

## **Speech for Michael Kilgariff, Managing Director, Australian Logistics Council GS1 Supply Chain Week**

### **Facing the Productivity Challenge**

Ladies and gentlemen, Bonnie, thank you for the invitation to speak here today at GS1 Supply Chain Week.

And thank you also to NICTA for hosting this event.

Both GS1 and NICTA are valued ALC stakeholders and I'm pleased for the opportunity to discuss with you some critical issues facing the logistics sector.

For those of you unfamiliar with the Australian Logistics Council, allow me to provide you a quick overview.

ALC is the peak national industry body for the freight logistics industry.

Importantly, we span the whole of the supply chain, with our members including road, rail, sea and air companies.

Many of you would be familiar with our member companies that you can see on the slide above

ALC advocates for measures that will improve productivity, efficiency and safety in the industry and, through that, create more efficient supply chains.

Given Australia now has a new Coalition Government, with a stated focus on driving productivity, deregulation and efficiency, the need for ALC to be vocal and active in this space has taken on a new urgency.

We welcome the new prospective Minister for Infrastructure and Transport, Warren Truss, and thank the previous Minister, Anthony Albanese, who did much to put logistics on the national reform agenda.

We congratulate the Coalition on its win and trust they will provide Australia with good government over its term.

It is important therefore that today I focus on the steps that need to be taken to improve productivity in the freight logistics industry.

Productivity growth in the transport sector has remained stagnant at 0% in the five years to December 2011.

Furthermore, a Reserve Bank report has found the rate of growth in the transport sector has declined by 2% over the past two decades.

The need to address poor productivity in our industry is made all the more urgent given our rising freight task.

Australia's freight task has been rising steadily, particularly since the mid.1970s as the table above demonstrates.

The Australian freight task is immense and reflects our geographic reality.

Our annual freight task is 500 billion tonne kilometres.

*(a Billion Tonne Kilometres is a unit of measurement equal to the weight in tons of material transported, multiplied by the number of kilometres driven.)*

So, more efficient supply chains are a must, especially as this freight task is expected to grow considerably.

It will double to 1000 billion tonnes by 2030 and grow to 1400 billion tonne kilometres by 2050.

NSW is a very important part of this task.

NSW's freight task is predicted to double to 794 million tonnes by 2030.

In 2011 freight and logistics contributed approximately \$58 billion of the NSW Gross State Product, which is nearly 14 percent.<sup>1</sup>

Nearly 130,000 people are directly employed in the freight industry in NSW. Tens of thousands more are indirectly employed.

In NSW we have seen some encouraging activity towards a more efficient supply chain, but we are concerned at other developments that threaten to undermine solid work on streamlining regulatory frameworks at the national level.

I'll talk more about this shortly.

The NSW Government has taken some important first steps to improve the efficiency of the freight network.

For example, for the past two years it has been developing a Port and Freight Strategy, as are South Australia, Tasmania, Western Australia and the Northern Territory as part of these states' commitments to the National Ports Strategy and the National Land Freight Strategy.

The development of the draft NSW Strategy is an important step as it contains features such as:

- The development of the Moorebank Intermodal Terminal, which ALC would like to see developed 'englobo' using a whole-of-precinct approach;
- The development of the WestConnex project (about which I'll talk more about shortly); and
- An apparent willingness to develop a business case for a trial of the use of High Productivity Vehicles, known as HPVs on the Hume Highway.

ALC hopes that this trial of HPVs will begin by 1 July next year.

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<sup>1</sup> <http://freightandportsstrategy.transport.nsw.gov.au/wp-content/uploads/2012/11/TfNSW%20Freights%20and%20Ports%20Strategy%20-%20web%20version%20-%20main%20doc.pdf>

We would like to see the trial lead to the development of what is the 'economically efficient' price – that is the most efficient price that allows HPV access without wasting taxpayers (and operator) dollars.

I understand that the strategy has been signed off and ALC would like to see the final strategy released as soon as possible.

The draft strategy was released some months ago and industry is eagerly awaiting the final document to provide greater certainty.

To that extent I note the Draft Metropolitan Strategy and the New Planning System for NSW White Paper indicates that planning instruments will be 'co-ordinated with' or read 'in conjunction' with the Metropolitan Planning Strategy and regional growth plans.

ALC has always been concerned that the interests of freight are the 'poor cousin' of planning.

The need to move goods has played second fiddle to other interests.

ALC believes that urban and freight plans should be contained in the one integrated document so that both the planning and transport bureaucracies are fully involved.

Many of Australia's major ports suffer from inappropriate urban development caused by a lack of foresight and a lack of corridor protection.

This was discussed at an inquiry into road-access pricing by the NSW Legislative Assembly's Standing Committee on Transport and Infrastructure.

