

**Speech by Michael Kilgariff, ALC Managing Director
To the Victorian Transport and Infrastructure Summit**

Wednesday 11 September 2013

How Can We Improve The Freight and Logistics Capital of Australia?

Good morning ladies and gentlemen, and thank you for the invitation to speak this morning at the Victorian Transport and Infrastructure Summit.

They say timing is everything, and there is no better time in the wake of a federal election to be gathering as an industry to discuss the steps needed to improve productivity, efficiency and safety in the freight logistics industry.

On this note, the Australian Logistics Council congratulates the incoming Coalition Government on its win.

We welcome the new prospective Minister for Infrastructure and Transport, Warren Truss, and thank the previous Minister, Anthony Albanese, who did much to put logistics on the national reform agenda.

We are greatly encouraged by Mr Abbott's commitment to be known as the "Infrastructure Prime Minister".

While there is obviously a long way to go to turn these actions into words, it demonstrates his acknowledgement of the importance of appropriate national infrastructure as a way of boosting productivity.

The Coalition received more than 53 percent of the two-party vote on Saturday and will govern with a strong majority over the next three years.

ALC has often said "freight doesn't vote", yet the movement of freight is vital to the well-being of all Australians.

This reality underscores our advocacy for greater infrastructure spending, but more importantly, effective and efficient infrastructure spending that improves productivity.

Today I will focus on five critical infrastructure projects and red-tape busting initiatives to improve productivity and efficiency in the freight logistics industry.

I will outline how the new Coalition Government can hit the ground running on infrastructure, to provide greater certainty to industry which is needed to boost business and consumer confidence and to support greater levels of investment.

These five priorities are;

One - **Strengthen the role of Infrastructure Australia**, in particular, to ensure it has the ability to rigorously analyse proposed infrastructure projects and to facilitate greater levels of private sector investment in key road and rail projects.

Two - **Progress two major freight infrastructure projects**; an inland rail line linking Brisbane Port to the Port of Melbourne and the construction an airport at Badgery's Creek in Sydney.

Three - **Reduce red tape and regulatory overlap** which adds to compliance costs, restricts freight efficiency and impedes industry's efforts to invest to improve productivity. This includes a review of the Road Safety Remuneration Tribunal and the Coastal Shipping laws.

Four - **Delivery on a number of key infrastructure projects** designed to improve freight movements in and out of our ports, including important rail projects that will link Port Botany in Sydney to the wider rail network

And Five - **Continue the push towards a road-pricing scheme that collects the efficient cost of providing, maintaining and operating roads** used by heavy vehicles so as to create an incentive to invest in roads.

Before I go through each of these issues in detail, I'd like to say a few words about ALC.

ALC is the peak national industry body for the freight logistics industry, based in our nation's capital, Canberra.

ALC is very proudly a politically focussed organisation, dedicated to advocating the cause of the industry at all levels of government.

Importantly, we span the whole of the supply chain, with our members including road, rail, sea and air companies.

Many of you would be familiar with our member companies that you can see on the slide above

ALC advocates for measures that will improve productivity, efficiency and safety in the industry and, through that, create more efficient supply chains.

The Australian freight task is immense and reflects our geographic reality.

Australia's freight task has been rising steadily, particularly since the mid.1970s as the table above demonstrates

In 2010, our annual freight task was approximately 500 billion tonne kilometres.

(a Billion Tonne Kilometres is a unit of measurement equal to the weight in tons of material transported, multiplied by the number of kilometres driven.)

It will double to 1000 billion tonne kilometres by 2030 and grow to 1400 billion tonne kilometres by 2050.

Taken in conjunction with a projected population growth of 50% by 2050, it reinforces the need for ALC and all governments to be focussed on more efficient supply chains which are essential to our current and future prosperity.

Ensuring Australia has appropriate national infrastructure, supported by appropriate regulatory settings, is critical to meeting this rising freight task.

In this context ALC is pleased that infrastructure was a major issue for both political parties in the election campaign.

We trust the Coalition will provide Australia with good stable government over its term, and we look forward to working with the new transport and infrastructure minister.

The Coalition made a number of important commitments to the freight logistics industry, including commitments on Infrastructure Australia.

