



WA's Supply Chain Productivity Priorities – policy discussion paper



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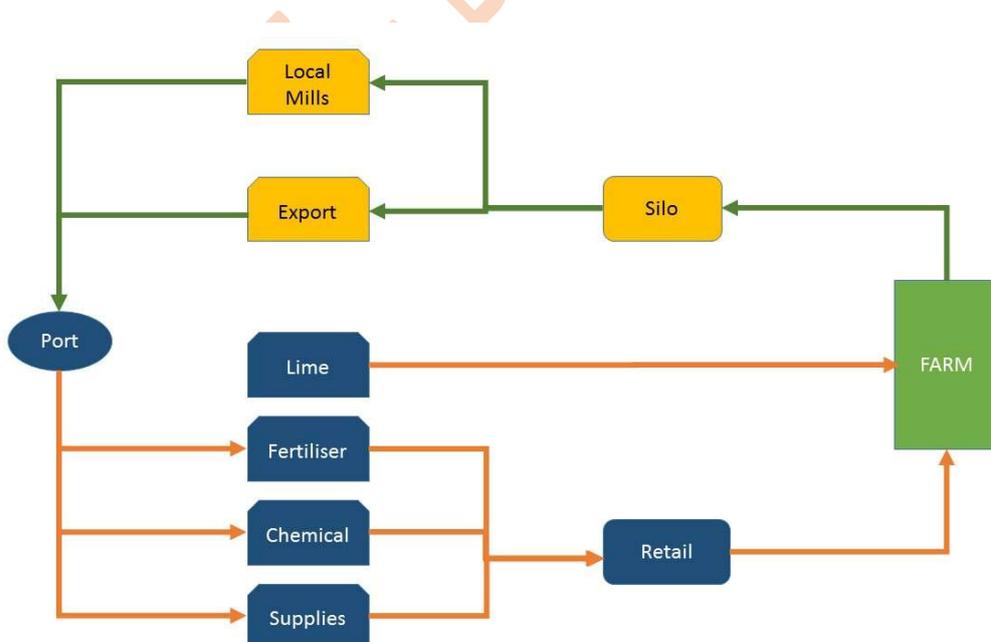
WARTA

The viability of many of WA's economic sectors such as mining, resources and agriculture depend on their ability to remain globally competitive. Therefore the supply chains that support these sectors both inputs and outputs must also see themselves as competing globally.

The loss of any mining, resources or agricultural export activity also means a loss of jobs in the transport and logistics sector. This loss is felt through the entire supply chain effecting all transport and logistic operators regardless of whether they are supply inputs or carrying the outputs.

The ability of transport operators to produce safe sustainable profits is dependent upon our export sectors remaining globally competitive

For example consider just a simplified grain sector supply chain, there are multiple individual supply chains that all collectively effect the cost of production hence the competitiveness of the profitability of which grain is sold on global markets.



Why We Must Take a Leadership Role

WARTA represents members who are transport operators, logistics providers as well as supply chain leaders dependent on transport and logistics services.

However there are an increasing number of parties outside of the direct supply chain making decisions that could well directly impact the ability to maintain globally competitive supply chains. For example:

- Local Governments are considering direct road user charging for heavy vehicles.
- Federal Governments of both persuasions continue to significantly short change WA in capital works funding and road maintenance allocations (fuel tax excise).
- Regulatory changes in transport operations, in particular those being mooted by the National Heavy Vehicle Regulator.
- Infrastructure restrictions effecting the ability to use higher productivity vehicles.
- Discussions on creating intermodal terminals fed by a rail system from the port that is at risk of being placed under an operating curfew.

Silo Approach

The problem is that currently all decisions effecting supply chains are made in an operating silo, no one is considering the totality of the chain and the impacts. The problem with silo decisions is that reducing costs in one operating silo often just leads to the costs being transferred elsewhere in the supply chain. No one is considering how we achieve least cost supply chains.

We Need Information

- What are the key cost drivers in the supply chain?
- What are the choke points or blockages that add costs?
- What would be the cost impact of direct road user charging?

- What would be the productivity gain of running higher productivity vehicles?
- What would be the cost or benefit of intermodal terminals?
- Does port inefficiency or issues have any real impact on supply chain costs?

The short answer is we simply do not know.

Solution

Therefore it is proposed that WARTA engage with PATREC, to identify potential academic researchers, including PhD students that could:

- Map the supply chains,
- Identify costs, constraints and
- Produce a model that enables the industry to conduct sensitivity analysis to evaluate proposals that effect the supply chain.

Which Supply Chains

It is proposed to map the following supply chains in order:

1. Grain sector in-conjunction with WA Farmers Federation;
2. Gold mining sector;
3. Kimberley and Carnarvon Horticultural sectors;

The cost guidance is that it will be \$50,000 per supply chain. Subject to member agreement, it is proposed to seek Government funding to enable the identified supply chains to be mapped and modelled.

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