

Taking on the Australian Freight Task: Strengthening the National Transport Infrastructure to Accelerate Supply Chain Efficiency

Chief Logistics Officer Summit

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Ladies and gentlemen, first may I thank you for giving me the opportunity to speak at the Chief Logistics Officer Summit.

I'd like to begin today with a quote, and an unlikely one at that....

The great Chinese military general, strategist and philosopher Sun Tzu once said

*The line between disorder and order lies in **logistics**...*

If this is true, and I'm not one to doubt Sun Tzu, the entire freight logistics industry may be in disarray today if all of you – Australia's Chief Logistics Officers - are here in the same place at the same time....!

While Sun Tzu may have been focussing on the art of war rather than the art of moving freight, there is truth in his statement.

The importance of logistics in an efficient supply chain cannot be overstated.

The integration of information, equipment, people, transportation and warehousing is a science that is forever progressing and improving due to technological advances.

It has been fascinating to hear about some of these developments over the last two days.

While it is somewhat daunting to be handed the final speaking slot, I hope to bring to the table some insights that you may find valuable.

I will discuss some developments at the national and state level to build a more efficient supply chain through national infrastructure and national regulation.

Achieving a seamless and national framework for the freight logistics industry goes to the very heart of the Australian Logistics Council's reason for being.

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By way of background, ALC is the peak national industry body for the freight logistics industry.

You will be familiar with our member companies. Many are household names. Our members span the whole of the supply chain -- road, rail, sea and air.

While our members compete vigorously for market share we all agree on one objective – the improvement of productivity, efficiency and safety in the logistics industry.

ALC advocates for those improvements with government and in the wider community because those aims improve standards of living for all.

ALC's three key areas of focus are infrastructure, regulation and safety and I'd like to discuss all three of these today.

The provision of appropriate national infrastructure to create a more efficient supply chain benefits all Australians.

The more efficient movement of freight helps to keep the cost of these of goods down.

They help businesses get goods to consumers quicker, safer and cheaper.

They underpin the creation of more local job opportunities.

And they lead to safer roads and a healthier environment.

Congestion, bottlenecks, poorly planned and maintained infrastructure and urban encroachment all impact on the ability of our infrastructure to support an efficient and effective freight future.

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Compounding these issues is the prospect of a rising freight task, which is expected to double by 2030 and to triple by 2050, as this slide highlights.

The road freight task alone is projected to increase by 80 percent by 2030,

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These realities underscore the need to ensure appropriate national infrastructure and national laws are in place in Australia to:

- Meet Australia's large and growing freight task
- Ensure to ensure freight is moved around the country efficiently and safely; and to
- Enhance our standard of living and to boost national productivity

This is an issue for all levels of Government.

Limited public funds need to be targeted at infrastructure projects which are in the national interest and have broad and lasting economic and social benefits.

Furthermore, governments of all levels need to ensure the 'last mile' issues that inhibit productivity growth are identified and addressed.

Before I discuss some of the projects and reforms ALC would like to see progressed, I'd like to spend a few moments setting the scene for our discussion today.

The issue of infrastructure is certainly a hot topic at the moment.

Before the election Tony Abbott said he wanted to become the "Infrastructure Prime Minister" and promised an annual Infrastructure statement to Parliament.

Encouraging words, but as you can appreciate, ALC was equally interested in the second part of his statement when he said "But I won't be all talk and no action."

We welcome his commitment to achieving on the ground improvements.

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ALC strongly believes it is time for delivery by all governments to improve supply chain efficiency in Australia.

For example:

- Delivery on major infrastructure projects
- delivery on long-term freight planning and
- delivery on reforms to increase productivity, reduce red tape and improve safety in the freight logistics industry.

The steps taken in recent years by all governments to improve logistics planning and progress major logistics infrastructure proposals have been significant.

In the last few years:

- A National Land Freight Strategy and a National Ports Strategy have been released by the Commonwealth to drive a more seamless and national approach to freight and port infrastructure
- Jurisdictions have developed state freight logistics plans, and have mapped key freight routes around the country.
- Logistics infrastructure financing is under active review by all governments

National Safety Regulators for Marine and Rail Safety, as well as for Heavy Vehicles, have been established (although there is much still to be done to achieve national consistency which I will talk more about shortly)

While there has been some progress, there is no substitute for action.