ALC strongly supports Infrastructure Australia and we are pleased the Coalition is committed to strengthening it.

We believe IA should be the 'productivity commission' of infrastructure and play a greater role in identifying and listing the priorities for major infrastructure projects.

The Coalition said it would establish a funding and financing unit within Infrastructure Australia to look at ways to generate additional funding for projects identified through a renewed National Infrastructure Audit.

ALC has long called for Infrastructure Australia to be able to get more private-sector investment in freight logistics infrastructure. The Funding and Finance Advisory Unit is a positive step towards that.

It will also provide advice on efficient financing options for new projects. So it can look at both private, as well as public, financing options.

This is an important role, as it will help create the conditions to attract the capital necessary to build Australia's infrastructure.

Infrastructure Australia will also retain its role of ensuring that projects are supported by rigorous cost-benefit analyses.

ALC strongly believes that all major projects should undergo rigorous cost-benefit analysis before receiving public funding to test whether they are in Australia's long-term economic interest.

Too often in the past, some projects have inappropriately been given greater priority for political, sectional or geographic reasons.

Other more deserving projects have been pushed down the list to the detriment of our overall economic performance.

ALC will be monitoring how IA performs these tasks and whether government provides the enough money to ensure the work is carried out.

Mr Abbott has committed the incoming government to significant expenditures.

Most relevant to Victoria is, of course, the \$1.5 billion for the East West link. Other states have been promised projects of a similar magnitude.

They include Queensland's Bruce Highway, the Pacific Highway in NSW, WestConnex in Sydney, the Gateway motorway in Brisbane, and the list goes on.

The Coalition has promised an annual statement on infrastructure to "ensure our promises are not just words but action on the ground".

ALC will carefully scrutinise this statement to ensure the incoming government has followed through on its promises.

The incoming government has also committed to progressing Inland Rail from the Port of Brisbane to Melbourne through New South Wales.

ALC's Election Priorities Document [*Time to Deliver*](#) nominated an inland rail line as a key priority for the freight-logistics industry.

The potential benefits of an inland rail line are enormous.

It would improve rail freight efficiency and reliability along Australia's east coast

It would free-up rail capacity in our major cities, particularly in Sydney which often becomes a bottleneck as passenger trains are given priority over freight.

According to the Bureau of Infrastructure, Transport and Regional Economics, rail freight on the North–South corridor has declined in the past 35 years, from 35 per cent in 1972 to 12 per cent in 2007.

It is hoped an inland rail freight line will help to reverse this trend.

It is therefore important that the Government begin the groundwork as soon as possible.

Again, ALC will carefully monitor progress here.

ALC's 'Time to Deliver' document also identifies a second Sydney airport at Badgery's Creek as a priority for the freight logistics industry.

Numerous studies have projected significant growth in air freight in the Sydney market, heightening the need for action now.

A second airport is needed in Sydney to add price competition to the Sydney air-freight market; to meet rising levels of demand; and to reduce congestion around Kingsford Smith

The new Government's aviation policy promised a decision on a second airport in the first term.

Indeed, I understand the Coalition Government may make some sort of announcement by the end of the year.

ALC will be holding them to it.

Ensuring business is not strangled by unnecessary or overlapping legislation is another important issue ALC will continue to highlight in Canberra.

Red tape is a productivity killer.

In its policy documents, the incoming government committed itself to reducing red tape.

Some specific promises relate to the transport and logistics area.

ALC hopes that the Government will review as soon as possible the impact of laws on the way cargo is moved to deliver greater efficiencies and to reduce regulatory overlap that adds to business costs.

This includes the recent Coastal Shipping changes which have resulted in a tightening of cabotage arrangements along the coastline.

ALC would like to see the new Government review the operation of the laws with the intention of removing those provisions that impede the efficient operation of the coastal trade.

ALC welcomes the Coalition's intention to conduct a review of the Road Safety Remuneration Act.

We would like to see the review to examine whether there is any duplication between Road Safety Remuneration Orders and the Heavy Vehicle National Law and workplace-health-and-safety laws.

