

Speech for the NSW Major Projects Conference

Wednesday 6 November 2013

Freight Infrastructure Priorities – a state and national perspective

Ladies and gentlemen, it is a pleasure to be here today at the NSW Major Projects Conference.

One of the most often heard sayings in the freight and logistics industry is that **when Sydney doesn't work, Australia doesn't work.**

The biggest impediment to improving the efficiency of our national freight network is Sydney.

Sydney often acts as a bottleneck in the freight network which impedes national freight efficiency.

I'm sure this is not just confined to the transport industry, but the transport challenges are magnified in Sydney as the consequences are there for all to see, and experience, on a daily basis.

Just as importantly, infrastructure and regulatory bottlenecks have an enormous impact on the local and national economy and on business confidence.

Business leaders often tell me that their biggest logistics obstacle is the need to enhance the supply chain to get our goods to market more efficiently, effectively and sustainably.

It is critical to remaining internationally competitive and relevant to their customers.

And, in emerging markets, businesses need more modern supply chain infrastructure to raise the prosperity of local communities and to bring them the opportunity for a better life.

Working with governments to address these challenges is a core activity of the Australian Logistics Council, which is the peak industry body for 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.

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 500 billion tonne kilometres today, and it is estimated to reach 1000 billion tonne kilometres by 2030 and 1400 billion tonne kilometres by 2050.

(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.)

Here in NSW, freight is big business.

NSW's freight task is predicted to double to 794 million tonnes by 2030

In 2011 freight and logistics contributed approximately \$58 billion of the NSW Gross State Product, which is nearly 14 percent.

Nearly 130,000 people are directly employed in the freight industry in NSW. Tens of thousands more are indirectly employed.

In light of these figures, the big question confronting industry and government are:

How do we prepare for the enormous growth in the national freight task?

And, what needs to be done by governments to ensure we have the right infrastructure in place to meet this demand?

Today I will focus on five key steps that need to be taken to create more efficient freight in Sydney.

They are all major projects in their own right and need to be progressed expeditiously by governments to meet our rising freight task.

They are:

- 1. Investing in rail and intermodal terminals to improve freight efficiency**
- 2. Delivering on a second Sydney Airport at Badgery's Creek**
- 3. Maximising the economic benefits of West Connex**
- 4. Improving freight planning**
- 5. Harnessing greater private sector investment in freight logistics infrastructure**

Investing in rail and intermodal terminals to improve freight efficiency

I began today by reciting one of the most well-worn sayings in our industry – that when Sydney doesn't work, Australia doesn't work.

Running a close second is the need to get more freight on to rail.

According to BITRE, there were more than 250 billion tonne kilometres of freight moved by rail in 2009-2010.

This figure is expected to grow to around 350 billion tonne kilometres by 2030.

Another interesting figure is that more than 6.6 million containers passed through Australia's five principal container ports last year.

The second biggest of these is Port Botany which serves as the primary import and export gateway to New South Wales.

With more than 2 million containers moving through Port Botany last year, we will fast reach 3 to 4 million containers within the next three to four years.

These figures underscore why there needs to be a greater priority by governments of all levels to invest in short and long haul rail to facilitate more freight on rail.

In particular, ALC would like to see delivery on a number of key infrastructure projects designed to improve freight movements in and out of Port Botany.

Along with Sydney Airport, Port Botany is the state's most important piece of freight logistics infrastructure.

It is critical that network capacity is delivered ahead of demand to ensure that transport of freight to and from Port Botany is not constrained. This will ensure that productivity and efficiency is maximised.

It is important that we get more freight on to rail going into and out of Port Botany.

This would not only improve freight efficiency, but also enhance urban amenity by reducing road congestion and decreasing queuing times around ports.

According to the draft NSW Freight and Port Strategy, rail is used for 14 per cent of the container movement task to and from Port.

