

Speech for Michael Kilgariff ALC Managing Director

CEDA Luncheon 22 October 2013

Good afternoon ladies and gentlemen, and thank you for the invitation to speak at today's CEDA luncheon.

I recognise my fellow panel members - Stephen Bradford and Chris Woodruff.

It promises to be an invigorating discussion incorporating all parts of the supply chain, which in many ways, underscores the underlying premise of the Australian Logistics Council.

For those of you unfamiliar with ALC, allow me to provide you a quick overview.

ALC is the peak body national body for the freight logistics industry.

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

As I said, our members span the entire supply chain, incorporating, road, rail, sea, air, sea ports and intermodal ports.

Our whole of supply chain approach is unique and sets us apart from many other transport bodies.

One of the greatest strengths of ALC is that **all** our members are committed to creating a more efficient supply chain.

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.

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.

Without proper planning and regulations, the amenity of our suburbs, particularly those around intermodal terminals, ports, and airports will suffer, as both Stephen and Chris will attest.

And without a long term plan for Australia's freight future, we will miss an opportunity to build a stronger national economy.

An integral part of the solution is through investing in infrastructure to improve freight productivity efficiency, and safety.

This is what I will focus on today, with a particular emphasis on Victoria.

Today I will:

- **Explore how the recycling of infrastructure assets is needed to unlock funds for future freight logistics infrastructure**
- **Discuss ALC's position on the Victorian Freight and Logistics Plan with a focus on East West Link and its role in providing future port capacity**

- **Discuss ways to encourage greater private sector investment in infrastructure**

A few months ago CEDA released a fine new publication called *Setting Public Policy* which focuses on the critical success factors to achieve positive economic reform.

I commend CEDA on this publication, which is both timely and thought provoking as we enter a new political era in Canberra.

The report rightly points out that it is vital Australia rediscovers its ability to clearly identify and implement challenging economic reforms.

This will be particularly important over the coming decade as the mining boom loses speed, and as greater demands will be placed on the public purse from an ageing population.

One such reform is a greater propensity by government to identify appropriate assets that can be sold to the private sector, with the funds raised invested in productive infrastructure assets.

An Infrastructure Australia report from last year found that there are many assets that could be transferred to the private sector.

Importantly, the proceeds from these assets could fund substantial new logistics infrastructure which is critical to boosting national productivity

We have already seen this occur in NSW with much success.

The long term lease of Port Botany and Port Kembla raised approximately \$5 billion, much of which will go back into funding productive logistics infrastructure.

For example, a large proportion of the funds will go towards West Connex.

Last week, Treasurer Joe Hockey threw his weight behind hypothecating the proceeds from recycled assets directly to new infrastructure.

He has an unlikely ally in Paul Howes, National Secretary of the Australian Workers Union, who also said that Australia needs to move beyond its ideological aversion to the privatisation of assets.

It's as much of an issue here in Victoria, as it is in other parts of the country.

As an advocate for more funds being provided for infrastructure, it won't surprise you to hear me say that I think Port of Melbourne is ideally suited to being leased long-term to release funds for road and rail infrastructure.

The funds raised could go towards the landside logistics requirements generated by the new Port of Hastings, which the Napthine government has committed to constructing to the east of the city.

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.

I appreciate the Victorian Government has no immediate plans to privatise the Port of Melbourne.

However, I'm heartened by recent comments made by Treasurer Michael O'Brien which were reported in the Financial Review.

Mr O'Brien acknowledged the government was conscious of the returns from other port assets, such as Port Botany.

And I understand he also said that any privatisation process of the Port of Melbourne would need to wait until after the Webb Dock is completed.

I welcome his comments and hope the Victorian Government continues to monitor the issue closely.

On the upgrade, can I add that Stephen has done a fantastic job steering the redevelopment of Port of Melbourne which ranks as Australia's busiest container port.

Your efforts will reap dividends long into the future, and positions the port in a very strong position if government makes a decision down the track to offer the port to the private sector.

Another topic of importance and interest to the freight logistics industry in Victoria is the recently released freight and logistics plan.

ALC welcomes the release of the strategy, which is needed to set out a long term vision for Victoria to deal with the expected growth in freight volumes across Victoria and nationally

We support the Plan's renewed focus on investment in freight logistics infrastructure to improve freight productivity and supply chain efficiency

We are however concerned that the 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.

Headlining the strategy was the government's commitment to building the East West Link.

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.

I would add however that we agree with Infrastructure head Rod Eddington and would like to see the full business case released.

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.

ALC is pleased that the Victorian Government has used a PPP arrangement to fund the East West Road link.

It is the first major Australian road PPP to come to the market for a number of years and we hope the trend continues.

On this point, a topic of concern to ALC, as well as infrastructure investors, is the issue of inconsistent processes for bidding on major projects.

One of the greatest obstacles facing potential private sector investors in infrastructure is a lack of national consistency between state and territory jurisdictions regarding bid processes.

These inconsistent processes and procedures across state borders add to costs and complexity and act as a disincentive for potential private sector investors.

When you consider Australia's significant infrastructure backlog, not to mention Australia's rising freight task which will triple by the middle of the century, this issue must be addressed.

ALC is encouraging governments to work together to reduce the red tape barriers getting in the way of potential private investors.

These potential investors include industry super funds, which are looking to invest more in domestic infrastructure projects.

Specifically, ALC would like to see greater national consistency and transparency surrounding bid documentation, which needs to be spearheaded by the Commonwealth.

We would also like to see greater support for unsolicited bids from the private sector to construct infrastructure.

I understand a bid was made 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.

The bid was ultimately rejected by the Victorian Government, and I appreciate it had its reasons for doing so.

It does, however, send a positive sign to governments that there is a real appetite by local investors to invest in Australian infrastructure as a way of generating long term, stable returns for their shareholders.

Conclusion

Ladies and gentlemen, Australia's major infrastructure – our roads, railways, ports and airports – are often described as our nation's arteries that link us with one another and with the rest of the world.

If that's the case, then the freight logistics industry is surely our nation's lifeblood – the businesses that keep things moving 24 hours a day 7 days a week, from places of production, along the supply chain and finally to consumption.

And like our arteries, Australia's infrastructure needs to facilitate the smooth and efficient movement of freight right around the country.

Nowhere is this more important than in Victoria.

Minister Mulder's 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.

It is essential therefore that we have appropriately funded national infrastructure to support the freight logistics sector.

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

Thank you.