Our fourth priority is to see the new Coalition Government honour infrastructure projects designed to improve supply chain efficiency, particularly projects focused on easing congestion around our ports.

Road and rail projects designed to improve access to our ports, such as those linking Port Botany in Sydney, are vital to our nation's productivity.

Port Botany is Australia's second largest container port, handling about one-third of all containerised cargo shipped into and out of Australia.

At Port Botany's current growth rates, the current planning approval maximum throughput of 3.2 million twenty-foot containers is likely to be reached in three to four years.

Investment is needed in the road and rail links servicing Port Botany to underpin improved national productivity.

Finally, ALC calls on the new Government to continue the push towards a road-pricing scheme that collects the efficient cost of providing, maintaining and operating roads used by heavy vehicles so as to create an incentive to invest in roads.

This is being progressed through the Heavy Vehicle Charging and Investment Reform initiative.

ALC is playing a lead role on behalf of the freight logistics industry in the HVCI process.

We are focussed on maximising productivity, efficiency and safety outcomes for the industry from this initiative.

It needs to be noted that the logistics industry is committed to paying its way – but the reform needs to lead to improved productivity outcomes which can only be achieved if the money follows the truck and funds the improvement of freight infrastructure that supports the national freight effort.

The HVCI Reform project is a step along the way.

ALC hopes the new government will use the results to develop a price so the right truck is on the right road, while not distorting the choice of customers as to the mode of transport used to carry goods.

I'd like to turn now to matters a little closer to home and discuss some issues of direct relevance to Victoria.

Getting the right infrastructure and regulatory settings for freight in Victoria is critical because what happens in Melbourne has national ramifications.

It is important as an industry we continue to focus on identifying and advocating for the projects and reforms necessary to confirm Melbourne's position as the freight and logistics capital of Australia.

Melbourne has Australia's busiest container port, and the region has a strong manufacturing base, albeit less than in previous times.

In this context the Victorian Government has published its Freight and Logistics Plan.

The Plan proposes a number of important infrastructure investments and trials including:

- The development of the Port of Hastings
- Developing a business plan to permit the trial of High Productivity Vehicles on the Hume Freeway.

On the Hume Highway trial, ALC would like to see it begin by 1 July next year.

Ideally, we want the trial to lead to the development of what is the 'economically efficient' price – that is the most efficient price that allows HPV access without wasting taxpayers (and operator) dollars.

The Freight and Logistics Plan also outlined the Government's commitment to:

- Work with industry and local councils to identify and prioritise 'first and last kilometre' routes for HPVs and to
- Develop the East West link

On this point, ALC is firmly behind the East West Link.

The cost of congestion to the Victorian economy is forecast to rise from \$3 billion to more than \$6 billion by 2020. The construction of the East-West Link will be critical to easing congestion.

Once complete, the East-West Link will improve travel times across northern and eastern Melbourne, remove cars and trucks from local streets and relieve pressure on the critical Monash Freeway - West Gate Freeway corridor.

ALC particularly looks forward to the ultimate completion of the western part of the Link, which is essential if the Port of Hastings is to work from a landside logistics perspective.

The Freight and Logistics Plan estimates the freight-and-logistics sector contributes between \$19 and \$23 billion, or about eight per cent of total economic activity, to Victoria's economy.

Given ALC estimates that the sector is about 14.5 per cent of the economy, that figure could be much higher.

While the freight task nationally will almost triple by 2050, containerised imports and exports from Victoria are set to almost quadruple.

The plan also recognises that the logistics industry will be dealing with more imported goods rather than those manufactured locally, which is consistent with trends elsewhere in Australia.

This growth underscores why planning and corridor protection will be essential to freight and supply-chain efficiency.

Urban and regional planning must embrace the protection of critical transport and freight corridors or the national economy will suffer.

Planning at the city or regional level has to take account of national transport and logistic needs.

ALC is therefore concerned that the Freight and Logistics Plan is expressed as being '*co-ordinated with*' or read '*in conjunction*' with the Metropolitan Planning Strategy and regional growth plans.

ALC has always been concerned that the interests of freight are the 'poor cousin' of planning, with the needs to move goods secondary to other interests, such as urban development.