We are heartened by some major funding announcements at the federal level, including \$1.5 billion each for WestConnex in Sydney and East West Link in Melbourne.

Speculation is growing that an announcement on a second Airport at Badgery's Creek is imminent, and funds have been allocated to progress the inland rail route from Brisbane to Melbourne.

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The Government also has legislation in the parliament to reform Infrastructure Australia to make the body more accountable and focused on identifying a long term pipeline of projects.

Treasurer Joe Hockey recently said Australia is 'running out of time' to tackle infrastructure bottlenecks.

ALC agrees with the Treasurer.

This reality underscores why ALC called its election priorities document 'Time to Deliver' and it is also the theme of our upcoming ALC conference in Sydney in a few weeks' time.

This growing sense of urgency has motivated the government to make infrastructure delivery and reform a priority in its first term of government.

Work is underway to identify a list of state and federally owned assets that could be sold to raise capital and reinvest in new projects.

It is reported that the Government has identified up to \$130 billion in assets that could be sold to enable greater investment in productive infrastructure.

The Treasurer is also reportedly looking at measures including bonds and guarantees to convince the private sector to plough funds into infrastructure that are needed to spur economic growth.

Industry is also looking forward to further details on tax incentives to encourage state governments to sell assets to fund billions of dollars for new infrastructure projects.

I'll talk more about this concept of asset recycling shortly.

And I also understand Mr Hockey is also considering identifying government borrowings raised to fund infrastructure as separate from debt raised to cover the budget deficit.

Borrowing to fund productive infrastructure is a necessary investment to drive greater productivity and I welcome the Government's efforts in this area.

Mr Hockey also used the recent G20 meeting in Sydney to push for a system of consistent documentation to bid for infrastructure projects.

This applies not only at an international level, but domestically as well.

Inconsistent bidding processes costs acts as a disincentive to potential infrastructure investors and anything that can be done to streamline the process is to be commended.

Like inconsistent national transport laws, inconsistencies in bidding processes add to costs and reduce efficiency.

When Treasurer Hockey hosted finance leaders from around last week in Sydney, he also highlighted the steps that have been taken by NSW to identify and recycle appropriate assets.

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

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, such as WestConnex.

Other governments should follow the lead of NSW and look at their asset bases to assess what can potentially be transferred to the private sector.

It was reported earlier this week that Premier Campbell Newman is looking to potentially sell off Gladstone port in separate tranches after next year's election.

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

Funds must be hypothecated and not lost to consolidated revenue.

Not only does it help to ensure a productivity pay off from the privatisation, it also makes the long term lease of the asset more politically palatable.

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The inland rail line is a project that will require significant investment from the private sector.

This is a particularly important project for Queensland, particularly for the state's minerals industry.

An inland rail line 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 it is noted 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 Qld's rail network.

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

A full submission of the outcomes has been lodged with Infrastructure Australia for the project to be considered on the Priority Infrastructure List

Port of Brisbane has also been working with the Federal and State Governments on the Inland Rail project.

The Dedicated Freight Rail Corridor is essential to link Toowoomba to the Port of Brisbane to make Inland Rail a functional, viable and essential supply chain link on the East Coast.

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.

The Federal Government has set up a taskforce to progress this initiative and I understand it is making progress on a range of issues.

Again, ALC will carefully monitor progress here.

While Infrastructure often gets the headlines when it comes to reforms to boost productivity, that is only half of the equation.

The Chair of Infrastructure Australia, Rod Eddington, recently said, and I quote;

If you want real short-term productivity improvements, it's regulatory reform.

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When it comes to measures to boost productivity in the industry, there is nothing more important than the work being undertaken to put in place a national regulatory framework.

When I speak to international logistics professionals visiting or working in Australia, they are often amazed at how Australia has inconsistent laws across the country.

It reinforces their perception of Australia as a nation of eight separate countries.

But from our perspective, it's a recipe for inefficiency and one of the causes of poor productivity in the industry, not to mention poor safety outcomes.

We have made some significant headway on these issues in recent years, but there is still some way to go.

ALC is advocating for a more nationally consistent regulatory framework across a range of areas, including dangerous goods, road rules and telematics.

