



# AUSTRALIAN LOGISTICS COUNCIL

**Speech for Michael Kilgariff**

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**Queensland Transport Conference**

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Thank you, it is a pleasure to be here today at the Queensland Transport Infrastructure Conference.

I'm fortunate to be following a wide array of speakers this morning from across the supply chain including airports, ports, road, rail and technology.

It is a perfect entrée to what I'll be talking about today – the need to have all parts of the supply chain operating at peak efficiency to achieve more productive supply chains.

Today I will focus on a number of freight projects and initiatives in Queensland and also on the federal picture, where there has been much action that will impact on our sector.

First, however, let me provide you a brief introduction to the Australian Logistics Council.

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

We are the key advocacy organisation on behalf of the Australian freight logistics sector.

You will be familiar with many of our member companies.

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.

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.

As you can see from this graph, 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.

To add a few more figures into the equation, Treasury modelling shows Australia's population will hit 35 million by 2050.

This increases the need for smooth and efficient supply chains that connect our sources of wealth with our domestic markets and international gateways.

Here in Queensland, growth in the freight task is equally large.

Queensland's freight task is forecast to increase by 89% between 2010-2011 and 2026.

In raw numbers, it is expected to climb from 871 million tonnes to around 1,700 tonnes in just over 20 years.

These numbers underscore the need for a more focussed approach by policy makers and industry to ensure we have the right infrastructure in place, underpinned by national regulations.

Failure to do so will have economy-wide implications.

Congestion, higher prices and a lack of international competitiveness are the by-products of an inefficient and unproductive freight and logistics sector.

If we get it right, however, the benefits will be felt right across the economy, particularly in those sectors which rely heavily on efficient freight logistics to support their operations.

ALC will be releasing a report in the coming months to quantify the exact size, scope and reach of the industry, and the sectors which rely on us most heavily for their own economic success.

I am pleased we have made some progress in recent years to bring a greater focus to the needs of the freight and logistics sector in order to achieve economy-wide efficiencies.

But there is still some way to go.

To begin, I'd like to focus on Queensland where there has been some significant movement in recent years to improve freight efficiency.

You would be aware the Queensland Government has released a draft ports strategy which provides a blueprint for improving the efficiency of the state's ports over the next ten years.

ALC supports the direction the Queensland Port Strategy is heading.

A draft has been issued for public comment and we look forward to the release of the final document this year.

Most notably, we are encouraged by the commitment to long term master planning.

Ensuring there is a long term blue print, with strategic corridors and buffer zones protected and funded, is a critical first step towards improving freight efficiency.

ALC also commends the proposal to create five Priority Port Development Areas around five major ports, including Port of Brisbane and to provide these ports with a 'licence to grow'.

Running in parallel to the Port Strategy, the Government is also implementing its *Moving Freight Strategy*.

Neil Scales from Transport and Main Roads provided us with a good overview of the Strategy this morning.

From industry's perspective, the Moving Freight Strategy is one of the better state freight strategies.

It sets the benchmark that all other jurisdictions need to aspire to in terms of delivering on the objectives of the national port and freight strategies.

In particular, we support the strategy's focus to get more freight on to rail.

TMR has correctly identified the keys to achieving this are through improving freight rail's reliability, investing in infrastructure such as passing loops, and achieving a more appropriate mix between passenger and freight on the network.

The Strategy also includes commitments to;

- Improved national regulation, particularly in relation to heavy vehicles
- a pre-feasibility study to inform the redevelopment of the Acacia Ridge Terminal
- Support for inland rail

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.

The Moving Freight Strategy also commits the government to an inland rail line.

This important piece of infrastructure is a high infrastructure priority for the freight logistics industry.

The potential benefits of an inland rail line are enormous, as Peter Keyte from the Port of Brisbane explained earlier.

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 proposed 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.

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.

In addition to working at the state level, ALC also focusses much of its effort at the federal level to achieve a truly national regulatory framework and national regulation.

In that regard, I'd like to spend some time looking at the ramifications for the freight logistics industry emanating from the National Commission of Audit and last week's COAG meeting.

There were more than 250 submissions to the Commission of Audit, including from ALC, resulting in a five kilogram report containing some 64 recommendations.

Much of the focus has been on some of the more radical proposals floated by Tony Shepherd and his team, or in the words of Treasurer Hockey, proposals which fall into the category of "courageous".

Like many euphemisms in Canberra, this one originates from Yes Minister.

Sir Humphrey explains to Bernard that if you want to be really sure that the Minister doesn't accept an idea, you must say the decision is "courageous".

To which Bernard asks whether "courageous" is worse than "controversial".

'Controversial', Sir Humphrey replies, will only lose the government votes.

'Courageous' will mean they lose the election....

The proposals outlined in the Commission of Audit for this sector haven't received the headlines like some of the measures, nor are they necessarily courageous, but that doesn't make them any less significant.

