



AUSTRALIAN LOGISTICS COUNCIL

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Freight Infrastructure Priorities

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Melbourne was recently ranked by the Economist Magazine as the world's most liveable city.

While rankings such as these seem to be published almost monthly, because this one was undertaken by the Economist Magazine, I gave it a second look.

Melbourne beat 140 other cities to the title, including Sydney, and received a perfect score for infrastructure.

The report got me thinking, to what extent does freight and logistics feature in polls such as this?

In studies like this one Infrastructure is often a key measurement of a city's liveability.

But more often than not, it is from the perspective of a commuter, a public transport user, a cyclist or a pedestrian.

Rarely is it from the perspective of a freight train operator, a B-Double Driver, or a stevedore.

Any assessment of how a city works, or doesn't work, needs to include how the city facilitates growing freight movements.

The ability of a city's infrastructure to move freight is equally as important as its ability to move people.

Given Melbourne is home to Australia's busiest container port and remains a key manufacturing base and consignor of freight, the requirements for logistics needs to be a top policy consideration for the government.

The Victorian Government has taken some welcome steps to ensure freight is given the recognition it deserves, and to maintain Victoria's reputation as the freight capital of Australia.

Today I will discuss what steps need to be taken to ensure it stays there.

I will also discuss a few broader national reforms which are critical to maintaining the efficiency of the national freight network.

But first, some background on the Australian Logistics Council.

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For those of you unfamiliar with the Australian Logistics Council, we are the peak national body representing the major and national companies participating in the freight logistics industry.

ALC has a whole of supply chain focus with membership spanning the major logistics customers, providers, infrastructure owners and suppliers.

We focus our advocacy on measures that will improve productivity, efficiency and safety in the industry and, through that, creating more efficient supply chains.

When that occurs, all of industry benefits, not just one specific part of the chain.

And more importantly, the Australian community benefits from a more efficient supply chain.

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This whole of supply chain approach is critical when you consider Australia's rising freight task which is expected to double from 2010 to 2030 and nearly triple by 2050.

Without an efficient and effective supply chain, all those things people take for granted every day will be less available, and when it is, it will be more costly.

ALC is active at both the federal and state levels, but particularly here in Melbourne as it's Australia's unofficial freight and logistics capital.

The freight and logistics sector contributed between \$19 billion and \$23 billion to Victoria's Gross State Product (GSP) in 2011, representing up to eight per cent of the Victorian economy.

Next month ALC will launch a new report on the national economic value of the industry and no doubt Victoria will feature prominently.

Minster Mulder has outlined the Government's extensive infrastructure investment program which the industry supports.

Tomorrow we will hear more from Daniel Andrews who will outline the Opposition's infrastructure plan.

Both sides are equally committed to growing our sector in Victoria.

And both parties are to be commended for putting infrastructure investment at the top of the electoral priorities.

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No doubt East West Link will be a major issue in the lead up to the next election.

ALC strongly agrees with the need for the East West Link.

ALV welcomed the recent announcement by the Commonwealth and Victorian Governments of funding for the western part of East West Link project.

The western section of the East West Link has, until recently, been the missing link in plans to improve freight efficiency in Melbourne.

The East West Link, and in particular, the western part connecting the Eastern Freeway to the Western Ring Road, is a freight route of national significance.

Providing an efficient linkage to the Port of Melbourne, Australia's busiest container port, is critical to coping with rising freight growth and a growing population in Melbourne's west.

Melbourne's western suburbs are the heartland of the city's freight logistics industry, with many companies basing their operations in the region.

Another talking point in the lead up to the election will be the sale of the Port of Melbourne.

With both sides of politics committing to its sale, it should make the port's sake less of an election issue which is welcomed.

As Nick Easy outlined this morning, the Port of Melbourne is one of the top four container ports in the Southern Hemisphere.

It is Australia's largest and most important maritime trade hub for container, automotive and general cargo.

The port handles around 37% of Australia's container trade, or around 2.5 million containers per year.

This is forecast to double over the next 10 to 12 years.

Analysts have predicted the sale could fetch around \$5 billion for the government.

