

The Role of Government in Transport Logistics

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Des Powell is Executive Director, Ports and Marine for the Department of Infrastructure in Victoria. His role involves policy and planning for the Victorian Government in these areas. In addition, he has a responsibility to develop a whole of government freight and logistics strategy for Victoria.

Des joined the Victorian Government after a long career in executive management within the private sector in the logistics and service industries. He has considerable experience in general management, operations and executive management across many elements of the industry including all modal sectors and in the area of provision of third party logistics services.

He has established logistics operations and business structures in Asia and is experienced in looking at supply chain management processes across the Asian region.

In addition, he has considerable experience in working with government and industry in a range of consulting capacities both in Australia and internationally, including work with the UN in the area of transport and logistics policy.

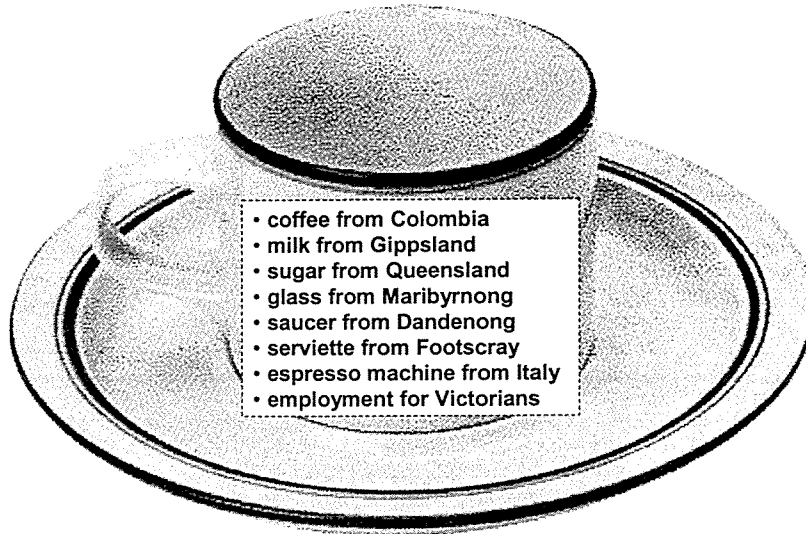
The Role of Government in Transport Logistics

Presentation by Des Powell
Department of Infrastructure, Victoria
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Why is Freight (the product) & Logistics (the system) important?

- ◆ The movement of goods underpins our economy, lifestyle and prosperity
 - It is everywhere in everything we do
 - It creates wealth and jobs
 - It is an important industry sector in its own right
 - Connects businesses with their customers
 - Regional economies rely heavily on Freight & Logistics for their prosperity
 - An efficient industry increases our competitiveness

Example: What's in a Latte?

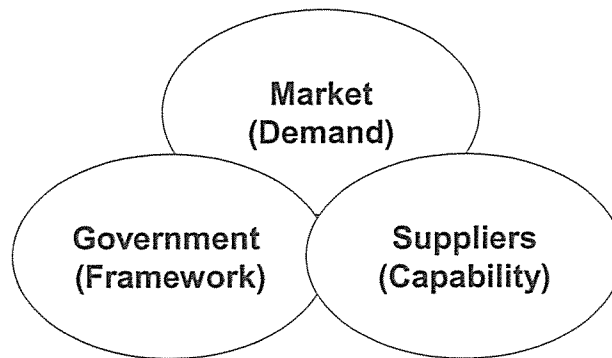


Victorian Freight Task

◆ Victorian facts:

- Contributes about 10.1% of Victorian GSP
- 16,200 business entities of which 97.5 % employ 20 employees or less and of which 68% are located in urban or provincial urban regions
- Employs 106,500 persons or 4.6 % of total Victorian employment
- Transport task expected to double over next 20 years
- Improved efficiency impacts on GSP
- Key national role as SE Hub, handles 37% of the nations import/export containers

Freight & Logistics – The Challenge



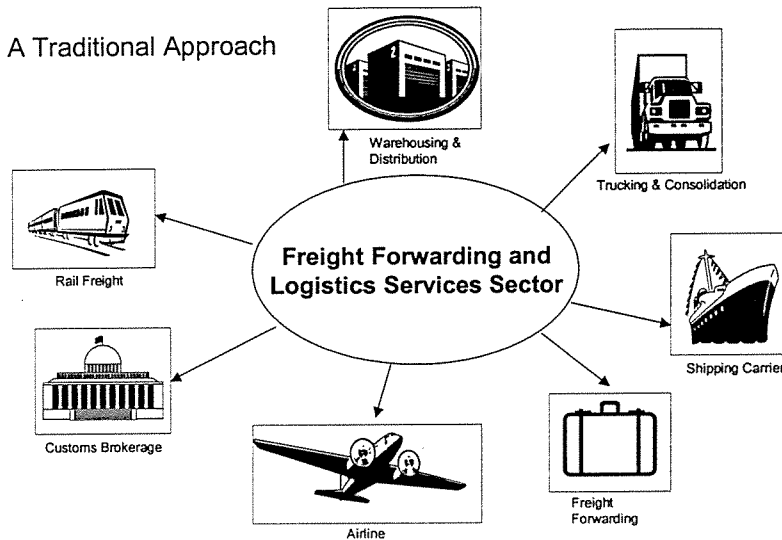
"The role of Government is to set the framework in which industry suppliers provide the capability to meet the market demands."

