

DECEMBER 2016

ALC SUBMISSION ON THE 2017-2018 BUDGET



THIS SUBMISSION HAS BEEN PREPARED WITH THE
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Summary

The Australian Logistics Council (ALC) recommends the Government invest in:

- ☐ **the independent inquiry appointed to assist in the development of a National Freight and Supply Chain Strategy;**
- ☐ **the construction of the Melbourne to Brisbane Inland Rail project;**
- ☐ **Port Botany rail duplication;**
- ☐ **the Corridor Protection Strategy being developed by the COAG Transport and Infrastructure Council;**
- ☐ **a funding pool to encourage the development of the productivity initiatives set out in the *Intergovernmental Agreement on Competition and Productivity – Enhancing Reforms*; and**
- ☐ **continued funding of road safety initiatives in the heavy vehicle sector, including in particular funding for the development of a registered industry code of practice for the purposes of the Heavy Vehicle National Law, led by industry.**

Introduction

ALC welcomes the opportunity to make a submission on the *2017-2018 Budget*.

By way of background, ALC is the peak body for Australia's logistics industry, representing the major Australian logistics customers, providers, infrastructure owners and suppliers.

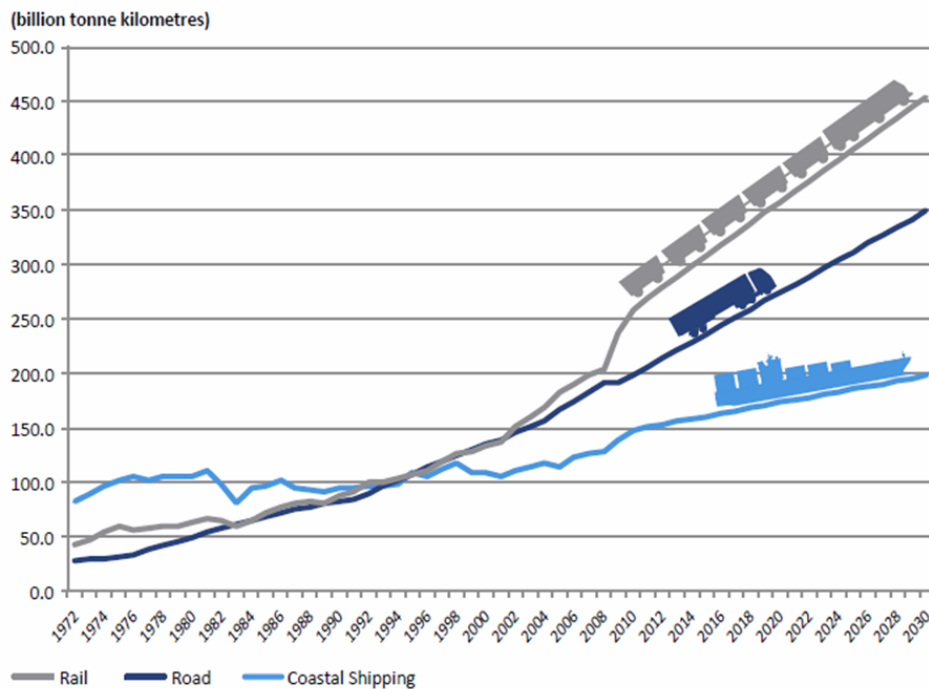
Australia's social and economic wellbeing relies heavily on ensuring Australia 'gets its supply chains right'.

A report by ACIL Allen and ALC found the Australian logistics industry adds \$131.6 billion a year or 8.6 per cent to GDP. And importantly, a one per cent improvement in efficiency will yield a \$2 billion-a-year benefit.

More efficient supply chains are a must when considering the size of freight task, and the geographical realities Australia's freight logistics industry faces.

As the graph below indicates, the national freight task has grown considerably since the 1970s.

Freight task by transport mode, 1972 – 2030



Source: BITRE 2010, Long term projections of Australian Transport Emissions: Base Case 2010, Report prepared for Department of Climate Change and Energy Efficiency, BITRE, Canberra.

This trend is expected to continue at a similar rate over the coming decades.