Infrastructure Australia told the committee that past errors in planning, including selling of surface corridors, meant that more costly options were required later, such as tunnelling.

The NSW Government's Planning White paper says it is 'crucial' that infrastructure corridors are protected.

The white paper calls for action to protect the freight needs of the state and the nation.

Fine words, but unfortunately a program to identify and protect corridors is not referred to in either the Planning White Paper or the Sydney Metro Strategy.

Government and industry have to develop ways to fund the identification and preservation of freight corridors so that NSW's predicted freight growth can be accommodated efficiently.

ALC encourages the NSW Government to acknowledge the economic importance of corridor protection and to propose measures to ensure their preservation.

The Government should recognise the need for special planning instruments to preserve the corridors identified by the National Land Freight Strategy.

Without doubt, however, the biggest impediment to improving the efficiency of our freight network is here in Sydney.

If freight doesn't move efficiently through our cities, national productivity will suffer. When Sydney logistics doesn't work – Australia doesn't work.

This requires investment. And this leads me to the events of last Saturday.

ALC congratulates the Coalition and trust they will provide Australia with good government over its term.

During the campaign the Coalition made a number of commitments.

The Coalition said it would establish a funding and financing unit within Infrastructure Australia to look at ways to generate additional funding for projects identified through a renewed National Infrastructure Audit.

ALC has long called for Infrastructure Australia to be able to get more private-sector investment in freight logistics infrastructure.

The Funding and Finance Advisory Unit is a positive step towards that.

IA will also provide advice on efficient financing options for new projects. So it can look at both private, as well as public, financing options.

This is an important role, as it will help create the conditions to attract the capital necessary to build Australia's infrastructure.

Infrastructure Australia will also retain its role of ensuring that projects are supported by rigorous cost benefit analyses.

ALC will be monitor how IA performs these tasks and whether government provides enough money to ensure the work is carried out.

Mr Abbott said he wishes to be known as the 'Infrastructure Prime Minister' and has committed the incoming government to significant spending and to 'front end' expenditure in infrastructure.

Most relevant to NSW is a \$1.5 billion commitment to WestConnex, with \$500m to be spent this financial year; \$255m for the Sydney F3 to M2 Link; and \$2.5bn for the Pacific Highway.

ALC trusts these commitments will be delivered.

ALC also encourages the new Government to honour a number of logistics projects announced by the previous government to improve supply chain efficiency.

This includes projects to improve rail lines running to Port Botany which is critical to getting trucks off the road and maximising the value of the Moorebank Intermodal Terminal.

The Coalition has promised an annual statement on infrastructure to "ensure our promises are not just words but action on the ground".

ALC will carefully scrutinise this statement and use its publication to ensure that election promises are actually delivered.

As I mentioned earlier, West Connex is one of the projects that will receive federal funding.

The WestConnex project is quite important to the community and the freight logistics industry more broadly.

Given the early Commonwealth investment, the NSW Government must now develop the final design and route of the road, including how the motorway will link with the Port Botany precinct.

Port Botany is Australia's second largest container port, handling about a third of all containerised cargo shipped into and out of Australia.

At Port Botany's current growth rates, the maximum approved throughput of 3.2 million twenty-foot containers is likely to be reached in three to four years.

Investment is needed in the road and rail links servicing Port Botany which highlights the importance of the West Connex project.

This 33-kilometre link between Sydney's west and the airport and Port Botany will improve freight efficiency in Sydney, and ALC supports its development.

Increased traffic, both passenger and freight, in and around Port Botany is putting increasing strain on the existing network.

This growth underscores the need for West Connex, but is important to ensure the motorway actually improves freight efficiency into, and out of the port.

Work must now also begin to work out the price that heavy-vehicle operators must pay to use the new road.

Heavy vehicles will be a major source of the revenue to fund the road.

The Government must clarify its funding formula for the road to ensure that heavy vehicles pay a fair, but not disproportionate, share of the cost.

The incoming government has also committed \$300 million to begin the development of the Inland Rail from the Port of Brisbane to Melbourne through New South Wales. .

ALC's Election Priorities Document [Time to Deliver](#) nominated an inland rail line as a key priority to help meet Australia's rising freight task along the north-south corridor.

The benefits of an inland rail line are enormous.

It would improve rail freight efficiency and reliability along the north south corridor.

It would free-up rail capacity in our major cities, particularly in Sydney which often becomes a bottleneck as passenger trains are given priority over freight.

Rail freight on the North–South corridor has declined in the past 35 years, from 35 per cent in 1972 to 12 per cent in 2007<sup>[1]</sup>. An inland rail freight line would help to reverse this trend.

It is therefore important that the Government begin the groundwork as soon as possible. Again, ALC will carefully monitor progress here.

