Industrial Estates and Business Parks Conference
Logistics – Delivering for Australia
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Check Against Delivery

It is a pleasure to be here today at the Industrial Estates and Business Parks Conference.

For those of you unfamiliar with the Australian Logistics Council; a brief overview...

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

You would all be familiar our members companies up there on the screen.

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

Integral to efficient supply chains are the warehouses, distribution centres and logistics facilities which hold, sort or generate freight.

Many of these being constructed by ALC members to meet Australia's growing freight task.

It goes without saying that this freight needs to be stored in modern, efficient and well located locations in and around our major cities.

These dedicated logistics facilities are one of the key drivers of extraordinary growth of the industry property market.

According to a recent report by Colliers, new industrial facilities across the eastern seaboard are 33 per cent bigger than they were in 2010.

The average size of a new facility nationally is currently 14 thousand square metres.

Sizes are forecasted to continue to grow for all major cities apart from Perth.

Melbourne leads the pack where an average size of new facility is now nearly 20 thousand square metres.

This is the biggest it has been in five years.

In Sydney, more than 110 thousand square metres of large-format supply is due to hit the market over the next 18 months.

In the logistics space, Toll recently opened its $86 million freight facility in Brisbane's south.

The 43 thousand square facility is the largest pallets and oversize freight depot Toll operates anywhere in the world.

Toll has also started work on a $150 million freight sorting facility adjacent to Melbourne Airport.

The facility will boast a highly specialised sortation system, and will triple Toll's parcel sorting capacity in Melbourne to approximately 35,000 parcels an hour.

Construction has also started on TNT's freight hub at Tullamarine Airport.

Also in Melbourne, Swire recently opened its new container handling facility at Altona

Linfox has announced it plans to build a $1 billion property portfolio within five years to cut down on its annual rental bill of $78 million[i].

These and other developments underscore the strength and growth and strength of the logistics sector, which was confirmed by a recent report by ACIL Allen and ALC.

The report found the Australian logistics industry adds $131.6 billion a year or 8.6 per cent to GDP.

The industry employs approximately 1.2 million people.

The report also uncovered that a one per cent improvement in efficiency will yield a $2 billion-a-year benefit.

It provides hard evidence that inefficiencies in the industry will cost Australia dearly unless all governments continue to focus on reform of regulation and infrastructure.

It highlights eight key areas for action to improve supply chain efficient and productivity, all of which ALC is now focussing on in our advocacy to governments.

They are:

- ✓ Harmonising regulation and reducing bureaucracy.
- ✓ Getting more investment in infrastructure and investment reform
- ✓ Identifying and efficiently delivering key infrastructure projects
- ✓ Planning for the whole chain from production to consumption
- ✓ Greater use of high-productivity vehicles
- ✓ Establishing a network of efficient intermodal facilities
- ✓ Greater use of railways
- ✓ Giving freight a voice in urban planning

I'd like to spend a few moments focussing on the last of these two issues – planning and rail freight.

Improved freight planning was one of the key themes to emerge from the report as way to improve supply chain efficiency.

On that front, there is some movement underway to improve road freight access in industrial areas.

Many councils are keen to attract investment to their jurisdictions, but that doesn't always mean they are fit for purpose.

Ensuring developments meet their needs of councils, land developers, business operators, councils and state agencies can be a challenge for many councils.

In particular, it is critical to ensure that new industrial areas support not only current freight vehicles, but emerging high productivity vehicles.

This so called ‘last mile issue’ is one of the greatest obstacles facing the logistics industry.

The inability to get larger, safer and more efficient trucks right to the door of freight facilities undermines industry productivity and is bad from a community amenity perspective.

It means more truck movements into already congested areas.

With that in mind, the government body AustRoads is working on guidelines for planning and assessment of road freight access in industrial areas.

They will include easy-to-follow processes to help people involved in the planning and assessment of road freight road access in industrial areas.

They will provide best practice approaches to heavy vehicle access to industrial estates and guide local councils on the best steps to take when accessing road freight access needs.

ALC expects the guidelines to be ready by the end of November.

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

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.

Here in Victoria the 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.

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.

With only weeks to go until Victorians go to the polls, it would be remiss of me not to say a few words about the critical logistics issues which are at the heart of the election, particularly the East West Link project, and the site of Melbourne's second container port.

ALC believes 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.

Labor has indicated it will not go ahead with East Link.

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

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.

Whichever side wins, industry 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.