It also says that in 2010-11 only 280,000 TEU were moved by rail to and from Port Botany, compared to over 1.7 million TEU by road¹

The new Australian Government's infrastructure investment program is currently under development, and we encourage the Coalition to ensure it allocates funding that improves the efficiency of freight movements on the Port Botany rail line.

These enhancements are also critical if we are to support future growth within the existing Intermodal network, the soon to be finished Enfield Intermodal Logistics Centre and at the future Moorebank Intermodal Terminal.

Qube are currently operating two Intermodal sites in Sydney – Minto and Yennora whilst NSW Ports will be opening Enfield soon, with the anchor tenant Hutchison Logistics Australia.

As for Moorebank, both the federal government and a private consortium called SIMTA (consisting of Qube and Aurizon) want to establish intermodal terminals at the defence site at Moorebank in Sydney's west.

¹ Page 68, <http://freightandportsstrategy.transport.nsw.gov.au/wp-content/uploads/2012/11/TfNSW%20Freights%20and%20Ports%20Strategy%20-%20web%20version%20-%20main%20doc.pdf>

From ALC's perspective, we want to see Moorebank developed 'en-globo' as an intermodal supply chain hub using a whole of precinct approach that maximises the use of such a rare and valuable site.

It is not clear at this stage how this can occur.

However, ALC is encouraging the federal government to continue to consult and work with the private sector to ensure the best outcomes can be achieved from a freight productivity and efficiency perspective.

The current intermodal sites all have capacity and with the fresh ones coming on board, Sydney can deliver exceptional productivity gains to the economy of NSW.

ALC is also looking to the federal government to progress the concept of an inland rail line.

An inland rail route linking Brisbane and Melbourne has long been talked about as a key piece of infrastructure Australia needs to meet our rising freight task on the north south corridor.

I was in Parkes last week visiting a number of facilities that could potentially tap into an inland rail line.

Industry is keen for movement on inland rail in this term of government and local councils are also busy laying the groundwork to prepare themselves for movement on this important project.

A study undertaken a few years ago found an inland rail line would in time be economically viable, and would help to free up capacity through Sydney which is often a freight bottleneck due to passenger services being granted priority.

ALC believes it is time to deliver on an inland rail route by commissioning a follow-up study now to further examine the inland rail freight line's feasibility.

We also want governments to preserve and protect the preferred alignment now so that the land will be available when the inland rail freight line is eventually built.

Delivering on a second Sydney Airport at Badgery's Creek

Another issue ALC is expecting action on sooner rather than later is a second airport at Badgery's Creek.

Numerous studies have found significant growth in airfreight in the Sydney market in the coming years, heightening the need for action now to increase capacity.

For too long, this issue has been kicked around like a political football to the detriment of our economy, particularly those living in western Sydney.

A report earlier this year by Deloitte for the NSW Business Chamber found an airport operating from 2027 will generate close to an additional 30,000 jobs and \$9 billion in economic output for Western Sydney by 2050.

From a freight perspective it would add price competition to the Sydney air freight market; help meet rising levels of demand and address congestion issues around Kingsford Smith

I am heartened by Premier Barry O'Farrell's comments that he would not stand in the way of the Commonwealth if it decided to move ahead with the project.

Momentum is certainly growing the project, and I understand senior government figures are pushing for greater certainty on the project in the coming months so it can be factored into the next budget.

ALC is a strong supporter for a second Sydney Airport and Badgery's Creek, and I look forward to the Government providing national leadership, and the funds necessary, for this critical major project.

Maximising the economic benefits of West Connex

Turning now to WestConnex a project firmly on the drawing board.

I want to be very clear that ALC is completely supportive of the West Connex Project.

As you'll no doubt hear over the course of today and tomorrow, WestConnex is Sydney's largest infrastructure project.

ALC recognises the opportunities it will create for all Sydney residents as well as businesses which rely on efficient transport links across the city.

ALC applauds the funding commitments made by both the NSW and Federal Government to get this essential project started.

