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## Logistics

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## Innovation in the Logistics sector

Logistics is defined as 'activities required for the movement and handling of goods and materials, from inputs through production to consumers and waste disposal'<sup>1</sup>. Logistics incorporates terms such as Transport and Logistics, Freight Transport, Value Chain Management and Supply Chain Management. Given its size and its significant enabling role, innovation in this sector is critical to the continued prosperity of the NSW economy.

The ABS Innovation Survey 2005 rated the transport and storage sector as having the 6th highest percentage of innovative businesses in NSW. 35 per cent of companies in this sector reported engaging in some kind of innovative activity.

Innovation in the Logistics sector is created around new or improved:

- **Capabilities and processes:** this includes improvements in managerial systems, skill development of logistics specialists and supply chain managers as well as the adoption of information technology based systems.
- **Products and services:** innovation in this sector ranges from innovations relating to hardware, such as the design of rolling stock and trucks, to the operation of the transporting mechanism, whether it be a train, truck, plane or ship, to the methods and practices used for transporting goods.
- **Major infrastructure innovation:** the NSW Government is presently involved in a number of initiatives to improve infrastructure and increase capacity. These in turn will promote further innovation in the sector:
- **Supply-chain innovation:** the rise of supply chains has been an innovation in itself, resulting in freight flowing seamlessly from collecting raw material to delivering goods ready for consumption.

## The Innovation Unit's current projects and publications

- A key report into the NSW logistics sector, [Path to Innovation: Innovation in the NSW Freight Logistics Industry](#), has been completed. Recommendations are currently being considered by the Government.

## Why was Logistics chosen as an innovation sector?

*Value and importance*

- According to a recent analysis undertaken by the Apelbaum Consulting Group Pty Ltd for the Australian Logistics Council, freight logistics is the number one contributor to GDP, contributing some 14.5 per cent to Gross Domestic Product<sup>2</sup>.
- In NSW, freight logistics is estimated to account for up to 11.2 per cent or \$34.3 billion of Gross State Product<sup>4</sup>.
- In 2006-07 about 50 per cent of Australia's international air freight was handled by Sydney Airport. At the same time some 220,000 tonnes move by rail each day, this being mostly sea freight.
- NSW's ports and associated transport infrastructure handle significant volumes of throughput, including: Port Botany - 26.7 million mass tones per annum; Port Kembla - 25.9 million tones per annum; and Glebe Island/White Bay - 1.4 – 1.5 million tones per annum<sup>5</sup>.
- There are at least 29,000 businesses in NSW supporting the freight logistics industry.
- NSW's largest freight task (by volume) is the domestic or intra State movement of goods within NSW at 62.4 per cent<sup>6</sup>.
- Coal is the largest category of product moved within NSW, making 33.4 per cent of the total task<sup>7</sup>.

*Employment*

- 97 per cent of the businesses in NSW supporting the freight logistics industry, employ fewer than 20 people.
- The NSW road transport and logistics industry in 2007 employed over 117,000 people or 33.8 per cent of the Australian road transport and logistics industry total. In 1997, there were 84,200 people employed in this sector in NSW. This represents an increase of 39 per cent in the level of employment in the sector in NSW over the last decade<sup>8</sup>.

*Growth*

- According to NSW Industry Value Added figures, the transport and storage sector exhibited average annual growth rate of 3.1 per cent between 1996/97 and 2006/07. In an analysis of the last five years, between 2001/02 and 2006/07, the growth rate increased to 3.7 per cent per annum<sup>9</sup>.

<sup>1</sup> The Bureau of Transport Economics (2001). Taken from the SAHA International, Freight and Logistics Council of NSW: Path to Innovation: Innovation in the NSW Freight Logistics Industry, January 2008 (SAHA 2008).

<sup>2</sup> SAHA International, Freight and Logistics Council of NSW: Path to Innovation: Innovation in the NSW Freight Logistics Industry, January 2008.

<sup>3</sup> Australian Logistics Council (ALC), *Contribution of Transport and Logistics to the Economy*, 2007. Taken from SAHA 2008.

<sup>4</sup> ALC, *Contribution of Transport and Logistics to the Economy*, 2007; ABS Cat. 5368; Saha International internal analysis. Taken from SAHA 2008.

<sup>5</sup> SAHA 2008.

<sup>6</sup> NSW Ministry of Transport, Transport Data Centre; Saha International internal analysis. Taken from SAHA 2008.

<sup>7</sup> Ibid.

<sup>8</sup> ABS, Labour Force, Detailed (Cat. No. 6291.0.55.003), November 2007.

<sup>9</sup> ABS 5220.0 – Australian National Accounts: State Accounts, 2006-07.

## For more information

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