Infrastructure Australia predicts the national land freight task will to grow by 86 per cent between 2011 and 2031¹. The National Transport Commission also estimates Australia's freight task will increase by 26 per cent over the next decade.²

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

Moreover, urban encroachment has the ability to undermine the existing and future operation of the freight supply chain.

The lack of buffer zones and land separation setbacks and design mitigation measures for sensitive use developments have the ability to impact on the efficient operation of freight-related infrastructure.

Unfortunately, the freight supply chain cannot sustainably support Australia's growing freight demand if freight facilities and infrastructure continue to be restricted in realising their optimal capacity, due to restrictions imposed on their use or operating conditions.

The imposition of restrictions on the operation and use of freight infrastructure will only add costs to consumers and businesses.

¹ Infrastructure Australia, Australian Infrastructure Plan, 2015

² National Transport Commission, *Who Moves What Where*, 2016

1. National Freight and Supply Chain Strategy/National Corridor Protection Strategy

For these reasons, ALC strongly supports the development of a **National Freight and Supply Chain Strategy** and a **National Corridor Protection Strategy** protecting both existing and future freight corridors, as recommended by Infrastructure Australia (IA) in its *Australian Infrastructure Plan* (2016).³

These recommendations were generally supported by the Government in its response.⁴

The Government announced it would undertake an independent inquiry to look at:

- how the productivity and efficiency of Australia's freight and supply chain infrastructure can best be lifted; and
- examine any regulatory and investment barriers and opportunities to improve the capacity and reduce the costs of transporting goods through our major national container ports, airports and intermodal terminals.

With regards to corridor protection, the Government response to the IA Infrastructure Plan said:

The Australian Government recognises the importance of ensuring that the future infrastructure needs of the country are well-planned for and that economic infrastructure is protected appropriately from incompatible uses. This is critical to driving productivity and reducing future costs. To support this work in November 2015, the COAG Transport and Infrastructure Council agreed to develop a work program to protect transport corridors and precincts. The majority of projects will be completed during 2017.⁵

The Government must commit to properly funding these processes to ensure that freight chain efficiencies are obtained, increasing the overall productivity to the Australian economy.

2. Continue to invest in the development of the Melbourne to Brisbane Inland Rail project to drive productivity and efficiency in the supply chain

Inland Rail is an investment in strategic infrastructure for now and into the future, providing capacity to serve the east coast freight market for the next half century and beyond. ALC believes that it will enhance productivity and increase consumer freight chain options.

The corridor will deliver enduring benefits for decades to come by linking Victoria and regional New South Wales with Queensland, making it one of Australia's most important pieces of logistics infrastructure.

³ <http://infrastructureaustralia.gov.au/policy-publications/publications/Australian-Infrastructure-Plan.aspx>

⁴ https://infrastructure.gov.au/infrastructure/publications/files/Australian-Government-Response-to-Australian-Infrastructure-Plan_Nov-2016.pdf

⁵ Page 59

Inland Rail will be an important contributor to national productivity by reducing train operating costs and improving service standards. The project will reduce the transit time (to less than 24 hours) for freight between Melbourne and Brisbane that is as competitive as road. It will also reduce congestion on Australia's national highway system.

Inland rail won't be constrained by the existing coastal route and will promote economic benefits through the efficient movement of both manufactured and fresh products between some of Australia's largest domestic markets.

The project also enhances the business case for the development of an intermodal terminal of a meaningful scale at Truganina in Melbourne's west (the Western Intermodal Freight Terminal) to ensure the supply chain in Victoria has complementary capacity and service level improvements to Inland Rail's offering.

Finally, ALC believes in the development of the inland rail route as nationally significant infrastructure that will boost the rail freight mode share on the North–South corridor. The project will free up rail capacity in our major cities - particularly in Sydney, which often acts as a bottleneck as passenger trains are afforded priority – and allow greater flexibility for not only Port Botany, but movements between Port Kembla and Newcastle.

For these reasons, the inland rail project should enhance the productivity of the Australian economy as a whole. At a time where the Government must be strategic in the investments it makes, it needs to use limited resources to encourage investments that will add to productivity outcomes.