We believe urban and freight plans should be contained in the one integrated document so that both the planning and transport bureaucracies are fully involved in the development of planning needs.

On this point, the Auditor-General's report on 'Developing Transport Infrastructure and Services for Population Growth Areas' was tabled in the Victorian Parliament last month.

It recommended transport and planning departments develop and implement the statewide framework for prioritising the delivery of transport infrastructure that reconciles broader statewide priorities against the needs of growth areas.

ALC encourages early action on this recommendation and looks forward to the Government's response.

The Auditor-General also said that funding strategies should incorporate alternative financing options and innovative solutions to address the transport backlog and meet the future needs of growth areas.

ALC is disappointed that various state government plans to meet commitments under the National Ports Strategy and National Land Freight Strategy fail to deal with funding and finance.

The work of the Victorian Government in developing a public private partnership to develop the East-West Link is an exception.

On this point I was interested to note a story in the Age last month that the Victorian Government apparently rejected a bid by Industry Funds Management, Australia's largest infrastructure investor, to finance, build and operate the entire east-west link as a single project from the Eastern Freeway to the Western Ring Road.

According to the report, IFM lodged a detailed proposal to the Department of Treasury and Finance to build both sections of the road simultaneously, suggesting it could be done for under \$12 billion with minimal risk for taxpayers.

The report also said that IFM offered to bear the financial risk if traffic volumes were lower than predicted and that investors would be offered a fixed return on the investment through toll revenue and through regular availability payments from the state.

But the offer was apparently was rejected with the Government preferring a competitive tender process.

The story, if accurate, would represent a missed opportunity to facilitate greater involvement by industry funds in the financing of critical infrastructure projects.

Cash-strapped state governments will need to be more creative in how it funds the infrastructure needs of its communities.

Gary Weaven, the Chair of Industry Funds Management, said recently that industry funds are keen to invest more in infrastructure.

One way to achieve this is through the 'recycling' of mature assets.

That would release the value of those assets so as to fund and support new infrastructure to improve supply chain efficiency.

The sale or lease of ports by the NSW and Queensland governments are examples of what can be done.

Following a six-month competitive bidding process, the 99-year lease of Port Botany and Port Kembla was awarded to the NSW Ports Consortium for more than \$5 billion.

\$4 billion of that is to be invested in the NSW Government's infrastructure fund – Restart NSW.

In Victoria, the Port of Melbourne could be sold or leased long-term to release funds for the landside logistics requirements generated by the new port of Hastings.

Another potential option is for the Port of Hastings and Port of Melbourne to be developed as a job lot and offered to market together.

Incorporating a common user terminal at Lyndhurst would have obvious commercial benefits and be very attractive to investors.

That way the interaction between Port of Melbourne and Hastings could be managed over the longer term to ensure capacity remains at appropriate levels.

That said, it is imperative that funds generated through sale or lease of infrastructure assets be used directly in the development of new infrastructure.

As I mentioned earlier, containerised imports and exports from Victoria are set to almost quadruple over the coming decades and the city needs the right road and rail infrastructure to meet this growing demand

Conclusion

Ladies and gentlemen, the next three years under a Tony Abbott-led Coalition Government will be critical to future growth of the freight logistics industry.

His mantra that he wants to be known as an infrastructure prime minister is welcome, but these words need to be met with concrete actions, and urgently.

ALC, as the peak freight logistics industry body in Australia, will be lobbying hard for delivery on a range of measures needed to improve productivity, efficiency and safety in the freight logistics industry.

It is 'Time to Deliver' to ensure Australia is well prepared to meet rising freight growth, particularly here in Victoria.

Time to Deliver on Infrastructure, Time to Deliver on Regulatory Reform and Time to Deliver on Cutting Red Tape.

And in so doing, we can maintain Victoria's status as the leading freight and logistics capital of Australia.

We hope that the change in government in Canberra will lead to a higher priority for the infrastructure that freight relies upon.

It has been a pleasure to share with you my thoughts on this important issue today.

And if you wish to continue the conversation, I encourage you to attend the 2014 ALC Forum, which will be held at Royal Randwick Racecourse on the 19th and 20th of March.

Thank you.