The sale prices that were achieved for ports at Botany, Kembla and Newcastle suggest that a sale price of \$5 billion could well be exceeded.

ALC has been a strong supporter of asset recycling where funds are then used in greenfields logistics assets development.

ALC has been advocating to governments for some time to identify appropriate infrastructure assets that can be recycled and we are pleased there is now a bi-partisan approach to this issue in Victoria.

I would, however, make two points.

ALC will be monitoring with interest the transfer of ownership of the port following the next election with a particular eye on its implications for port users.

Whilst the sale will be good for the state economy, and potentially good for the broader freight network, it should not be accompanied by undue price increases which unfairly gouge port users.

Secondly, the funds raised from the privatised asset should be re-invested in productive freight logistics infrastructure serving the port.

Re-investing the funds into productive infrastructure will ensure the Government is eligible to receive an incentive payment from the Commonwealth.

In shorthand, this incentive equals 15 percent of the price of the divested asset.

More importantly from industry's perspective, recycling these funds into productive infrastructure is needed to enhance freight efficiency, particularly to and from the port.

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The Government's budget announcement in the state budget of \$58 million for port rail shuttles is another important step towards improving freight efficiency.

The Metropolitan Intermodal System will focus on improving short haul rail links to Altona, Somerton and Lyndhurst terminals.

We also encourage ongoing work to progress the proposed Western Interstate Freight Terminal at Truganina in Melbourne's west, which will link to the Interstate Rail Freight Network.

ALC looks forward to the outcomes of the feasibility study into this important piece of infrastructure.

Increasing intermodal capacity in the city is a must if we are to meet the state's rising freight task.

According to government figures, containerised imports and exports are expected to more than quadruple over the next 40 years.

An effective supply chain requires efficient road and rail connections from ports to intermodal facilities.

Moving more freight to rail, where it makes sense commercially, has the potential to improve urban amenity; reduce road congestion and decrease queuing times at ports

When I last spoke at another major Victorian infrastructure conference last year I made the point that Australia's major ports are under increasing threat from urban encroachment.

My speech was subsequently picked up by the Age, with the journalist correctly reporting my comments that "freight doesn't vote".

I made the point that Governments too often favour residents' complaints about noise and the environment over the needs of industry.

The article also discussed complaints which had been made by Docklands residents about late night noise from safety sirens at the Port of Melbourne.

Perhaps not surprisingly, I was taken to task by some people living around the port for my comments in the article.

They claimed that, in fact, the needs of residents are being overlooked.

They argued that their urban amenity is being impacted by heavy vehicles using roads in their suburbs.

I sympathise with their concerns, and it highlights the need for greater integration of urban planning and the needs of freight.

Ensuring urban planning takes into account freight and vice versa will achieve better outcomes for both residents and industry.

We cannot have people living right next to major freight routes.

It is bad for urban amenity, and it is bad from a freight efficiency perspective.

The fact remains however that freight is the 'poor cousin' of planning in all jurisdictions, and that freight interests often become secondary to other interests.

In this respect, ALC is pleased that in Victoria planning and transport policy falls within the one portfolio - the Department of Transport, Planning and Local Infrastructure.

This is not the case in other jurisdictions.

It should be, as it helps to guard against silo thinking within government.

The Napthine Government has shown commendable commitment to infrastructure development.

But governments change over time, and the interests of freight and infrastructure can and do suffer.

Industry requires long term certainty to help guide its investment decisions.

This underscores the importance of national planning documents such as the National Land Freight Strategy and National Ports Strategy as mechanisms to achieve better long term planning outcomes.

Another mechanism in ALC's view is requiring planning decision makers to give effect to states' freight and logistics plans.

Victoria, like most other jurisdictions has published its freight strategy *Victoria – the freight state* which outlines the Government's long term strategy to improve freight efficiency, grow productivity.

It's a good plan and will help to achieve sustainable growth in Victoria's freight logistics sector.

We believe that here in Victoria, like everywhere else in Australia, freight needs appropriate recognition in the state's planning framework.

This means decision makers in all state governments must give effect to freight and logistics plans developed by other parts of government.

This needs to be embedded in legislation, rather than it being an optional approach or a non-binding practice.

