



# AUSTRALIAN LOGISTICS COUNCIL

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**Stronger Supply Chains – a Stronger South Australia**

**16 July 2014**

Ladies and gentlemen, I'd like to begin by playing for you a quick video about the logistics industry to help set the scene for my presentation today.

**Play video – 3 mins**

We launched this video at a parliamentary event in Canberra this week, where we also released a major report into the economic contribution of the logistics industry to the Australian economy.

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In case you missed the figures in the video, allow me to re-state them because I think they bear repeating.

It found that Australia's logistics task was measured to account for 8.6 per cent of GDP, adding \$131.6 billion to Australia's economy in 2013, and employing 1.2 million people.

The report, by ACIL Allen, also estimated an increase in logistics productivity of 1% would increase GDP by \$2 billion.

The sectors to benefit most would be forestry, manufacturing, processed food, wholesale and retail trade and construction.

With these potential benefits to the broader economy in mind, ALC is encouraging governments of all levels to focus their attention on implementing policies and programs that support supply chain efficiency.

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In practical terms this means:

- Providing national infrastructure to meet our rising freight task
- Providing greater certainty on planning for freight to help stimulate private sector investment in freight infrastructure
- Protecting freight corridors
- Eliminating conflicting regulations that add to costs and reduce efficiency

Making gains in these four important areas is also imperative to address the productivity challenges facing the sector.

A report out last week by the Bureau of Infrastructure, Transport and Regional Economics found the rate of productivity growth in the transport sector has decreased in the last two decades.

The report also argues that well targeted investments in transport infrastructure will help to address this trend.

I'm pleased to say that here in South Australia, the Wetherill Government has taken some welcome steps to ensure logistics is given the recognition it deserves.

The Government went to the last election promising to 'keep building South Australia'.

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ALC recognises the expenditures the State Government has made/

This include the \$124 million it proposes investing in the Darlington upgrade over the next five years as well as the \$448 million to be invested over the same period in the Torrens to Torrens project.

Both projects once completed will go some way towards improving freight efficiency.

ALC also looks forward in working with the newly re-elected government to ensure that strong supply chains are built to ensure the continued strength of South Australia.

Before the election, the Government also launched the Integrated Transport and Land Use Plan late last year.

The Plan, together with the 30-Year Plan for Greater Adelaide, and The Strategic Infrastructure Plan brings together an integrated, comprehensive and integrated plan for land use and infrastructure.

This is a first for South Australia and is to be commended.

Nationally, the place of infrastructure in the Australian economy has taken an increased prominence in the public debate over recent months, which is also welcome.

Today I will give a brief overview of what has been happening, as well as discuss a few broader national reforms which are critical to maintaining the efficiency of the national freight network.

The Prime Minister has said on a number of occasions that he wishes to be known as the Infrastructure Prime Minister.

The Government has therefore funded projects such as Darlington Interchange and Torrens-to-Torrens projects on South Road.

The Government has also put before the parliament a number of infrastructure reforms, spearheaded by Jamie Briggs, the Assistant Minister for Infrastructure and Regional Development and of course the local member for Mayo.

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This includes legislation to amend the role and structure of Infrastructure Australia.

The Government has changed IA's structure to remove the position of Co-Ordinator General and to establish the agency as a statutory authority.

The intention of this change is to give the body greater independence to provide government with the frank and fearless advice that it needs to make the right decisions.

The Senate then made 23 amendments to the Bill with the effect of increasing the areas of proposed government investment that must be subject to rigorous cost benefit analysis.

These amendments strengthen the role of IA and should assist in ensuring that the right infrastructure is built at the right place at the right time.

ALC looks forward to working with new Authority under the new leadership of Mark Birrell to ensure that infrastructure needs remain central to the thinking of Government.

The Government has also introduced to Federal Parliament legislation that encourages states and territories to recycle assets.

The National Partnership on Asset Recycling helps to address the funding constraints faced by state and territory governments.