ALC's 'Time to Deliver' document identifies a number of projects to improve freight efficiency. A second Sydney airport at Badgery's Creek is high on that list.

The Draft NSW Long Term Transport Master Plan found that today, more than 656,000 tonnes of cargo pass through Sydney Airport every year.

By 2035, the airport will be dealing more than 1.5 million tonnes of cargo each year.<sup>2</sup>

The current tonnage is carried on approximately 3,000 freighter aircraft movements a year.<sup>3</sup>

Many more movements will be necessary as the tonnage increases, to meet, among other things, increased consumer use of internet sales and greater industry use of 'just in time' supply of components.

The Coalition's aviation policy says:

*"QUOTE Sydney Airport*

*The Coalition recognises that Sydney Airport is one of the most critical pieces of infrastructure in Australia. Its contribution to the local and national economy, both in tourism and business, is significant. While Sydney Airport believes it can cater for the increase in traffic for many years to come, there will be a time when a second international airport will be required.*

*If elected, the Coalition will make a decision on the site for a second Sydney Airport in the first term of government.*

*The Coalition will prioritise upgrades to the infrastructure surrounding the existing Sydney Airport which is clogged in peak periods. We have already committed \$1.5 billion to get the WestConnex project underway.*

UNQUOTE.

Numerous studies have found significant growth in air freight in the Sydney market in the coming years, heightening the need for action now to increase capacity.

A second airport is needed in Sydney to add price competition to the Sydney air-freight market; to meet rising levels of demand and to address congestion around Kingsford Smith

It is imperative the new Government make a decision on where the new airport will be.

The new Government's aviation policy promised a decision on this issue in the first term.

ALC will be holding them to it.

Another matter ALC is continuing to hold governments to account on is the national transport laws.

Most of you would be aware that most states and territories have adopted what is called the Heavy Vehicle National Law.

This reform is estimated to provide the Australian community with \$12bn in productivity savings, following the creation of a single national regulator (the Heavy Vehicle National Regulator) administering one rule book.

ALC is a strong supporter of the law, as it will eliminate many of the cross border inconsistencies that impact on supply chain efficiency and add to compliance costs.

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<sup>2</sup> NSW Government *Draft Long Term Transport Master Plan* (2012):36

<sup>3</sup> Department of Infrastructure and Transport *Joint Study on Aviation Capacity in the Sydney Region* (2012)

The states and territories are currently passing the necessary legislation, with the national law expected to come into force on 1 October.

However, last month the NSW Government introduced into Parliament legislation that includes some derogations from the national law which is of concern.

NSW's changes would impact on the operation of what is known as the Advanced Fatigue Management scheme for drivers.

It will also allow Roads and Maritime Services officers to act as "authorised officers" of the National Regulator without an authorisation from the National Heavy Vehicle Regulator.

The national regulator would not be able to consider the RMS officers' expertise or experience, and will lose the ability to determine the way its powers are to be exercised. It will undermine the development of a national approach to regulation.

Finally, there is a proposal to allow NSW to make 'local regulations'.

ALC is concerned that this will result in such a departure from the Heavy Vehicle National Law that the advantages of having an 'applied law' approach to national regulation would be lost.

Also, because NSW authorised officers are not subject to any restrictions or instructions issued by the National Heavy Vehicle Regulator, NSW officers may exercise powers according to the priorities and the interpretation of laws of the NSW Government rather than the National Regulator, causing confusion at the roadside.

ALC therefore calls on the NSW Government to have a roundtable discussion with all major stakeholders as soon as possible to ensure the advantages of the national scheme are preserved.

## **Conclusion**

Ladies and gentlemen, there is a saying in our industry - freight doesn't vote.

In many respects freight often gets drowned out in the public discourse on transport, particularly here in Sydney.

People are generally more concerned with late running-trains, overcrowded buses and being stuck in their car on the Harbour Bridge.

ALC is working with governments, industries and communities to turn around the false perception that freight doesn't matter.

Freight Does Matter to all Australians.

We do this by demonstrating the economic and social benefits of a more efficient supply chain.

Without an efficient and effective supply chain, all those things people take for granted every day will be less available or more costly.

Without proper planning and regulations, the amenity of our suburbs, particularly those around intermodal terminals and ports, will suffer.

And without a long-term plan for Australia's freight future, we will miss an opportunity to build a stronger national economy.

We hope that the change in government will lead to a higher priority for the infrastructure that freight relies upon.

It has been a pleasure to share with you my thoughts on this important issue today.

And if you wish to continue the conversation, I encourage you to attend the 2014 ALC Forum, which will be held at Royal Randwick Racecourse on the 19<sup>th</sup> and 20<sup>th</sup> of March.

Thank you.

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