

Speech for Michael Kilgariff
'Time to deliver to improve supply chain efficiency'
Queensland Transport and Infrastructure Summit
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Good morning ladies and gentlemen, it is a pleasure to be here at the Queensland Transport Infrastructure Conference.

There is no better place than Brisbane to be talking about the importance of freight.

It is home to:

- one of Australia's fastest growing container ports which underpins trade with our key trading partners China, Japan, Taiwan and Singapore
- Australia's third busiest airport which plays a critical role facilitating the domestic movement of goods as well as trade with our Asian neighbours

And of course Queensland is one of our best performing economies, with solid growth, a growing population, and robust business investment.

A strong freight sector is not only crucial to Queensland's economic performance, it is central to a strong and prosperous national economy.

My speech today is called **Time to Deliver to improve supply chain efficiency in Australia.**

This reflects industry's view that there needs to be a greater focus by governments to deliver on a range of major infrastructure proposals and long term freight plans to improve freight efficiency and build a stronger economy.

This obviously includes Queensland, which has an important role to play given the state's importance to the national freight effort.

For those of you unfamiliar with the Australian Logistics Council, ALC is 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 members spanning the road, rail, sea and air sectors.

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

Now, some of you may be under the impression that having members who are such fierce competitors for business is a challenge.

Indeed, there is a perception that competition in our industry is cut throat, with a take no prisoners approach adopted by all players.

Quite simply, this couldn't be further from the truth, as the clip I'm about to show you demonstrates...

<http://www.youtube.com/watch?v=on2I1U-F3BY>

In all seriousness, one of ALC's greatest strengths 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.

With that in mind, today I will focus on investing in infrastructure to improve freight productivity efficiency, and safety.

In particular, I will discuss

- **Delivery on the Queensland Freight Strategy**
- **The impact of new and proposed port and rail developments**
- **Privatisation of logistics infrastructure**
- **Encouraging private sector operators to help stimulate the economy**

More efficient supply chains are a must when you consider the size of freight task, and the geographical realities Australia's freight logistics industry faces.

The national freight task has grown considerably since the 1970s.

More importantly from ALC's perspective, this trend is expected to continue at a growing rate over the next 40 years.

The national freight task is approximately 400 billion tonne kilometres today, and it is estimated to reach 1000 billion tonne kilometres by 2030 and 1400 billion tonne kilometres by 2050.

Here in Queensland, freight is increasingly becoming the backbone of the state's economy.

Its importance will grow even more so over the coming decades.

The sector employs tens of thousands of Queenslanders directly, and even more indirectly.

To deal with expected freight growth, the Queensland Government recently released its Moving Freight Strategy.

It's a good start, but ALC believes it can and should go further.

As with all blueprints, the strategy is only as good as the tangible outcomes it delivers.

ALC will ultimately judge the Queensland Government's commitment to improving freight efficiency on its ability to deliver on the final set of actions and to the projected timeframes.

One of these is preservation of key freight corridors.

With a rising freight task, we simply cannot afford repeating the mistakes of the past whereby key freight routes are crowded out by urban development.

ALC would have liked to have seen greater commitment by the Queensland Government to develop the mechanisms necessary to purchase land to protect key freight corridors.

ALC will continue to engage with the Queensland Government to advocate for greater protection of key freight routes now and into the future.

Ensuring there are appropriate routes set aside for future growth is an integral part of an integrated freight and logistics network that is multi-modal and allows efficient improvements across the network.

The freight statistics in the Queensland Freight Strategy underscore why a long term strategic approach is necessary.

Queensland's freight volumes are anticipated to grow by more than 70 per cent by 2021

Let me say that again – volumes will grow by more than 70 per cent by 2021.

To put that in perspective, Australia's population will double by the middle of the century, but Queensland's freight task will increase by 70 percent in less than a decade.

According to the Strategy, freight volumes across Queensland are forecast to increase from 881 million tonnes in 2010 to 1550 million tonnes in 2021.

To deal with this projected growth, it is critical that there is consistency in policy, planning and approval processes when it comes to decisions that affect freight.

ALC believes one way to help ensure this outcome is through the creation of an Assistant Minister of Freight, who would act as a central point within government.

We will continue to talk to the Queensland Government to ensure freight is a front of mind issue in all decisions affecting the logistics industry.

On this point, many of you would be aware that the Commonwealth is reviewing Brisbane Airport's status as a 24 hour airport.

ALC is concerned with the prospect of a curfew, given the critical role the airport plays supporting freight movements.

Brisbane Airport's curfew-free status is crucial for freight operations.

Overnight flights allow reduced freight costs, more efficient delivery of perishable goods and permits early morning deliveries.

This has assisted Brisbane Airport in becoming one of the country's prime air freight hubs, now accounting for nearly 15 per cent of Australia's international freight.

One of the positives in the Queensland Freight Strategy was its focus on getting more freight on to rail.

To meet the rising freight volumes I mentioned earlier, it is imperative that we get more freight on to rail.

The onus is on governments to invest in appropriate rail infrastructure.