Market Pressures

- ◆ Markets demanding integration as a means to improve profit
- ◆ In response, suppliers are vertically integrating
- ◆ Governments changing its role in designing, building, owning and operating
- ◆ Evolution towards "logistics" away from "transport"
- ◆ Focus on intermodalism increasing to develop efficiency

What is logistics?

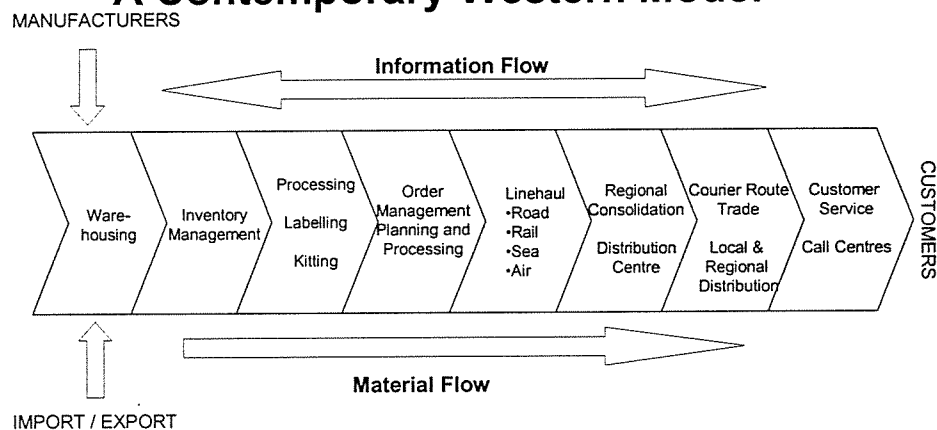
A Traditional Approach



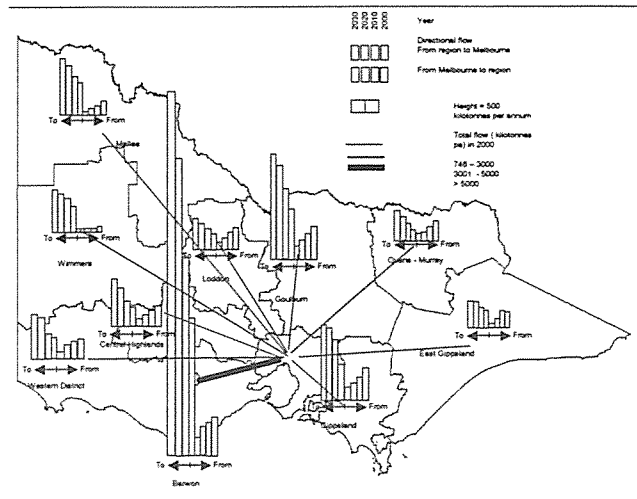
SOURCE – HKDTC Research Report July 2000

What is logistics (cont)