Ensuring that decision makers take freight and logistics plans into account when they make land use decisions will help to guard against inappropriate urban development that affects both industry **and** residents.

This includes protecting future freight corridors which are not needed now, but will be required in the decades to come.

It's encouraging that the *Plan Melbourne* document which was released by the Government recently requires departments to consider the freight and logistics plan when making a decision.

It is a positive start to getting freight appropriately recognised in the state's planning framework, and hopefully another step towards having it embedded in primary planning legislation.

Improving land planning and corridor preservation was one of the key recommendations from a Productivity Commission draft report into public infrastructure.

The final report has been provided to the government, but not yet released.

The draft report notes that the National Port and Freight Strategies acknowledge the need to improve land planning and corridor preservation.

However, there is no formal agreement between jurisdictions.

ALC agrees with the Productivity Commission's assessment that there needs to be an intergovernmental planning process and agreement on commitment of funds for corridor protection.

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The PC also recommended institutional changes to how vehicles are charged for road use.

It highlighted the need to reform the current charging arrangements to support more efficient and sustainable freight logistics network.

ALC agrees with, and supports reform of charging for heavy vehicles.

However, funds collected need to be actually invested in infrastructure used by vehicles, that is, revenue follows the freight, and not diverted into consolidated revenue for use for other purposes.

It would be fair to say, however, that the appetite for this reform within government, and wider reforms incorporating light vehicle use, has waned in recent times.

The Government has wound up the Heavy Vehicle Charging and Investment Reform secretariat, with the issue to be handed to the heads of transport departments to progress.

The Prime Minister has also all but ruled out any move to broader road user charging, which the Productivity Commission suggested could be trialled using telematics.

ALC believes this is a potentially valuable long term reform and I hope the Government can identify what form of user pay funding model it is prepared to accept so the debate can proceed.

An area I haven't touched on today, but it is very much at the heart of ALC's advocacy, is that of safety.

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You may be aware that this year the National Heavy Vehicle Regulator came into effect.

It will be responsible for the new Heavy Vehicle National Law.

This is an important reform, because for the first time we have one rule book for heavy vehicles over 4.5 tonnes gross vehicle mass.

The HVNL has brought with it greater national focus and approach to Chain of Responsibility with most states and territories operating under the new legislative requirements.

COR means all parties in a supply chain are required to implement positive actions to prevent breaches of the law.

The aim of COR is to make sure everyone in the supply chain shares equal responsibility for ensuring breaches of road transport laws do not occur

A critical issue for industry is ensuring that they are aware of their responsibilities under COR when they control or influence the movement of freight.

ALC's response has been to develop the National Logistics Safety Code which is helping to make the supply chain safe and compliant under the Chain of Responsibility Laws.

The Code provides industry with a simple, equitable and effective way to maintain and improve safety and compliance across the entire supply chain.

Later this year ALC will be holding a Safety and Compliance Summit here in Melbourne to discuss how Chain of Responsibility operates under the Heavy Vehicle National Law.

It will bring the freight logistics supply chain community together to benchmark, share best practice and identify steps to achieve compliance in the supply chain.

If you are interested in how the new law works, and what it may mean for your industry, I encourage you to attend.

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Ladies and gentlemen, I mentioned at the outset Melbourne has been ranked as the world's most liveable city.

As someone who spends much of his time in this great city, it is hard to disagree.

The challenge for this government, and indeed all governments around Australia, is to ensure the liveability of all of our cities is enhanced by ensuring freight features more prominently in their investment and policy decisions.

This can be achieved through:

- Strategic investments in key freight routes.
- Striking the right balance between resident's needs and freight's needs; and by
- Protecting key transport routes that will be required to cater for future freight growth.

The Victorian Government is to be congratulated for the steps they have taken in the past few years to improve the efficiency and productivity of Victoria's freight and logistics sector.

The Opposition has also prioritised the needs of freight in their post-election documentation, which is welcomed.

And while it's generally said that 'freight doesn't vote', the Australian Logistics Council will be doing all it can in the lead up to the next election to highlight the economic and social benefits of prioritising the needs of freight.

Thank you for the opportunity to share with you my thoughts on this important topic today.