They will, however, take some political will to implement.

They can broadly be categorised into five main areas:

- road user funding
- Infrastructure investments
- Asset privatisation
- Regulatory Reform and
- Shipping

On road user funding, the report said there was significant scope for increased heavy vehicle charging to provide price signals and enhance the efficiency of transport infrastructure markets.

It also argued that user charging also has the potential to help fund infrastructure in an efficient and equitable way.

The report, which recognised the role of the Heavy Vehicle Charging and Investment Reform initiative, also said the 'mass-distance-location' charging system of heavy vehicles is the best system to provide better signals to both heavy vehicle operators and road owners.

ALC supports the introduction of some form of mass-distance-location charging of vehicles.

However, the funds which are collected need to be invested in the infrastructure used by the freight vehicles that paid the charge, that is, the revenue 'follows the freight'.

We believe funds raised from heavy vehicle charging should not be diverted into consolidated revenue but rather it should follow the freight and used specifically on the roads that raise the funds.

It is now common knowledge that the HVCI Secretariat is being wound up but we hope the Commission of Audit Report will continue to foster the public debate that this reform needs.

On infrastructure, the report acknowledged the challenges of ensuring there is adequate funding capacity to support projects, and determining which level of government is responsible for project funding.

State bureaucrats would no doubt have picked up on the report's proposal to increase states' revenue raising capacities through, for example, access to the personal income tax system.

In that way, states would be in a better position to fund their own priorities, including, for example, infrastructure.

The Commission recommends consolidating existing infrastructure funding in a single pool and allocated to the states based on an agreed formula.

While this idea has potential merit, the fact remains that reform of the Federation will not emerge anytime soon.

Draft terms of reference for separate white papers on Federalism Taxation were considered at last week's COAG meeting, and the papers themselves are not due before the end of 2015.

It is therefore unlikely we will see any movement on this proposal until after the next election in 2016.

On the topics of national regulation, the Commission noted many of the challenges associated with the roll-out of the National Heavy Vehicle Regulator.

ALC is committed to seeing the NHVR succeed, however, we are equally determined to see a system put in place which delivers the intended economic benefits.

Our support for this reform is based on the view that a single national regulator responsible for administering a consistent national law is needed to maximise the potential gains for the Australian economy.

In that regard, we welcome the Commission's strong support for the national land transport regulatory reforms, and in particular, their call for the reforms to be **fully** and **consistently** implemented in each jurisdiction as soon as practicable.

I should also put on the record my appreciation to the Queensland Government for the important role they have played getting the NHVR to where it is today.

We would all agree that the early teething problems that afflicted the Regulator's launch were unfortunate, but that doesn't mean we should lose sight of the broader economic benefits of this reform.

The regulator's new CEO, Sal Petrocchio, has a big job ahead of him, but he has the full support of ALC.

Unsurprisingly, the Audit team also recommended the sale of the Moorebank Intermodal Terminal and Australian Rail Track Corporation in the medium term, and also recommended the abolition of the previous government's shipping reforms.

ALC has consistently been calling for action to amend the current restrictive cabotage policy because of its cost and inflexibility.

The laws are currently being reviewed by the Federal Government and the Audit report provides further evidence that we need greater flexibility on the coastal trade.

I'd now like to turn to last week's COAG meeting which focussed on the topic of infrastructure.

As speculated, a deal was cut in relation to asset recycling, whereby governments who sell off or lease public assets will be provided incentive payments from the Commonwealth.

To receive the payment, however, governments must ensure that the funds go towards productive infrastructure, and not lost to consolidated revenue.

This can be seen in action in NSW recently, where the funds raised from Port Botany and Port Kembla have gone back into the NSW network.

And just yesterday, the Victorian Coalition Government confirmed its intention to lease the Port of Melbourne.

I note that the Newman Government has confirmed that it is planning to sell or lease Gladstone and Townsville Ports if it is re-elected in 2015.

It is imperative that funds generated through sale or lease of infrastructure assets, such as these two 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.

I look forward to seeing how the debate progresses in the lead up to next year's state election.

There was also a commitment at COAG to do further work in the deregulation area to reduce business costs.

This will include the road freight sector, with the first piece of work involving mapping of regulatory requirements imposed on a small business.

## **Conclusion**

Ladies and gentlemen, I trust I've demonstrated that there is much happening in the freight logistics sector at both the federal and state levels.

And I hope next week's federal budget continues this trend, with funding confirmed for high priority freight logistics projects.

While it obviously takes some time to implement national reforms and new investment frameworks, the ends certainly justify the means.

These and other measures I've outlined today reflect industry's commitment to working with government to improve productivity, efficiency and safety across the entire supply chain.

We do this because freight efficiency matters for all Australians.

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 and ports, will suffer.

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

It has been a pleasure to share with you my thoughts on this important issue today.

Thank you.

**ENDS**