Running in parallel with the WestConnex project, the NSW Government has announced the Pinch Point Program to alleviate congestion around Port Botany.

When the Government announced these projects in 2012, ALC publicly commended the NSW Government for taking steps to improve freight efficiency in and around Port Botany.

These projects include plans to construct a road underpass of the rail line at General Holmes Drive.

ALC has always said that the key to enhancing productivity and efficiency at Port Botany is through reducing landside congestion, in addition to investing in port infrastructure and addressing access issues.

These pinch point projects will go a long way towards addressing these concerns.

The NSW Government estimates West Connex will cost \$11.5 billion to construct, take 10 years to complete, and will result in 3000 fewer trucks a day needing to use the congested Parramatta Road.

The project is aimed at 'fixing the missing link' in Sydney's orbital network by providing a link between the west and south west via the airport.

WestConnex will "fix the missing links" in Sydney's motorway network and the enabling works will enhance freight network capacity and efficiency to the vicinity of Port Botany.

I appreciate that there are some significant logistical issues having the motorway run via the Port, not to mention the cost of connecting the road to the port, but ideally, ALC would have liked to have seen the motorway run further into the port area.

With Port Botany's ongoing growth in mind, it is important to ensure the motorway improves freight efficiency into, and out of the port.

This is a once in a generation opportunity to prepare for future growth at Port Botany and I look forward to working with the Government to ensure there are appropriate linkages to the port interface, including those already announced, to improve supply chain efficiency.

Let me say once again however, ALC strongly supports West Connex and the potential benefits that will arise from the Pinch Point Program.

Improving freight planning

The Draft NSW Freight and Port Strategy also acknowledges growing congestion on the transport links servicing Port Botany.

In the draft strategy, the government says that congestion on key road and rail links highlights the need for greater separation of freight flows and an increase in the amount of freight moved by rail.²

The development of the draft Strategy is an important step and has been welcomed by industry.

I understand that the final NSW Freight and Ports Strategy is currently being considered by Cabinet. When released this document will be an important road map for both government and industry.

The draft strategy was released nearly a year ago and industry is eagerly anticipating the release of the final strategy to provide greater certainty to industry.

In particular, we look forward to the implementation of concrete measures that will improve network capacity, reliability and sustainability, as well as a trial of High Productivity Vehicles on the Hume Highway.

ALC is a strong advocate for the integration of freight network planning within the broader planning system.

Freight in the past has been regarded as the 'poor cousin' when it comes to planning, there are a number of examples where inappropriate development has impeded the freight effort and we need to learn from these examples and embed freight considerations in all levels of planning.

The new planning legislation which was recently introduced to state parliament is good case in point.

The *Planning Bill 2013* is designed to replace the current planning legislation, the *Environmental Planning and Assessment Act*.

² <http://freightandportsstrategy.transport.nsw.gov.au/wp-content/uploads/2012/11/TfNSW%20Freights%20and%20Ports%20Strategy%20-%20web%20version%20-%20main%20doc.pdf> page 77

Unfortunately, the Freight and Ports Plan I referred to earlier is not referred to in the Bill.

ALC will be making representations to have the the NSW Freight and Ports Strategy specifically mentioned in the provisions dealing with the hierarchy of plans that must be considered when making planning decisions.

Freight needs to be better integrated with all aspects of land use planning, including new residential development, new road and rail projects and the construction of distribution and warehouse facilities in outer areas.

It is imperative that there is greater certainty as to where major transport routes are going to be and where major transport hubs will be located.

Failure to provide this certainty acts as a disincentive to business investment, which reduces the efficiency of supply chains and ultimately adds to the price of goods being delivered to consumers.

Harnessing greater private sector investment in freight logistics infrastructure

A local issue which has got the full support of ALC is the NSW Government's approach to asset recycling.

Yesterday the NSW Government announced it would go ahead with the long term lease of the Port of Newcastle which ALC welcomes.

