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(Check Against Delivery)

Good morning ladies and gentlemen, it is a pleasure to be here at the Future of Infrastructure Conference.

We come together at a critical time, as a growing body of work by industry experts points to the need for infrastructure action and reform.

I look forward to discussing with you some of the infrastructure reform priorities of the Australian logistics industry.

ALC is the peak industry body for the major Australian logistics supply chain customers, providers, infrastructure owners and suppliers.

Our members span all parts of the supply chain, but are equally united in the cause to improve supply chain efficiency.

Improving domestic and international supply chains was very much at the heart of discussions at the B20 meetings in Sydney last month, which I was fortunate to attend.

The B20 is a forum that allows the private sector to provide policy recommendations to the annual meeting of the Group of 20 leaders, or G20, which Australia is currently president of.

What struck me most during the two days of discussion was the extent to which the world's major economies share the same challenges when it comes to infrastructure.

In particular, the challenge of meeting current and future demand for infrastructure.

The B20 identified two of the biggest drivers of this challenge are ageing or poorly managed assets and public balance sheets and fiscal pressures.

The B20 concluded that 2030, around 60–70 trillion dollars of additional infrastructure capacity will be needed globally.

Under current conditions however, only $45 trillion is likely to be realised, leaving a gap of some $15–20 trillion dollars.

The numbers of big, but the message is clear.

While governments have a crucial role to play in closing the gap, a big part of the solution is greater involvement by the private sector.

As these figures indicate, there are not the public funds available to meet overall demand.

And nor should this be the case.

A quantum shift is required if Australia is to have the 21st century infrastructure it needs to drive economic growth and long-term productivity for Australia.

Today I will focus on this issue from the perspective of the logistics industry.

There is no other industry that relies so heavy on efficient infrastructure to function effectively.

The logistics industry represents 8.6 percent of GDP, and directly contributes $130 billion to the Australian economy each year.

However, congestion, bottlenecks, poorly planned and maintained infrastructure and urban encroachment all impact on the logistics industry to move Australia's large and growing freight task efficiently.

Improving efficiency in the logistics industry is vital for the Australian economy

A report by ACIL Allen and released last month by ALC found that a one per cent improvement in efficiency will yield a $2 billion-a-year benefit.

That 1 percent efficient improvement can be achieved by better identification and delivery of key infrastructure projects and better targeting of scarce infrastructure dollars.

To get there, we need infrastructure reform.

The Abbott Government is to be congratulated on its efforts to facilitate greater investment in infrastructure through the recycling of assets.

Unfortunately, the efforts have been stymied by the Senate.

The logistics industry has been a strong supporter of the government's asset recycling bill.

As Assistant Minister Briggs outlined earlier this morning, the Government has announced a $5 billion fund to offer an incentive to states and territories for selling off assets and using that money to build new productive infrastructure.

However, Labor, the Greens, the Palmer United Party and some independent senators are opposing the fund.

Treasurer Hockey has signalled his intention to push ahead with the Government's asset recycling policy by making the payment through a budget bill.

My message to Senators on this issue is clear.

The upper house should allow the Government to get on with the job of encouraging greater investment in infrastructure through the recycling of assets.

Despite scare campaigns to the contrary, asset recycling has real appeal.

Instead of having to raise new capital from either the public or the private sector, capital can be raised by selling or leasing long-term present government assets.

This capital can then be "recycled" for new infrastructure projects

It has worked in Sydney with the sale of Port Botany and Port Kembla, with funds going towards major infrastructure projects like West Connex.

Of course, there was a time when the private sector was not capable of raising the capital to create or buy large national or state-wide infrastructure elements.

That time has long passed.

There is no longer any need for government to own the telecommunications system; or to own a retail bank; or to own an airline.

Nor do governments have to own and run water, electricity, rail systems and ports.

Once businesses become more established and mature and proper regulatory regimes are in place, the rationale for public ownership falls away.

Privatisation in the past has been politically sensitive.

There has been a high level of voter wariness.

So it will not be enough for industry and business to convince itself of the benefits of "recycling"; the public will have to be brought along, too, or it will not happen.

The wariness takes several misguided forms: once the asset is sold it is lost; jobs will go; services will fall.

These misconceptions must be addressed.

The assets are not lost; the private sector usually makes them work harder, adds to them and improves them.

Yes, some jobs go in the short term, but in the longer term as the capital is worked more efficiently new jobs are created.

Moreover, the old jobs that go are, of their nature, unproductive jobs.

Services do not fall.

