

Check Against Delivery

Speech to the Victorian Major Projects Conference

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Major Projects Conference

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

Victoria is the self-acclaimed freight and logistics capital of Australia.

It is home to Australia's busiest container port, the headquarters of many of our major freight logistics operators, and of course, from where many of our manufactured goods originate.

Whenever I travel to Melbourne I am constantly reminded of the sector's significant contribution to the Victorian economy.

When you travel into the city from the airport, it is impossible to miss the Port of Melbourne's impressive cranes which serve as a constant reminder of the city's strong trade links.

Take a trip out to the suburbs, particularly the north-west, and you can appreciate the important role freight and logistics plays generating economic activity and employing tens of thousands of Victorians.

And of course in the city's east is the proposed Port of Hastings which is where the Victorian Government is building the city's next container port.

Throw into the mix East West Link and it is clear that it is a busy time for our industry.

And you would be aware yesterday the Labor Opposition released a major policy on infrastructure investment and the future of Port of Melbourne.

Indeed the perfect time to be discussing the major projects needed to support future growth and prosperity of the state.

Today I will focus on three key issues which, from the perspective of the Australian Logistics industry, are critical to improving productivity, efficiency and safety.

The first is ensuring freight is at the heart of all planning decisions

The second is encouraging greater private sector investment in infrastructure; and

The third is a look at some of Melbourne's major freight logistics projects, including Port of Hastings, East West Link and Inland Rail.

Before I do, some background on ALC.

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.

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 Victoria, the freight task is expected to double by 2035.

Ensuring freight is at the heart of all planning decisions

With these growth rates in mind, it is important that we get the planning right to ensure freight is at the heart of all planning decisions, not an afterthought.

Right around the country, many strategic freight routes servicing ports and intermodal facilities are under threat from urban encroachment.

With growing land development pressures, sensitive land uses, mainly residential, are constantly seeking to locate closer and closer to strategic freight routes.

The result is reduced freight efficiency and productivity and poor urban amenity for affected residents.

And once these developments are built, new residents lobby their local member to have heavy freight traffic restricted or prohibited.

Our industry is an all too regular casualty of this scenario, as it's well known that 'freight doesn't vote'.

This reality underscores why the industry is determined to ensure governments put in place appropriate planning frameworks before inappropriate land use occurs which can never be reversed.

The issue is relevant here in Melbourne as it is in all of our major cities.

According to the Victorian Government, Melbourne's population is expected to grow by another 2.5 million people, to around 6.5 million people by 2050¹.

This will mean greater pressure on transport infrastructure as well as on green-field sites that could be the location of intermodal facilities.

A growing population will also increase the risk of inappropriate residential development near, or too much congestion around, logistics infrastructure.

ALC has always been concerned there has been an over emphasis by state planning bodies on urban development, encouraging high density urban infill and on improving environmental and sustainability outcomes.

This emphasis has sometimes been at the expense of providing and protecting key logistics infrastructure.

This year the Victorian Government has released a number of plans outlining how they see Melbourne developing over the coming decades.

ALC welcomes this long term approach to meeting the state's economic needs.

The Government has also released its Victorian Freight Plan which outlines how the state will accommodate growing container movements.

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.

These growth rates underscore 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 logistics 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.

¹ Plan Melbourne, page 5, http://www.planmelbourne.vic.gov.au/_data/assets/pdf_file/0005/208931/Plan-Melbourne-Front-Forewards-and-Introduction.pdf

Having the state's transport, planning and infrastructure functions in the one department is a positive step by the Victorian Government and we welcome it.

However, ALC would like this approach to be taken one step further by the State Government.

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.

It's a point ALC will continue to make to the Victorian Government as it continues to develop its land use planning framework, including Plan Melbourne.

An extremely positive step taken by the Victorian Government in regards to freight in recent weeks has been its announcement to introduce a new port planning zone for Victoria's major ports.