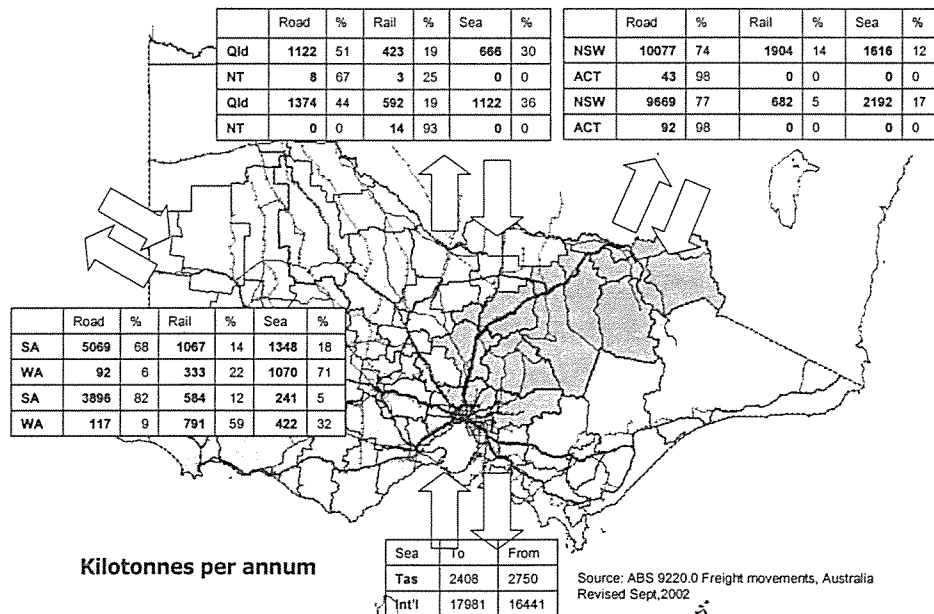
A Contemporary Western Model



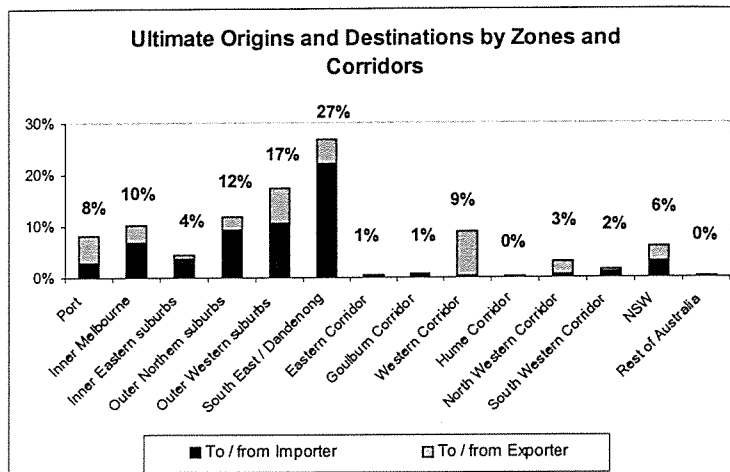
Growth to 2030



“SE Hub” role – Interstate

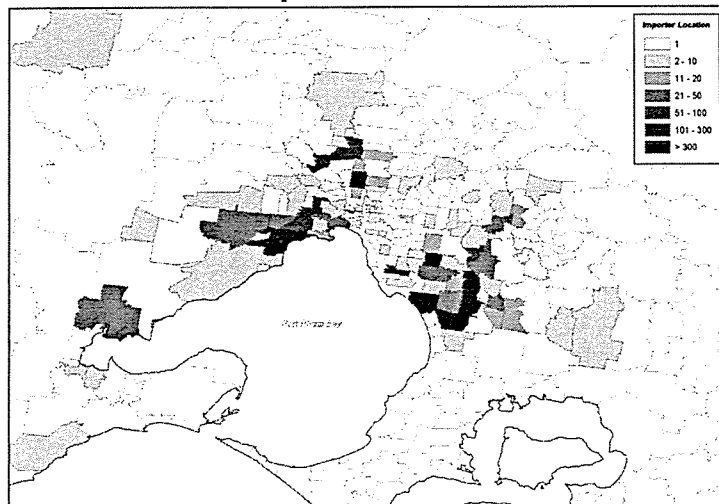


Ultimate Origins and Destinations



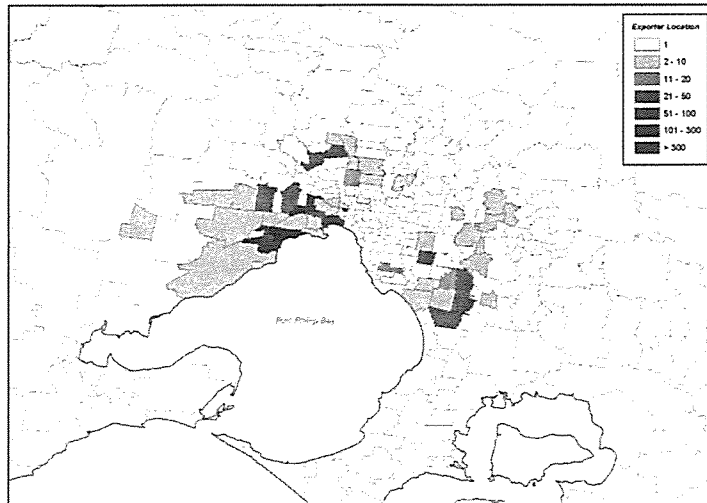
Source: Quantitative Survey - direct results