Rather people and industry have to pay more realistic costs for them.

Our job is to convince our political leaders and the public that we will be better off if more government capital now tied up in existing infrastructure is realised so that government has more money to do things that only government can do.

We all have a role to play in this conversation.

The second reform I'd like to discuss today is heavy vehicle pricing and investment reform.

You may be aware the Government recently released the final report of the Productivity Commission inquiry into public infrastructure.

One of the report's findings is that the existing approach to heavy vehicle charging has some deficiencies.

This is largely due to the fact that road use charges are averaged and do not take into account where heavy vehicles are, how far they drive and how heavy they are.

In effect, there is a disconnect between the revenue raised and spending decisions of road providers.

ACCC Chairman Rod Simms made similar points in a speech a few weeks ago, where he called for structural reforms to road pricing framework to unlock considerable productivity benefits.

ALC is encouraging reform to the current system because we accept the fact that there needs to be a more efficient way of providing infrastructure for high priority freight routes.

There is a misconception that major heavy vehicle companies are not willing to pay their fair share for infrastructure projects, through new funding mechanisms or through tolling.

That is not the case.

By and large, logistics operators running heavy vehicles are prepared to pay a fair and reasonable price for infrastructure, so long as it improves access arrangements and supports greater productivity and reliability.

The PC report recommends the Federal Government should encourage State and Territory Governments to undertake pilot studies on how vehicle telematics could be used for distance and location charging of heavy vehicles.

Telematics are essentially devices in heavy vehicles that monitor, track and record the vehicle's movements.

While industry supports the concept of trials, the risk with having state-based trials may mean jurisdictions will come up with different approaches as to how roads are funded.

Whatever system we move to, it needs to be national, it needs to be consistent and it needs to be coherent.

And money raised needs to 'follow the freight' and not lost to consolidated revenue.

The Productivity Commission also said the first step in the reform process should be establishment of road funds by jurisdictions.

The road funds should integrate the tasks of road funding and provision into one entity.

While the Productivity Commission has asked the Government to allow it to do further work in this area, from ALC's perspective, it is critical that state treasuries rather transport departments play a lead role in this reform process.

Our fear is that reforms to road user charging will be slower if responsibility is given to transport departments to progress.

An unwillingness to allow road transport agencies to drive the road pricing reform agenda was the central theme of a report released last month by Infrastructure Australia.

IA subsequently withdrew the publication, but the report's message was clear.

There is a strong and urgent case for reform to unlock significant economic benefits.

While I don't subscribe to all of the report's findings, I agree with its main point that reforms to road pricing should not be thrown into the too hard basket.

Reform is hard, but the benefits will far outweigh the costs.

On that score, it is important that work to reform road pricing and investment does not stall, and so our preference is that the task is given to central agencies, rather than road agencies, to progress.

Treasuries have greater capacity to more quickly develop a new system so as to create a new revenue stream for investment in infrastructure that does not rely on general taxation.

And importantly, having treasuries take carriage of this reform will help to ensure a greater level of national coordination when the Federal Government undertakes its review of taxation next year.

The Productivity Commission also noted that properly conducted cost–benefit studies of large projects, and their disclosure to the public, is an important starting point for guiding project selection and improving the transparency of decision making.

This point was echoed in a report by the Economic Regulation Authority in WA earlier this month which was looking into microeconomic reforms in the state.

The ERA found project evaluation practices could be improved by ensuring that evaluation processes, including cost-benefit analysis, are applied more rigorously to all major infrastructure projects.

It also recommended that the outcomes of these evaluations are published.

Whilst Economic Regulation Authority was inquiring into WA projects only, their point on better decision making rings true across the country.

ALC believes all projects should undergo rigorous cost benefit analysis and that these details should be made publicly available when there are no market sensitivity issues that could restrict the disclosure.

This includes West Connex in Sydney and East West Link in Melbourne.

The Victorian Government is under pressure to release documentation relating to the 18 kilometre cross-city East West Link, while the NSW Upper House is seeking the release of documents relating to West Connex.

Kerry Schott, who is on the Infrastructure Australia board and chairs the Moorebank Intermodal Company, described as a “complete furphy” government claims that disclosing business cases would hurt commercial deals.

In principle, ALC supports both projects as we recognise the potential benefits of each in terms of improving freight efficiency.

However, we also believe it is important that details of the projects are made publicly available.

The public release of CBAs gives industry and the community confidence that public funds are being spent wisely, are being spent on the right projects, and are targeted at developments that will maximise economic return.