The intention of the zone, according to the Government, is to streamline planning controls and to create a more effective buffer between port operations and uses in adjoining areas.

ALC has long called for a more strategic and integrated approach to planning around our major ports to ensure freight is not crowded out by inappropriate development which impacts on supply chain efficiency

These issues have also been identified as priorities at the national level, with the National Ports Strategy requiring jurisdictions to put in place mechanisms to integrate planning at all levels around relevant ports.

These changes announced by the Victorian Government are positive steps that should go towards meeting the state's obligations under the National Port Strategy, and should also help prepare it for increased demand through its four major ports.

ALC looks forward to these changes, as well as the actions outlined in the recently released Victorian Freight Strategy, achieving the objective of improving freight efficiency in the state.

Encouraging Greater Private Sector Investment in Infrastructure

In addition to port planning, the issue of port ownership is another hot topic in our industry at the moment.

In the context of a constrained fiscal outlook, governments are increasingly looking at their asset bases to assess what can potentially be transferred to the private sector.

In NSW, the sale of Port Botany reaped more than \$5 billion for the state, and it is now commencing the process to offer Port of Newcastle to the market.

This week the NSW Government announced it is seeking expressions of interest from industry to conduct due diligence and tender processes for the lease of Port of Newcastle.

Importantly from the logistics industry's perspective, about 80% of the funds from the sale of Port Botany and Port Kembla are going back into funding new infrastructure for the state.

It is imperative that funds generated through sale or lease of infrastructure assets be used directly to build or maintain productive infrastructure.

ALC encourages the NSW Government to adopt the same approach with the Port of Newcastle and use the funds raised from its lease to invest in productive infrastructure.

Ensuring that the funds raised from recycled assets go back into logistics infrastructure not only makes sales more politically palatable, it is an effective way to boost productivity and efficiency in the industry.

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.

I welcome the Opposition's plan announced yesterday by Daniel Andrews to offer a long term lease for the Port of Melbourne.

ALC has been advocating this policy measure for some time and I am pleased Labor will go ahead with the lease if it is elected to government next year.

Equally as important is Labor's commitment to hypothecate the funds into a Victorian Transport Building Fund to pay for their infrastructure commitments.

These infrastructure commitments include reducing the number of level crossings in Melbourne to address the city's worst infrastructure bottlenecks.

While I do not necessarily agree with their policy to not go ahead with the full plans for East West Link, I support their policy to use the funds raised from Port of Melbourne to fund their infrastructure commitments.

In particular, I applaud Labor's proposal to establish an independent board to govern the fund.

Implementing a more independent process to identify, prioritise and fund infrastructure projects is good policy and I look forward to hearing more details about it in the lead up to the state election in 2014.

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.

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.

ALC will be making this point in submission to the Coalition Government's Commission of Audit announced recently.

The Audit team, which is headed by Tony Shepherd from the Business Council, has been asked to review and report on the performance, functions and roles of the Commonwealth Government.

This includes identifying areas or programs where Commonwealth involvement is inappropriate or no longer needed.

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

When considering the Commission of Audit's report, ALC will also encourage the Government to consider the enormous appetite by private sector investors to invest in Australia's infrastructure.

The Industry Super Network says it stands ready to invest approximately \$15 billion in infrastructure over the next five years.

This demand needs to be harnessed so we get fewer instances of local funds needing to go off-shore to invest in foreign infrastructure projects to get a return.

ALC believes one of the best ways to harness this demand is by streamlining the arrangements around bidding for major projects.

ALC believes there is scope for Infrastructure Australia and 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.

ALC looks forward to the new Funding and Finance Advisory within Infrastructure Australia playing a key role progressing these sorts of issues.

In addition to establishing a Commission of Audit, the Federal Government has also announced a Productivity Commission inquiry to look at ways to bring down the cost of infrastructure including facilitating greater private sector involvement in major infrastructure projects.

Since coming to office, the Government has reinforced its commitment to establishing innovative funding models, creating a credible pipeline of work and undertaking rigorous cost/benefit process.

