect changing customer demand and industry needs are also complementary initiatives implemented at the state and local government level to support more efficient supply chains.

Finally, the approach that has been adopted on housing and planning reform policy at a federal level coordinated with state government through the Housing Australia Fund and wider package of incentives, provides a governance model for coordinating and incentivising state and local government to drive outcomes that could be reflected in the governance for the Strategy.

Incentives, co-investment and grants are all policy levers that could be utilised to drive strategy outcomes as a part of this structure.

Recommendations

- Governance should be driven through the Transport and Infrastructure Ministers meetings with close alignment with the Planning Ministers meeting. This governance can be supported through reporting and consistent metrics to assess strategy performance and regular engagement with industry.
- Provide coordination and leadership on consistent urban design and regulatory standards at a local and state government level to support efficient last mile freight in our cities and towns.

- To support integration with state and local level planning and transport plans; Incentives, coinvestment and grants should be considered to resource strategy actions.

Contact

We would welcome ongoing engagement as the review of the strategy continues. Please contact