The Federal Government has committed to ensuring all projects over $100 million are subject to full cost benefit analysis.

We look forward to IA doing this work.

Improved decision making is one way to achieve efficiency gains, another is by getting more freight on to rail.

With Australia’s freight projected to double by 2030 and to nearly triple by 2050 there is a clear impetus for freight to be moved on railways.

Rail is a mode of transport that can move large volumes of freight efficiently and is at its most competitive over distances in excess of 1,000 kilometres, using long trains, double stacked if possible.

There is also a role for enhanced rail services in our cities to improve the efficiency of freight movements around our ports.

The Victorian Government has announced $58 million for the establishment of Port Rail Shuttle Services.

Much of this will be focussed on encouraging the use of rail off the Port of Melbourne and improving access from the port to the Altona, Somerton and Lyndhurst terminals.

One of the keys to making the project work will be upgrading a 1.5 kilometre rail line alongside Footscray Road which has not been used for 25 years.

The line runs alongside the stevedores' land at Swanson Dock and lies half-buried in the ground.

It’s a veritable gold-mine right under our feet that could go a long way to improve rail efficiency.

I congratulate the Victorian Government for providing funds aimed at getting more freight on to rail.

An effective supply chain requires efficient road and rail connections from ports to intermodal facilities.

Moving more freight to rail, where it makes sense commercially, has the potential to improve urban amenity, reduce road congestion and decrease queuing times at ports

Port shuttles can be viable if they are able to continually shuttle between the port and an efficient intermodal terminal.

Victoria has done much to make itself the logistics capital of Australia and this initiative will help reinforce its dominant market position.

I note yesterday's Sun Galaxy Poll shows Victoria is possibly heading for a change of government come November.

Whichever side wins, ALC seeks policy stability, particularly in relation to the critical issue of long freight term planning.

For example, it is not desirable from industry's perspective to completely rewrite the state's freight and logistics strategy.

Industry requires long-term certainty to provide business confidence and to facilitate investment.

I appreciate there may need to be some changes to the plan to implement the election promises of which ever sides wins government.

But fundamentally, industry is seeking stability rather than wholesale change.

I am heartened by comments by Shadow Treasurer Tim Pallas, who said last week and I quote:

> *"...Victorians needed to understand that when the state of Victoria says they're going to do something, they do"*

I recognise that this commitment may not necessarily apply to contentious issue of Victoria's next container port, but in broad terms it is a welcome assurance by the Opposition.

I also encourage the Opposition not to lose sight of the enormous economic benefits of the western part of East West Link.

There are reports in today's Financial Review that if elected, Labor would not go ahead stage two of the East West Link, opting instead for a truck distributor at the Port of Melbourne.

The East West Link, and in particular, the western part connecting the Eastern Freeway to the Western Ring Road, is a freight route of national significance.

Providing an efficient linkage to the Port of Melbourne, Australia's busiest container port, is critical to coping with rising freight growth and a growing population in Melbourne's west.

The provision of off-ramps on the other side of Westgate Bridge is not a real long term solution and would just add congestion to City of Maribyrnong.

The western part of East West Link is also critical to facilitating the efficient movement of freight to and from the many logistics businesses based in the city's west.

Before I conclude, I would like to share with you an example as to why long term planning is important.

Coode Island, which is 4 kilometres to the west of central Melbourne, is Victoria's major petrochemical storage facility.

The lease at Coode Island due to expire in 2022, and industry now seeks a lease extension to at least 2040 to allow it to recoup its capital investments.

A lease expiry before 2040 would be a hurdle to both the storage and manufacturing companies.

The cost of relocation would run into the tens of millions of dollars, and would potentially lead to a severe shortage of available storage capacity because firms would be unwilling to invest.

A long term commitment to Coode Island is in the state's long term economic interests, and needed to support supply chain efficiency.

Ladies and gentlemen, to conclude, I'd like to touch on of the key themes to emanate from the B20 meeting I discussed earlier.

And that was, the risk of complacency.

It is clear that business wants to invest, grow and create jobs.

With the global financial system now stabilising, now is the time for reform to generate economic growth and to create jobs.

This message resonates as loudly in Australia as it does in the other major economies.

To improve freight efficiency, we must:

- Encourage greater private sector investment in infrastructure
- Reform how infrastructure is priced and funded
- Ensure we have the right projects are selected for funding
- A commitment to long term freight planning; and
- Capitalise on efforts to get more freight on to rail

Through those and other reforms we will go a long way to improving supply chain efficiency, which will support a stronger economy for all Australians.