The package encourages the sale of state-owned assets to unlock funds and recycle the capital into additional productivity enhancing infrastructure.

State governments who sell or lease mature assets (such as a port) will receive a 15% premium on the sale price to encourage them to invest in new projects.

To receive the premium, projects will need to:

- demonstrate a clear net positive benefit;
- enhance long-term productive capacity of the economy; and
- where possible, provide for enhanced private sector involvement in both the funding and financing of the infrastructure.

Now it's true that South Australia may have difficulty in gaining access to this fund as it was an early mover in the privatisation stakes, as ETSA and Flinders Ports for example have both been sold.

Notwithstanding this, it is important the Government takes every opportunity to identify assets that can be managed efficiently by the private sector so as to gain access to the asset recycling fund.

These funds can then go towards such projects as the Northern Connector project.

This project is proposed to be a 15.6 kilometre non-stop six lane motorway connecting the Northern Expressway with Port Adelaide.

It will provide a new freight corridor for heavy vehicles, slashing transport costs and linking the port to employment hubs and the resource production regions of South Australia.

The latest modelling submitted to Infrastructure Australia estimates that the project would deliver significant economic gains with a rate of return of \$8.50 for every \$1 invested.

It is clearly an important infrastructure project that will strengthen the state's logistics supply chain.

And using the federal money as a base, the government may elect to enter into some form of private public partnership that suits the South Australian environment to bring this important project to fruition.

It could also be a test bed for the use of tolling in South Australia as a revenue stream to support the development of infrastructure.

The simple fact is that there are many calls on the government purse that require the use of taxpayer's money – things like the National Disability Insurance Scheme at the federal level and the running of schools and hospitals at the state level.

ALC would support tolling to support the development of projects such as these – but only if it delivers an increase in efficiency and reliability of the delivery of freight.

You will be aware that the Government announced in the May budget the reintroduced indexation on the customs and excise payable on fuel.

Additional money raised from the measure will go into a special fund designed for investment in designated infrastructure.

ALC has long argued that funds that have been raised from road users such as heavy vehicle operators should be hypothecated for investment in productivity enhancing infrastructure.

However, the fates of these Bills are in the hands of the Senate.

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Now, we do know the Senate is now of a liquorice allsorts composition, with representation from the major parties as well as the Palmer United Party, Democratic Labour Party, Australian Motorists' Party, Family First, Liberal Democratic Party and of course South Australia's own independent, Senator Xenophon.

But we don't know who will vote with whom.

Will all of Clive Palmer's senators always vote together, with the Government, or with the Opposition?

Currently, the better view is that the measure will fail because of its impact on motorists. It is unclear what effect this would have on the Government's infrastructure investment programme.

It also appears that amendments will be proposed to the bill establishing the Asset Recycling Scheme.

With investment in mining infrastructure having already peaked, we need to encourage investment in other forms of civil infrastructure.

ALC therefore encourages the Senate to pass the Budget bills as a matter priority to maintain investment momentum and to unlock funds for important infrastructure projects both here in Adelaide and around the country.

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One of the major recommendations of the ACIL Allen report is to ensure freight is integrated in all land use planning.

As I mentioned earlier, the State Government has developed an integrated suite of planning documents.

I hope this will help to ensure logistics isn't forgotten when town planners make their plans.

The next step is embedding these plans in primary planning legislation so the logistics industry has confidence the interests of freight do not get lost when governments inevitably change over time.

Improving land planning and corridor preservation was one of the key recommendations from a Productivity Commission draft report into public infrastructure.

The draft report notes that the National Port and Freight Strategies acknowledge the need to improve land planning and corridor preservation.

However, there is no formal agreement between jurisdictions.

ALC agrees with the Productivity Commission's assessment that there needs to be an intergovernmental planning process and agreement on commitment of funds for corridor protection by both State and Federal governments.

