

Transport systems need to be upgraded

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Since the pandemic first triggered furious stockpiling of toilet paper and canned goods by panicked Australians in early March, businesses have been scrambling to invest in technology to help shore up their supply chains exposed by the viral outbreak.

Government-enforced shutdowns and border closures to contain the spread of COVID-19 grounded airfreight, brought factories to a standstill and depleted safety stock that is regularly set aside by manufacturers to meet unexpected shortfalls.

And while industry ramped up production to meet the surge in demand, the second wave of the virus in Victoria has led to bottlenecks at distribution centres where employees have been forced to social distance.

Peter Liddle, head of supply chain at KPMG Australia, says that because small to medium enterprises have previously been so focused on growth, they never quite got around to creating business continuity plans to manage the unexpected. And even when companies did have measures in place, they failed in the face of two back-to-back national crises.

"The impact from the bushfires and now the pandemic over the past nine to 12 months has really exposed key choke points in domestic supply chains," says Liddle.

"Australian supply chains have been playing injured ... and now they have been found out."

Liddle says his clients are now zeroing in on their operational activities, particularly on highly inefficient human-to-human processes.

As a result, he has seen an uptick of investment since the outbreak in so-called intelligence process automation, where some manual activities are automated but personnel still manage the end-to-end process to help keep factories operating safely through the pandemic.

Businesses are also investing in

robotic process automation, high-quality data and analytics to provide a predictive capability and they are looking at the "uberisation" of transporting freight to bring more efficiency into the supply chain and ultimately to reduce cost.

With the proliferation of tech start-ups, Liddle says businesses no longer have to be burdened with big technology spend to run more efficiently. It is now much cheaper to install and can be run on open platforms that can easily be interconnected, whether it is investing in a new warehouse or transportation management system.

Such companies include Instatruck, a digital truck platform which matches trucks automatically with businesses that need urgent on-demand or ad hoc deliveries, and Trackstar, a personal tracking service for the logistics industry and consumers to keep track of shipments and deliveries from a mobile phone.

Liddle says that while technology would help address some of the issues in the domestic supply chains, the constant feedback from his clients is that for a country as vast as Australia with many remote and regional communities, infrastructure needs to be upgraded.

Tony Mahar, the chief executive of the National Farmers' Federation, says that with much of the country's domestic freight still transported by truck, there is a "definite need" to improve roads and rail.

Mahar says seemingly simple problems like weight restrictions on bridges for trucks on key transport routes in rural areas are slowing down the supply chain.

"The highways and roads might be seen to be adequate but we definitely need to see more investment," he says.

"It's holding back efficiency. And while it varies from sector to sector, we are a big country and we produce a lot of material.

"We already pay a lot of labour and energy so it's not as efficient as it could be."

And with the explosion of e-commerce and online transactions as merchants hunt for alternative products that are usually sourced from overseas, and as consumers avoid the exposure to large crowds in shopping centres, demand for freight transportation is only expected to increase.

Professor Rico Merkert, chair in transport and supply chain management at the University of Sydney Business School, says the cost of domestic freight transport is a huge challenge for the country, largely due to higher wages.

He also notes that many parts of Australia, such as Tasmania, Lord Howe Island and remote rural communities in the Northern Territory, also rely on aviation for their freight, an industry that has seen much of its fleet grounded globally.

He adds that the fragmented logistics industry, with a number of smaller privately owned trucking companies, has created huge inefficiencies in the system and made everything more expensive.

"Road still dominates Australia's supply chains," Merkert says.

"It costs more to carry a container on a truck to Port Botany from Lithgow (near the Blue Mountains) compared to lifting that same container from Sydney to Shanghai."

The academic, who is also consulting on the Inland Rail freight infrastructure project, says the extent of the logistical challenge depends on the industry.

In a sector such as mining, integrated railways and use of drones have helped make their operations much more efficient. But where the supply chain comes unstuck is for industries like pharmaceuticals where more than one mode of transport to move goods is used. This, he says, is where technology could make the difference and take so much cost out a system that "it is almost a no-brainer."



National Farmers' Federation chief executive Tony Mahar says there is a need to improve key transport routes in rural areas

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TONY MAHAR
CEO, NATIONAL FARMERS' FEDERATION