While we will never fully take politics out of infrastructure funding decisions, it is critical in my view, that a more robust process is put in place to underpin how projects are identified and prioritised.

ALC will closely examine the legislation that will amend the structure of Infrastructure Australia to ensure it can meet the Government's stated objectives in regards to facilitating more private sector investment in infrastructure.

Major freight logistics projects

I'd now like to turn now to three major projects here in Victoria, all in various stages of planning, which will directly impact on the freight logistics industry.

These are inland rail, the Port of Hastings and the East West Link.

As many of you would know, East West Link was one of the main recommendations of the East-West Link Needs Assessment report in 2008 by Sir Rod Eddington.

In his report he said, and I quote,

Melbourne needs better east-west transport connections to address core congestion problems within the transport network, to meet rapidly increasing travel demand, to support a growing population and to keep pace with the changes taking place in the city's economic and urban structure.²

ALC strongly agrees with the need for East West Link, which underscores why we are a member of an industry alliance group supporting the project.

As I said earlier however, ALC supports full disclosure on information relating to major projects, and so I believe full details of the project should be released, including cost benefit analysis, to enable stakeholders to better understand its potential costs and benefits.

One thing for certain is that a 'do nothing' approach is not an option.

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 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.

² <http://www.transport.vic.gov.au/research/research-and-policy-development-publications/investing-in-transport-report/investing-in-transport-overview-and-summary-of-findings>

Of particular interest will be the how the road links with the Western Ring Road which is where efficiencies will need to be generated, given its proximity to the multitude of freight logistics facilities in the west and north-west of the city.

I appreciate the State opposition has a different position on East West Link and would instead focus its spending on improving links between the Westgate Bridge and Port of Melbourne, investing in the metro rail project and improving safety at rail level crossings.

All projects have merit.

Victorians will get to deliver their final verdict on both parties' plans next November.

Perhaps if the Government went ahead with the lease of both Port of Melbourne *and* Port of Hastings there would be sufficient funds to pay for all of these projects.

Much has been said about the best location for Melbourne's next container port, with the Victorian Government firmly committed to building it at Hastings.

ALC notes the wide range of views across industry regarding the best location for Melbourne's new container terminal.

While opinions differ as to where the port should be located, one thing is for certain.

With throughput at Port of Melbourne steadily rising, a long term strategic approach by government is needed to provide greater certainty to the industry.

On that score I would like to publicly welcome the Government's \$1.6 billion Port Capacity project which will help to ensure Victoria has the port capacity required in the short term to meet anticipated demand.

While recognising that Hastings does have some issues from a land-side logistics perspective, the Government has spelt out how it intends to deal with those under the Victorian Freight and Logistics Plan

It is therefore imperative that this strategy gives confidence to industry that, while remaining flexible, it underpins decisions across the life of many Governments.

ALC looks forward to engaging further with the Victorian Government on ensuring the best port solution is delivered to achieve greatest supply chain efficiency in Victoria.

The final major project I'd like to discuss is inland rail.

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.

Conclusion

Ladies and gentlemen, today I have outlined three major issues affecting supply chain efficiency in Victoria. They are:

- ensuring freight is at the heart of all planning decisions
- encouraging greater private sector investment in infrastructure; and
- delivering major infrastructure projects

Now is the time to deliver on these critical issues.

As a nation, we must do better enabling the smooth flow of goods from production to consumption.

We must do better to prepare Australia for future global, national and regional challenges.

And we must do better to ensure major freight logistics projects are priorities in all jurisdictions.

These are issues of national importance, as efficient supply chains underpin a stronger, more prosperous national economy.

My challenge to all players, but particularly government, is to get on and do it.

It is 'Time to Deliver' to improve supply chain efficiency in Australia.

That is the message ALC will continue to make to all levels of government, and it has been my pleasure to share with you my thoughts on this issue today.

Thank you.