Importer Locations – Melbourne Metropolitan Area



Source: Quantitative Survey - direct results

Exporter locations – Melbourne Metropolitan Area



Source: Quantitative Survey - direct results

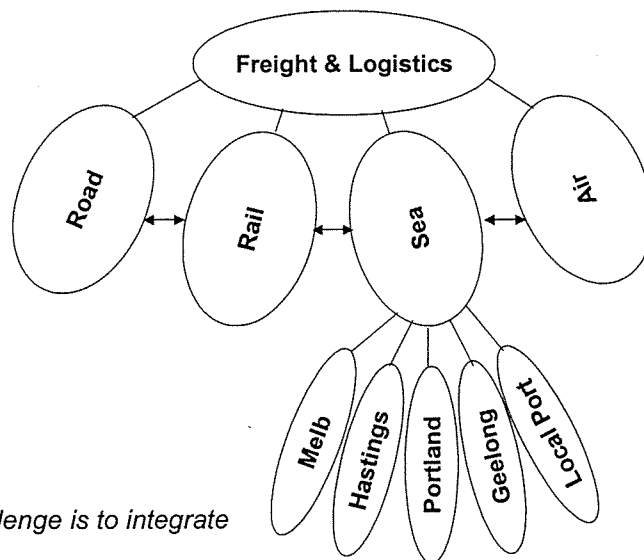
Challenges

- ◆ Melbourne port now handles 1.2m TEU to increase between 3.9m and 5.8m TEU by 2030
- ◆ Channel depth limiting Port of Melbourne effectiveness
- ◆ Contestability for Port of Melbourne container cargo estimated at 34%
- ◆ Total freight task in rail estimated to require between 3.8 and 7.9 times area now available in existing port and rail precincts
- ◆ Intermodal interface issues becoming more evident statewide
- ◆ Dairy products (Victoria represents 63% of national production) doubling over next 10 years
- ◆ General merchandise to double by 2010, quadruple by 2030
- ◆ New industries creating growth opportunities, eg. mineral sands
- ◆ Industry structure and vertical integration continues to impact
- ◆ Land use planning to cope for future transport growth
- ◆ Focus on social and environmental as well as economic issues

Challenges (cont)

- Supply chain management impacting in regions and rural centres, pressures on local roads, infrastructure and amenity
- Local Government interface critical in using logistics for economic development
- Potentially insufficient air freight belly air space
- Infrastructure spending faces increasing budget competition – new Auslink Framework
- States role (37% of nations containerised imports and exports) critical to National economics – Auslink opportunity
- Governments reaching whole of Government policy perspectives but still delivering in a fragmented way

The system context



The challenge is to integrate

Development of a Victorian Freight & Logistics Strategy

- ◆ Whole of Government approach, strategic in context
- ◆ Highlights industry's importance to the economy
- ◆ Right infrastructure for the right freight task
- ◆ A socially responsible industry
- ◆ A smarter industry working together
- ◆ Clarity of roles
- ◆ A consistent and transparent legislative, regulatory and accreditation response

Policy Context

- ◆ Growing Victoria Together (30% rail target)
- ◆ Freight & Logistics Strategy
- ◆ Channel Deepening in Port Phillip Bay
- ◆ Review of Port Reform
- ◆ Metro Strategy

Port Reform

The Situation

- ◆ Reform of 1995 fulfilled competition policy targets – but did not deliver widespread economic, social or environmental benefits to Victorians
- ◆ A strategy void existed
- ◆ Melbourne's position under threat, with arguably narrowest charter
- ◆ Industry strongly advocating change
- ◆ No explicit safety and environmental responsibilities
- ◆ Inadequate framework for ports, commercial (public and private) and local

Port Reform (cont)

The Response

- ◆ Strategic framework to guide ports
- ◆ Position ports as key elements of logistic chain
- ◆ Reform institutional arrangements for Melbourne and Hastings
- ◆ Improve arrangements for local ports
- ◆ Deliver measurable differences in safety and environment
- ◆ Engage the community

Security

- ◆ Critical a response occurs
- ◆ Must be wary of unintended effects
- ◆ Link with Commonwealth strategy
- ◆ Need consistent approach, cognisant of commercial drivers
- ◆ Cannot be done at no cost
- ◆ Will require both Commonwealth and State legislation

The Challenges for Freight & Logistics

- ◆ Build awareness of the importance of Freight & Logistics to our economy and lifestyle
- ◆ Break down the barriers and work together to improve Freight & Logistics for everyone's benefit
- ◆ Provide clear and consistent direction from Government
- ◆ Instill an integrated approach to Freight & Logistics issues within Government
- ◆ Contain or preferably reduce the adverse environmental and amenity impacts of freight operations in the face of increasing freight movements
- ◆ Reduce unnecessary costs in the logistics chain
- ◆ Prepare the infrastructure (transport network) for future needs