



National Farmers' Federation Agricultural Infrastructure and Logistics Forum

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18 August 2014

Thank you for the invitation to speak at the NFF Agricultural Infrastructure and Logistics Forum.

Before I talk about some of our common objectives let me briefly tell you about the Australian Logistics Council.

We are the peak national body representing the major and national companies participating in the freight logistics industry.

ALC has a whole-of supply chain focus. Its membership spans the major logistics customers, providers, infrastructure owners and suppliers.

Most of our members in one way or the other provide services for farmers.

We focus our advocacy on measures that will improve productivity, efficiency and safety in the industry and, through that, creating more efficient supply chains.

We are committed to safety and improving supply-chain efficiency. This focus on supply chain efficiency underpins everything ALC does.

When that occurs, all of industry benefits, not just one specific part of the chain.

Producers, such as farmers, and their ultimate consumers also benefit. The whole Australian community benefits from a more efficient supply chain.

This whole-of-supply-chain approach is critical when you consider Australia's rising freight task, which is expected to double from 2010 to 2030 and nearly triple by 2050.

The logistics industry – covering the storage and movement of goods – employs 1.2 million people in Australia and adds \$131.6 billion a year (8.6 per cent) to GDP, according to an ACIL-Allen report published last month.

Movement of agricultural production, of course, is a significant part of that effort.

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.

The logistics and agricultural industries are very much in this together. At the risk of reducing it to a nursery jingle:

We take

What you make

From the gate

To the plate.

So we have a common aim of making that journey as cost-effective and efficient as possible.

Part of that, of course, is doing it safely and sustainably. Unsafe and unsustainable systems are costly and inefficient systems.

But more on safety later.

First, let me talk about regulation and infrastructure.

As we meet, work is about to begin on a \$67 million grain handling facility at Port Kembla.

The joint venture between Qube Holdings, the Noble Group, Cargill Australia and Emerald Grain will trade as Quattro Grain and will handle up to 1.3 million tonnes of grain a year.

The venture exemplifies many of the good things that ALC and the NFF seeks, but it also highlights some of the difficulties facing the nation today.

No doubt, the NFF would welcome the fact that the new facility will have capacity to provide services to other grain customers on an open-access basis.

Effective competition can drive down transport costs, helping producers.

NSW Ports will extend and deepen the berth at Port Kembla. Again, investment in this sort of infrastructure is sorely needed in Australia.

The new facility will comprise a road receival hopper, a rail receival facility, an elevated overland in-loading conveyor system, 17 silos, bucket elevators and conveyors for materials handling, a ship loading conveyor and batch-weighing system, weigh bridge and control buildings.

Again, it is good to see integrated infrastructure using road, rail and sea.

The Quattro Grain joint venture will be welcome as going some way to help grain handling across NSW and parts of Queensland and Victoria.

But when you look at the bigger picture, the scale of task ahead and the need for action and reform on several fronts emerges – especially for rail.

Many of the branch lines are approaching 100 years of age. A lot of rolling stock is old and inefficient. Ageing infrastructure is a problem across the supply chain. It is difficult to see where funds to bring branch lines up to Class 5 standards can be found, given the scarcity of government funding.

Rail infrastructure is reaching capacity in some areas and mining resource companies are demanding greater use. This has caused increased competition for access paths.

ALC has pleaded with all levels of government to ensure that all land-use planning involve transport corridors.

Too often urban planning ignores or downplays freight. As a result when population increases in an area, obtaining land for transport corridors becomes prohibitively expensive.

It has either been built out or sits adjacent to built-up areas and thus highly valued.

Unfortunately, we have had a recent setback with this plea.

The Productivity Commission's final report on infrastructure has now said that land-use planning matters are for the states, whereas its earlier draft report urged a national approach – something ALC supported.

ALC shares the frustration of grain handlers that movements from one transport mode to another – road to rail or rail to sea, for example – are dogged by bottlenecks.

ALC has supported more inter-modal terminals – such as Moorebank in Sydney -- to make for more efficient movement of goods to and from the port to road and rail.

All that said, it is far from all doom and gloom on the infrastructure front. A lot of industry effort has ensured that both major parties at state and federal level have put infrastructure as a high priority, especially the Federal Coalition.

The \$5 billion asset recycling fund; Sydney's second airport; West Connex the East West Link, an inland rail freight line; and the outer western Sydney orbital motorway are all recent examples of infrastructure getting higher priority.

But the real challenge will be moving from the promises to the reality.

Already we have seen the asset-recycling legislation getting bogged down in the Senate, even though an all-party committee recommended it go through.

The scheme was to provide Commonwealth incentives to those states which take up asset recycling.

The funds were to be used to remove debilitating infrastructure bottlenecks, stimulate construction and drive real activity in the economy. Part of the rationale for this scheme is to maintain infrastructure investment as the resources sector declines.

Perhaps the Senate will relent, or the funding can be provided another way, but it is extremely disappointing to see a meritorious scheme be delayed. It is almost one step forward, one step back.

But we must not give up on important reforms upon which Australia's prosperity will rely. Without them, other countries will over-take us.

ALC has long advocated the sale or lease of government assets so funds can be freed for new infrastructure investment that could not be initiated by the private sector because of its size and/or risk profile.

Industry has a lot more work to do to convince politicians and the public of the enormous value of asset recycling.