We will be giving evidence before the House of Representatives Transport and Infrastructure Committee Inquiry Into Infrastructure Planning and Procurement in the near future to advance this view.

The PC also recommended institutional changes to how vehicles are charged for road use.

It highlighted the need to reform the current charging arrangements to support more efficient and sustainable freight logistics network.

ALC agrees with, and supports reform of charging for heavy vehicles.

However, funds collected need to be actually invested in infrastructure used by vehicles, that is, revenue follows the freight, and not diverted into consolidated revenue for use for other purposes.

It would be fair to say, however, that the appetite for this reform within government, and wider reforms incorporating light vehicle use, has waned in recent times.

The Government has wound up the Heavy Vehicle Charging and Investment Reform secretariat, with a new lead agency to continue developing this important work to be identified soon.

The Prime Minister has also all but ruled out any move to broader road user charging, which the Productivity Commission suggested could be trialled using telematics.

ALC believes this is a potentially valuable long term reform.

On Monday this week, the Productivity Commission released its final report on public infrastructure. The report recommended reforms to passenger and heavy vehicle pricing to create more direct links between road use and investment.

The Commission highlighted the potential gains that can be achieved by taking advantage of in vehicle technologies, such as telematics systems.

The PC referred to ALC's submission on the draft report as evidence of industry's desire to see reforms to road pricing progressed to improve efficiency in the freight sector.

The Federal Government will consult with the states before it releases its response to the PC report.

We await this with great interest.

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An area I haven't touched on today, but it is very much at the heart of ALC's advocacy, is that of safety.

You may be aware that this year the National Heavy Vehicle Regulator came into effect.

It will be responsible for the new Heavy Vehicle National Law.

This is an important reform, which had former SA Transport Minister Pat Conlon as one of its strongest supporters.

For the first time we have one rule book for heavy vehicles over 4.5 tonnes gross vehicle mass.

The HVNL has brought with it greater national focus and approach to Chain of Responsibility with most states and territories operating under the new legislative requirements.

COR means all parties in a supply chain are required to implement positive actions to prevent breaches of the law.

The aim of COR is to make sure everyone in the supply chain shares equal responsibility for ensuring breaches of road transport laws do not occur.

These laws have recently been reviewed by a taskforce on which ALC was represented.

The Transport and Infrastructure Council of COAG has now asked the National Transport Commission to develop some options for reform that flow from the work of the taskforce for consideration later in the year.

A critical issue for industry is ensuring that they are aware of their responsibilities under COR when they control or influence the movement of freight.

ALC's response has been to develop the National Logistics Safety Code which is helping to make the supply chain safe and compliant under the Chain of Responsibility Laws.

The Code provides industry with a simple, equitable and effective way to maintain and improve safety and compliance across the entire supply chain.

ALC will be holding a Safety and Compliance Summit in Melbourne next month to discuss how Chain of Responsibility operates under the Heavy Vehicle National Law.

It will bring the freight logistics supply chain community together to benchmark, share best practice and identify steps to achieve compliance in the supply chain.

If you are interested in how the new law works, and what it may mean for your industry, I encourage you to attend.

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Ladies and gentlemen, to conclude, I'd like to draw upon one of my favourite magazines, the Economist, which recently ranked Adelaide as the world's fifth most liveable cities.

I won't mention who came first through fear of stoking any Melbourne / Adelaide rivalries, but I will say the top five finish shows Adelaide is doing a lot right when it comes to providing the right infrastructure for the city's needs.

As someone who has family in this great city and who visits often, it is hard to disagree.

The challenge for this government, and indeed all governments around Australia, is to ensure the liveability of all of our cities is enhanced by ensuring freight features more prominently in their investment and policy decisions.

This can be achieved through:

- Strategic investments in key freight routes.
- Striking the right balance between resident's needs and freight's needs; and by
- Protecting key transport routes that will be required to cater for future freight growth.

Thank you.