Funding for planning and pre-construction works has been committed by the Government, and with the 2017 Budget approaching, funding for construction should also be committed to not only show that it will deliver this important project but to allow industry to plan for when operations commence – given the significant lead times required especially in the freight rail sector.

This means that investment in projects such as inland rail should be preferred to other more speculative projects such as High Speed Rail, for which the net public benefit to the Australian economy is far less established.

3. Moorebank and related developments

The continued development of the Moorebank Intermodal Terminal is critical to Sydney's freight future as it will support the more efficient movement of freight to and from Port Botany.

Once fully operational, it will also connect to the national road/rail network, and in so doing, provide a much needed boost to national freight efficiency.

Moorebank will also help support the NSW Government's vision to double the amount of freight moving to and from Port Botany by rail, which currently sits at around 16% and NSW Ports' target to move 3 million TEU by rail over the longer term.

It is for that reason that Infrastructure Australia included the Moorebank Intermodal Terminal and road upgrade, the Southern Sydney Freight Line upgrade and the Port Botany freight rail duplication as part of its Infrastructure Priority List.⁶

ALC members believe that, in particular, investment should be made to advance the rail duplication project.

As Infrastructure Australia said:

Port Botany is one of Australia's most significant import/ export terminals for containerised freight, and a backbone asset for economic productivity within Sydney and NSW. The Australian Infrastructure Audit (April 2015) found the Direct Economic Contribution of Port Botany is projected to grow from \$5 billion in 2011 to \$8 billion in 2031, a 63 per cent increase. The Port Botany freight line is currently operating close to capacity. Additional demand arising from growth in interstate, intrastate and import/export freight has the potential to create a bottleneck along this line, impacting on reliability and restricting the efficient movement of freight across the broader Sydney rail network. As Sydney's primary container port, it is vital that Port Botany maintains throughput capacity to meet demand over the long term. Currently, only a small portion of freight is moved using the freight rail network, which imposes additional demands on the road network. Truck traffic at Port Botany is estimated to increase by 400 per cent by 2030, driven largely by expected growth in throughput at Port Botany⁷.

The Government should make investments to advance the Port Botany freight rail duplication project.

4. Planning

ALC has long argued that one of the largest constraints to the efficient movement of freight is the planning laws of the various jurisdictions, which increasingly make the operation of assets in an efficient manner increasingly difficult.

IA made a number of salient recommendations in its *Infrastructure Australia Plan*⁸.

Recommendation 1.1 was for the Australian Government to develop Infrastructure Reform Incentives, which link additional infrastructure funding to the delivery of reform outcomes.

This mechanism would 'drive' state, territory and local governments to deliver productivity enhancing reforms to the planning, construction, operation, ownership and governance of Australia's infrastructure.⁹

Whilst the Government generally agreed with the recommendation in its response, it said incentive funding would only be where capacity 'is available'.¹⁰

⁶ http://infrastructureaustralia.gov.au/projects/files/Australian_Infrastructure_Plan-Infrastructure_Priority_List.pdf

⁷ Australian Infrastructure Plan [The Infrastructure Priority List Project and Initiative Summaries February 2016](http://infrastructureaustralia.gov.au/policy-publications/publications/files/Australian_Infrastructure_Plan.pdf)

⁸ http://infrastructureaustralia.gov.au/policy-publications/publications/files/Australian_Infrastructure_Plan.pdf

⁹ The gist of Recommendation 2.1

It is regrettable that the Government has declined to expressly fund state and territories to encourage productivity outcomes for the reason discussed below.

5. Intergovernmental Agreement on Competition and Productivity – Enhancing Reforms

The *Intergovernmental Agreement on Competition and Productivity – Enhancing Reforms* formed part of the outcomes of the COAG meeting held on 9 December 2016.¹¹ It contained a number of initiatives that are important to the Australian freight chain. This includes:

- a confirmation of the need to expedite road pricing reforms;¹²
- the restatement of the rules relating to access to services provided by means of significant infrastructure facilities;¹³ and
- the development of microeconomic reforms that improve the connectivity of cities and regions through reforms in such areas as land use planning and improving the efficiency of transport.¹⁴

Regrettably, some jurisdictions did not sign the IGA because of an absence of Commonwealth money to encourage implementation of reform.¹⁵

It is clear Commonwealth incentives are necessary to ensure that jurisdictions are encouraged to make decisions reflecting the fact that Australia is one single economy.