Often the sold mature assets are run more effectively by the private sector, benefiting business and consumers alike and the public gets the benefit of new infrastructure which would not have been undertaken without the funds yielded from the asset sales and leasing. It is a win-win.

At first blush there might seem a conflict between the view from the bush and the views held by ALC on this.

Too often asset sales have been seen as making life in the bush more difficult or more expensive. But once the value of investment in critical new infrastructure assets is taken into account, the trade-off is worth it.

On regulation, ALC shares the NFF's view that Australia must rid itself of duplication and unnecessary regulation.

Our federal system has the benefit of enabling smaller jurisdictions to innovate in all sorts of ways, but it has also brought with it the curse of duplication and inconsistent regulation. This adds huge costs for business and consumers.

A prime example is the regulation of heavy vehicles. We had made considerable progress, but there is still some way to go to before we get to a truly national system of regulation.

On this point, ALC takes the policy position that all regulatory overlap should be removed. That is why we oppose the Road Safety Remuneration Tribunal.

It duplicates the role of the National Heavy Vehicle Regulator. The government commissioned a review of tribunal and is currently considering its response. We await the outcome with interest.

There is also more to achieve in the area of infrastructure investment and reform.

ALC was a little disappointed that the final report of the Productivity Commission into public infrastructure did not go further on this issue.

Its draft report on infrastructure recommended that road funding be done through a national fund, but its final report reverted to a recommendation for state-based funds.

Inevitably, that will mean different approaches by different jurisdictions and all the extra costs and inefficiencies that that will entail.

One can perhaps understand, if not agree with, state politicians protecting their own bailiwick, but when an independent policy body takes a fragmented approach it can be extremely frustrating not only for the logistics industry, but for other industries such as agriculture as well.

In the modern Australian economy, produce must be able to pass seamlessly through state borders.

A transport operator should be able to devise a set of practices that remain legal and compliant whatever state or territory the vehicle happens to be in.

As is so often the case, politics and sectional interests get in the way of the national interest.

This has been true of infrastructure investment where priorities based on geography, sectional and political interests have overrun the national interest.

In the case of heavy vehicle regulation, \$12.4 billion a year could be saved if all the sensible reforms were made.

That would be passed to businesses and consumers, because our industry is a highly competitive one. More needs to be achieved to ensure these savings could be realised.

But freight does not vote, so therefore public transport; NIMBY approaches to heavy-vehicle access; and populist road spending schemes take priority over a strategic national approach to transport funding.

There should be some lessons here for industry when seemingly beneficial national reforms get delayed, watered down or defeated.

A couple of months ago I was at a seminar on the supply chain organised by the Australian Food and Grocery Council.

At that seminar, I noticed similar shared concerns between the ALC and the Grocery Council as the shared concerns between the ALC and the NFF.

Our interests and concerns do not precisely overlap, nor are our priorities identical.

Nonetheless, the common themes were powerful:

- the need to remove unnecessary and duplicative regulation;
- to bring more national uniformity;
- to reform workplace conditions and remove workplace inflexibility;
- to increase Australia's infrastructure effort; and
- to improve safety.

I am sure other industry bodies share those aims. Consumers and their representative groups also have much to gain from a more efficient supply chain and better prioritisation of infrastructure spending – though perhaps they are less aware of it than they should be.

I think we need to act more co-operatively in promoting those issues to politicians and the public. We need to persuade consumers of the importance of reform to their standard of living.

Another advantage in working more co-operatively on some of these issues, is that it makes it more difficult to brand us a special interests engaging in special pleading when in fact many of our proposals are in the broader national interest.

Perhaps another lesson is that we must make greater efforts on safety and make those efforts more widely known. It is in our own interests to do so.

A safe industry is a more profitable one. Unsafe practices cost money.

If we are seen to be implementing efficient effective safety measures ourselves, the call for government-imposed regimes will have less effect. That way the legalistic-regulatory approach will be the last resort, not the first.

But we should also improve safety it because it is the right thing to do.

Last week, ALC held a Supply Chain Safety and Compliance to benchmark, share best practice, and to identify gaps where improvements are needed.

More than 250 industry representatives from all parts of the supply chain, including transporters, customers and suppliers attended the Summit and I'm pleased to say that it led to a series of actions that will progressed by ALC over the coming 12 months.

This includes

- greater sharing of information among supply chain participants.
- More efficient use of technology, such as telematics, to assist logistics companies meet their Chain of Responsibility obligations.
- Increasing Awareness of Chain of Responsibility across the supply chain.
- Strengthening and Streamlining the ALC Codes of Practice, which exist to assist companies meet their CoR obligations.

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.

Under CoR laws if you exercise (or have the capability of exercising) control or influence over any transport task, you are part of the supply chain and therefore have a responsibility to ensure road transport laws are complied with.

If you would like to know more about Chain of Responsibility, or how the ALC Codes of Practice operate, contact ALC.

Ladies and gentlemen, thank you once again for the opportunity to speak at today's forum.

Our sectors have a lot in common, and both will benefit from more efficient supply chains.

But there are some challenges before us.

ALC looks forward to partnering with the agricultural to tackle issues of shared interest in the areas of regulation, infrastructure and safety.

The end result will be a more efficient freight sector, a more prosperous agricultural industry, and importantly, a stronger national economy for all Australians.