I understand the NSW Government expects to finalise the lease of the Port by the middle of next year, and I hope it attracts the same amount of interest that was generated with the lease of Port Botany and Port Kembla.

I encourage the NSW Government to ensure it uses the proceeds from the long term lease of Port of Newcastle to invest in logistics infrastructure servicing the port.

In particular, we encourage the Government to ensure it uses the proceeds of the lease to deliver on one of the key actions of the National Port Strategy.

Under the Strategy, states are to "identify the landside access routes of strategic importance to the efficient functioning of Newcastle Port and to designate these as national port freight corridors."

The proceeds from the lease of Port of Newcastle should be put towards preserving these key strategic routes for the Port.

You would be aware that 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, such as West Connex.

This 'hypothecation of funds' – where the funds raised are set aside for a particular purpose such as infrastructure – is an important point worth highlighting.

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.

Governments around the country need to follow the lead of the Coalition here in NSW and identify appropriate assets that can be recycled and offered to the private sector.

ALC will be encouraging the Commission of Audit to place a high priority on the potential benefits of recycling of infrastructure assets to fund new logistics infrastructure.

Furthermore, there is scope for governments to improve the conditions necessary to attract greater private sector investment in infrastructure assets.

One of the most significant inhibitors is that there are different processes and procedures at the state level when it comes to bidding for projects.

Like inconsistent national transport laws, this adds to costs and reduces efficiency.

There is scope for greater government cooperation on this issue and it could be an issue progressed by COAG.

If the Prime Minister was looking at ways to get more private sector investment in our critical infrastructure assets, this would be a good initiative to progress.

Similarly, there needs to be a review of incentives and tax mechanisms to encourage focus on greenfields infrastructure investment.

There should also be a greater focus on a coordinated and long term infrastructure pipeline to ensure Australia funds can be invested in Australia.

Finally, there is scope for greater integrated planning between levels of government to deliver projects to market in a more coordinated fashion.

An area where we are about to see movement is opening up the market for infrastructure contracts to foreign competition.

The Financial Review reported recently that Joe Hockey is expected to sign off soon on a Productivity Commission inquiry into government provision of infrastructure.

According to the report, the PC will be asked to examine ways to reduce infrastructure construction costs and address any barriers to private sector financing.

ALC will be closely examining the Terms of Reference when they are released but in general terms, we would support the more efficient delivery of road and rail infrastructure and if that means opening the market up to foreign entrants, so be it.

ALC will also look forward to the government providing further details on how Infrastructure Australia is to play a greater role assessing infrastructure projects.

A dedicated Funding and Advisory Unit is to be set up within IA which will evaluate finance options for nationally significant infrastructure projects and investigate and report on funding models.

ALC has long called for Infrastructure Australia to be able to facilitate more private-sector investment in freight logistics infrastructure and we are pleased the Government is moving in this direction.

We will also be scrutinising bills the Government is expected to present to parliament that would see new types of "infrastructure bonds" issued to end a finance shortage that is holding back important infrastructure projects.

A range of economists have urged governments to use bonds to fund projects that not only generate a return on investment but also add to economic growth.

ALC sees merit in the proposal and we look forward to more details on how this approach can support the construction of major projects.

Conclusion

Ladies and gentlemen, the next two years are shaping up as critical for the freight logistics industry here in NSW.

The countdown to the state election in March 2015 is on, and to ensure his re-election Barry O'Farrell will need to demonstrate he has lived up to his claim that 'NSW is the new state of business'.

Similarly, the next three years under a Tony Abbott-led Coalition Government will be critical to the growth of our 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.

We look forward to action on projects to improve freight efficiency into our ports, movement on an inland rail line and real progress on Badgery's Creek.

ALC also keenly anticipates reforms to IA aimed at attracting greater private sector investment in freight logistics.

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 Sydney.

Because when Sydney doesn't work, Australia doesn't work.

ALC is working hard to turn this adage around and make Sydney the engine room of our economy again.

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.