It follows that ALC greatly regrets the Government's confirmation it is terminating the Asset Recycling Fund as announced in the *Mid-Year Economic and Fiscal Outlook 2016-2017*, as it effectively takes off the table an important financial incentive for state and territory governments to unlock capital captured in mature assets to invest in logistics infrastructure.

The privatisation or long term lease of electricity, water and port assets realises desperately needed funds for new infrastructure projects and so the decision is disappointing.

ALC strongly supported the Government's original decision to establish a fund to provide incentives to state and territory governments to transfer mature state government-owned assets to the private sector.¹⁶

Therefore, the decision that the Fund will not continue until 30 June 2019, as anticipated in the National Partnership Agreement on Asset Recycling, is unfortunate.¹⁷ Microeconomic reform requires the Commonwealth to be a committed full time player and not a mere commentator or part time participant.

¹⁰ *The Australian Government's Response to Infrastructure Australia's Infrastructure Plan* (2016) pp.11; 18 - https://infrastructure.gov.au/infrastructure/publications/files/Australian-Government-Response-to-Australian-Infrastructure-Plan_Nov-2016.pdf

¹¹ <http://www.coag.gov.au/about-coag/agreements/intergovernmental-agreement-competition-and-productivity-enhancing-reforms>

¹² Appendix C of the Agreement

¹³ Appendix C.1

¹⁴ Paragraph 5.c of Appendix D

¹⁵ COAG: States Confront Turnbull on Infrastructure and Competition Reform *Guardian* 9 December 2016: <https://www.theguardian.com/australia-news/2016/dec/09/coag-states-confront-turnbull-on-infrastructure-and-competition-reform>

¹⁶ ALC Submission to the Senate Economics and Public Administration Inquiry on the Privatisation of State and Territory Assets and New Infrastructure <http://austlogistics.com.au/wp-content/uploads/2015/01/ALC-Submission.pdf>

¹⁷ Clause 6: <http://austlogistics.com.au/wp-content/uploads/2015/01/ALC-Submission.pdf>

The Commonwealth must establish a funding pool to encourage the development of the productivity reforms contained in the Intergovernmental Agreement on Competition and Productivity – Enhancing Reforms.

6. Heavy Vehicle Safety

The Government has committed to redirect money that was to fund the now abolished Road Safety Remuneration Tribunal to the National Heavy Vehicle Regulator, so as to advance safety initiatives over the forward estimates period commencing in 2016-17.

The Government should make a commitment to fund heavy vehicle safety initiatives permanently.

There are a number of safety initiatives to which the Government could invest funds in a way that would enhance safety outcomes.

Perhaps the most important and productive investment would be to fund the preparation of a registered code of practice so as to assist all members of the supply chain to comply with the provisions of the Heavy Vehicle National Law (HVNL).

Leading industry associations such as ALC are working in close cooperation with the National Heavy Vehicle Regulator in this process. ALC has committed to lead the development of such a code, so that industry is ready for the substantial changes to the HVNL that will commence during 2018. These changes will increase both the scope of the chain of responsibility and the safety duties that are owed by chain of responsibility participants.

Government investment in the development of a single and accessible set of guidelines for an amended Heavy Vehicle National Law will ensure that industry is ready for the new laws, which should increase safety outcomes in the heavy vehicle sector.

Other areas where investments could be made include:

- ☐ enhanced support for the national safety regulators (the National Heavy Vehicle Regulator and the National Rail Safety Regulator) to enhance road and rail safety education; and
- ☐ continued identification and funding assistance for productivity and safety measures for heavy vehicles, including an on-going program of rest stop upgrades, safety works at high-risk sites and bridge improvements.



ALC MEMBERS

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Strategic partnerships



Honorary fellows

- Don Telford, March 2016
- Ingilby Dickson, March 2015
- Ian Murray AM, March 2012
- Paul Little AO, February 2011
- Peter Gunn AM, February 2011
- Ivan Backman AM, May 2010
- David Williams OAM, May 2010

Current at October 2016