Short haul rail lines that connect ports to intermodal facilities can improve freight efficiency, improve urban amenity by reducing road congestion and decrease queuing times at ports.

The potential economic and social benefits of short haul rail from port to intermodal terminals must feature more prominently in infrastructure plans by all levels of government, including Queensland

I'm pleased with the proposal contained in the Queensland Strategy to review and clarify the intent of the rail passenger priority legislation and its impact on freight.

The strategy also foreshadowed an assessment to segregate the passenger and freight network in the metropolitan network.

This is an important piece of work because freight efficiency suffers from passenger services getting priority on the network.

It would be unrealistic to suggest freight should override passenger services in all circumstances.

However, we need to look at how we can improve the system and extract greater efficiencies from the network for both freight and passenger services.

ALC also welcomes the priority action in the strategy for the Queensland Government to undertake a pre-feasibility study to inform the redevelopment of the Acacia Ridge Terminal.

With container freight volumes expected to grow considerably over the next ten years, ALC supports the terminal's upgrade to increase capacity and to improve operational efficiency.

The expected growth in freight volumes over the next decade also underscores the need for the Queensland Government to take a long-term approach to identifying and preserving appropriate parcels of land that can serve as locations for future intermodal sites.

One of the headline grabbers in the Moving Freight Strategy was the Government's support for an inland rail line

This was one of the key election priorities identified by ALC in our election priorities document Time to Deliver.

The potential benefits of an inland rail line are enormous, particularly for Queenslanders.

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.

It is important however that the dedicated freight line directly links to the Port of Brisbane.

If done right, the benefits are enormous.

It would reduce truck related traffic congestion in south east.

It would also help to stimulate regional intermodal freight terminals which deliver efficiencies for producers in the region.

The State Government's potential tunnel solution between the existing north-south interstate rail line and the port, as part of an overall dedicated freight rail solution, is one of a number of options that warrant further investigation for the critical port connection component of a dedicated freight line.

Although, I note that a rail tunnel of this length for heavy diesel freight traffic does not exist globally.

The Port of Brisbane, an ALC member, has invested considerable funds and championed the development of the dedicated freight rail line servicing the port since its 2010 privatisation.

To this end it has undertaken a review of options to address future growth and capacity constraints on South-East Queensland's rail network.

The Port of Brisbane is currently completing a pre-feasibility study to demonstrate the technical, commercial, social and environmental viability of dedicated freight rail.

The port is doing its part and so it is important that state and federal governments do the groundwork on inland rail as soon as possible.

Again, ALC will carefully monitor progress here.

ALC will also be watching with interest the implementation of the Queensland Port Strategy.

The Queensland Port Strategy has been prompted by the release of the National Ports Strategy by Infrastructure Australia last year.

The National Strategy is an important document which aims to ensure our ports are well positioned in the future to cater for future growth.

When the national strategy was released however, ALC expressed some concern that jurisdictions could 'opt-in' and in so doing, participate in the National Ports Strategy.

At the time, ALC was naturally concerned that some states and territories were not fully committed to continuing the reforms necessary to ensure supply chain efficiency.

I welcome the release of the Queensland Port Strategy and the Newman Government's commitment to progress the recommendations of the National Ports Strategy.

I look forward to it improving freight productivity and efficiency as well as providing greater certainty to industry.

Central to achieving this will be through the creation of five Priority Port Development Areas.

As you may be aware, the PPDA proposal involves providing five major ports, including Port of Brisbane, with a 'licence to grow' supported by appropriate master planning.

It is a sensible step forward that acknowledges the critical link these major ports play supporting the efficiency of our national supply chains.

A topic to receive renewed prominence since the Coalition's election win is the privatisation of logistics infrastructure.

Treasurer Joe Hockey recently voiced his support for recycling appropriate infrastructure assets, and directing that money back into productive infrastructure.

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.

And there is talk in Victoria that a similar arrangement could occur down the track in relation to the Port of Melbourne.

As a privately operated port this obviously does not apply to the Port of Brisbane.

My message today however is that any funds raised from infrastructure need to be hypothecated back to infrastructure.

The appetite from infrastructure funds is obviously there – the challenge is how to best harness it.

ALC hopes the issues of infrastructure privatisation and hypothecation are closely examined by the Government's Commission of Audit which will be headed by the President of the Business Council, Tony Shepherd.

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.

In addition to a streamlining of bid processes, ALC would also like to see a review of tax incentives and mechanisms to encourage greater focus on greenfields infrastructure investment.

Secondly, we would like to see the provision of a long term infrastructure pipeline to ensure Australia funds can be invested in Australia.

And thirdly, we would also want to see greater support for unsolicited bids from the private sector to construct infrastructure.

I'm pleased to say that the Federal Government acknowledges the need to secure greater private sector investment in logistics infrastructure, primarily through its proposed reforms to 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.

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 Queensland.

It is 'Time to Deliver' on freight logistics in Queensland to ensure the state is well prepared to meet rising freight growth

It is time to Deliver on...

- Infrastructure
- Regulatory reform
- Red tape

...to ensure Australia is well prepared to meet rising freight growth in the future

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.