As former Ports Minister and now Shadow Treasurer Tim Pallas, has stated: "...Victorians needed to understand that when the state of Victoria says they're going to do something, they do." *(AFR, 11/8/14 "Confusion over Vic traffic forecasts for East West Link").*

The intent of the current Victorian freight and logistics strategy does not differ substantially from that which was developed under Tim Pallas and should continue to roll out.

While we appreciate there may need to be some changes to implement the election promises of whichever side wins government, fundamentally, industry is looking for long-term certainty to provide business confidence and to facilitate investment.

The other hot issue in the Victorian election is the location for Melbourne's next container port.

The Coalition Government is committed to progressing Port Hastings, in the city's east.

Labor, on the other hand, is critical of the Hastings option, arguing the Napthine Government does not have a supporting plan to provide the infrastructure necessary to support efficient freight movements.

Shadow Freight Minister Natalie Hutchins is on the record as supporting a bay west option.

From my perspective, while a second container port will be necessary at some stage in the future, it is important to ensure we achieve maximum efficiencies from the Port of Melbourne in the short to medium term.

More broadly however, I'd be keen for an independent body, such as the proposed Infrastructure Victoria body, to review the best location for the next container port.

This asset will service the nation for generations for come, so it critical we do the necessary research now to ensure we maximise its value well into future.

Another 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 not long 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.

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

The need for reform more generally is underscored by figures in the ACIL Allen report that showed the domestic freight task is about almost 600 billion tonne kilometres annually.

That is about 26,000 tonne kilometres for every person in Australia.

This freight task is projected to increase by 80 per cent between 2010 and 2030 and triple by 2050.

While much of this will be driven by conventional deliveries to retail outlets like those I've just outlined, we will also continue to see growth in deliveries brought about by online purchasing.

Many of us are increasingly turning to the internet to purchase goods online, rather than at traditional bricks and mortar stores.

This presents a range of challenges and opportunities for both the freight logistics industry and the property industry.

According to the International Telecommunications Union, Internet usage in Australia is among the highest in the world, with more than 80 percent of the population using the internet.

Australia also ranks second in the world for smartphone penetration, with 37 percent of people owning one.

Research also shows about a quarter of users purchase products via our mobile.

This has wide reaching implications for the supply chain in terms of the way products are transported, warehoused, and ultimately delivered to consumers.

It is estimated that business to consumer e-commerce sales topped $1 trillion in 2012 which was driven by a growing online population and changes in consumer behaviour.

A recent report by Jones Lang Le Salle highlighted some of the implications of this growth for all players in the supply chain .

As e-commerce logistics models continue to grow, physical distribution networks will also undergo change.

The paper highlighted:

- We are likely to see the development of large e-fulfilment centres where merchandise is stocked and picked at item level

- Specialised parcel sortation centres are also likely will emerge, where parcels are sorted before being forwarded to local parcel delivery centres

- We will also witness the growth of local parcel centres for last mile fulfilment, as well as local urban logistics depots for fast turn-around delivery.

Trips will be shorter, delivery vans smaller, and new technologies will underpin the transfer of information up and down the supply chain.

The key message for our industry is that to survive and thrive in this online environment, well-developed logistics infrastructure facilities will be needed, underpinned by efficient online ordering systems.

As more people use the internet to buy goods online, pressure will inevitably mount on the federal government to change the online GST threshold, which currently sits at $1000.

This is an interesting debate, and is hotly contested by both consumer groups and retailers.

From the perspective of the freight logistics industry, we have ALC has some concerns with any lowering of the threshold.

Any lowering of the GST threshold for online purchases will inevitably have an impact on the efficiency of the supply chain.

This is particularly the case if goods need to be stored and GST acquitted before consumers can take possession of the goods.

If the freight logistics industry is required to play an enhanced role in this process, it cannot be expected to absorb all the extra costs associated with the reform.

Costs will need to be passed down the supply chain to consumers.

We will continue to make this point to the Government as it weighs up arguments from both sides in the debate.

The changing face of purchasing will be one of the issues to be discussed at the upcoming ALC Forum, which will be held at the MCG from 10-12 March.

The Forum brings together key decision makers from both Industry and Government, and will focus on the theme 'Delivering for Australia'.

Given property touches all parts of the supply chain I expect it will also be one of the main items of discussion, so I encourage you to consider attending the event which will be held at the MCG.

The Forum is very much geared towards questions and answers, and in that vein, I'd be happy to take any questions from the floor on any of the issues I've raised today.

Thank you.

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[i] http://www.theaustralian.com.au/archive/business-old/transport-firm-linfox-plans-a-property-empire/story-e6frg9gx-1225844953525