You would be aware the Coalition is firmly focussed on identifying and eliminating unnecessary red tape afflicting Australia's business community.

To that end, the Government has planned a "red tape repeal day" in the final parliamentary sitting week in March.

The Government plans to begin repealing more than 8000 redundant federal laws which it hopes will save the economy around \$1 billion a year.

ALC has actively been identifying areas of red tape that need to be repealed, such as the Road Safety Remuneration Tribunal and the shipping laws.

We are also advocating for a national system of laws across a range of areas, so when freight travels from state to state the same rules apply.

The national transport reforms are but one example.

At a more practical level, there is still national divergence in regulation of matters such as dangerous goods and road rules.

We now also have national regulators for heavy vehicles, rail safety and maritime safety.

The regulators and national laws are designed to reduce state based inconsistencies which add to compliance costs and act as a handbrake on efficiency.

These reforms are estimated to be worth approximately \$30 billion to the national economy over 20 years.

While each of the regulators have been established there is still much to be done to realise these economic benefits, particularly in relation to heavy vehicles.

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The Heavy Vehicle National Law came into effect earlier this month in Queensland, New South Wales, Victoria, South Australia and Tasmania.

In effect, this means we now have one rule book for heavy vehicles over 4.5 tonnes and a national system for processing access permits.

Many of you would be aware that there have been some initial problems with the regulator approving access permit applications, which has led to NSW, Queensland and Victoria taking back the processing function temporarily.

This is unfortunate, but given the size of the reform, not entirely surprising.

ALC is strongly supportive of the NHVR and we would like to see it fully operational as soon as possible.

It has been a long road to reform and the potential economic benefits are significant.

Now is not the time to lose faith in this reform and we look forward to the NHVR putting in place processes and systems to ensure it can process access applications efficiently.

The Federal Government through Infrastructure Minister Warren Truss has an important role to play to ensure the regulator delivers and the full economic benefits of this reform are realised.

ALC will continue to keep the pressure up on all levels of government to follow through on their promises.

I mentioned earlier, one of the major milestones in the logistics space has been the sign off of the National Land Freight Strategy.

Under it, jurisdictions will map key freight routes, and will also need to identify funding mechanisms are put in place to actually protect those routes.

All too often in our cities we see inappropriate urban development crowding out freight.

The result is poor urban amenity and poor freight outcomes.

It's an issue for all levels of governments, and needs to be addressed through better long term planning.

On this issue, ALC is broadly pleased with the Queensland Moving Freight Strategy which the Government released last year.

In particular, ALC agreed with the Strategy's 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.

I mentioned earlier that ALC focuses its advocacy efforts on three key issues - infrastructure, regulation and safety, and it's this last issue of safety I'd like to end on today.

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In particular, I'd like to discuss the coal seam gas logistics safety code of practice, because I know CSG is such a hot topic here in Queensland at the moment.

The CSG Code is one of four codes that sit under the umbrella of the ALC National Logistics Safety Code of Practice, or NLSC.

The NLSC is an industry code that assists participants to meet their chain of responsibility requirements.

The CSG Code has been developed by the CSG industry in conjunction with the ALC to highlight the critical areas of risk identified within the CSG sector.

Specifically, it applies to the transport and logistics supply chain, including heavy plant.

I don't need to tell a room full of Queenslanders that the economic opportunities presented by CSG are enormous.

According to the Queensland Government, Queensland has 98 per cent of Australia's proven coal seam gas¹.

Investment is occurring in the tens of billions of dollars, and there are literally thousands of freight movements heading to key centres in central and northern Queensland.

And of course, there are significant flow-on effects to the freight logistics sector in terms of meeting growing demand for equipment, supplies and labour to support the industry.

With this increased activity there needs to be a greater focus on safety, which is where the CSG Code comes in.

This new code helps improve road safety by ensuring CSG industry employees, contractors and sub-contractors are aware of their responsibilities where they control or influence the safe and legal carriage of road freight.

Conclusion

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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.

¹ <http://www.industry.qld.gov.au/Inq/documents/CSG-Business-DERM-web.pdf>

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.

It is 'Time to Deliver' on freight logistics to ensure Australia 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.

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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.