



AUSTRALIAN LOGISTICS COUNCIL

Speech for Michael Kilgariff

Africa Australia Infrastructure Conference

Ladies and gentlemen, it is a privilege to be with you today at the Africa Australia Infrastructure Conference.

Australia has a strong and prosperous economic relationship with Africa.

This partnership is reinforced through commerce, education, two-way tourist traffic and migration.

Australia's total trade with Africa has nearly doubled over the past decade.

It has gone from \$6 billion in 2004 to \$10 billion in 2014.

Australian investment in Africa is thriving, particularly in the resources sector.

There are over 200 Australian mining companies with more than 700 projects operating in Africa.

Our countries share a number of similarities when it comes to our infrastructure challenges.

More efficient supply chains are a must when you consider the size of our respective freight tasks, and the geographical realities both Africa and Australia face.

Australia's freight task will double between 2010 and 2030, and likely to triple by 2050.

And according to the International Transport Forum, trade between African countries will increase by 715% between now and 2050.

Furthermore, international freight transport volumes are also expected to grow by some 200% over the same period.

These figures underscore the need for efficient road and rail networks in both our countries, with seamless connections to ports, to sustain economic growth, jobs and trade opportunities.

Before I discuss some infrastructure issues specific to Australia, a quick overview of ALC....

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

We are the key advocacy organisation on behalf of the Australian freight logistics sector.

ALC works with its members to advocate on five key policy areas: Regulation, Safety, Technology People and Infrastructure.

Research has shown an increase in logistics productivity of 1% would increase GDP by \$2 billion in Australia so much of what we do is aimed at squeezing out extra efficiencies in our supply chains.

You may be familiar the names of some of our member companies, as a number have a presence across the region.

Our members span the entire supply chain, incorporating, road, rail, sea, air, sea ports and intermodal ports.

Our primary message to governments is simple and clear.

The movement of freight must receive equal consideration to moving people.

Unfortunately in Australia, freight is often seen as an inhibitor, rather than a creator of wealth, prosperity and opportunity in Australia.

In addition to infrastructure investment, which is what I will focus on today, we also encourage greater integration between urban planning and freight planning to avoid repeating the mistakes of the past that restrict supply chain efficiency.

In practice, urban encroachment, a lack of buffer zones, and a tangle of passenger and freight rail on the same lines are all symptoms of a lack of attention to the needs of freight.

Addressing these issues are particularly importantly in light of the GDP figures I spoke about earlier.

Australia's transport needs are not too dissimilar to Africa, with vast distances between major population centres and a number of large, sprawling urban cities.

Most of Australia's resource wealth is far from where the majority of Australia's population resides.

Freight has to be moved over long distances, using a combination of freight modes, including road, rail, sea and air.

This is illustrated by the national land freight map of Australia you can see behind me.

But with rising freight growth, a growing population, and increasing demand for imported goods, the need for efficient infrastructure is paramount.

Nowhere is this more important than in the area of freight rail – a topic which I understand you have a particular interest in.

There are estimated to be over 40,000 kilometres of railways across Australia.

Rail is dominated by transport of bulk freight over longer distances and plays a significant role in transporting grains, rice, cotton and sugar for processing and/or export.

Iron ore and coal together account for over 80 per cent, in tonne kilometre terms, of all rail freight.

By 2030, the total national rail freight task is project to be more nearly twice its 2010 level, predominantly due to continued growth in iron ore exports.

The recent resurgence in rail freight is driven by the movement of bulk ores and continued growth of long haul freight to Perth.

The Pilbara railways are the most productive in the world with almost 3,000 kilometres of rail and capacity in excess of 600 million tonnes per annum.

In terms of ownership, the Australian Rail Track Corporation manages over 8,500 kilometres of Australia's interstate track, as well as the Hunter Valley Network.

Brookfield Rail owns the interstate track from Kalgoorlie to Perth as well as other track in Western Australia.

Asciano, Aurizon and SCT are the main train operators operating inter-capital container services.

Non-bulk rail freight, which comprises around 8 per cent of total rail freight, is most significant on the east west corridor and the Melbourne to Brisbane corridor.

On all other corridors, rail carries a much smaller share of inter-capital non-bulk freight.

Around 80 percent of Australia's population live along Australia's eastern seaboard.

Not surprisingly, most of our freight movements are concentrated in this region.

Freight travelling between our three biggest cities – Sydney, Melbourne and Brisbane – has to go through Sydney, which often acts as a freight bottleneck.

In light of this, industry and Government are working together to progress the inland rail project.

I'd like to play a short video about the project which we screened at an Inland Rail event at Parliament House in Canberra earlier this year.

It explains why it is needed, and how it will transform our national supply chains.

PLAY VIDEO

As the video said, building the inland rail line is a huge opportunity for Australia.

ALC identified the project as one of four key priority areas for action in the lead up to the last federal election.

We will continue to advocate the economic benefits of the project before the next election, which is due next year.

The obvious benefit of inland rail is that we can effectively bypass Sydney on the north south route, where passenger trains are afforded priority.

Congestion is a big problem in our major cities, particularly in Sydney.

A recent report from the Bureau of Infrastructure Transport and Regional Economics highlights this challenge.

Congestion will cost every household and business \$16 billion this year, increasing to \$37 billion in just fifteen years' time.

Sydney, our biggest city, will see the most gridlock, with congestion costing \$6 billion this year, rising to \$12.5 billion by 2030 – more than double.

In Melbourne, the congestion cost of \$4.5 billion this year will rise to \$10 billion by 2030 and Brisbane will see an escalation from \$2 billion to \$6 billion in next fifteen years.

These are staggering numbers, and reinforce why ALC is putting the pressure on all levels of government to invest wisely to get the most economic benefit from our finite resources.

But it is important to remember that addressing the challenge of congestion requires a multi-faceted approach.

A whole of supply chain focus by governments is needed, underpinned by a multimodal mindset.

This includes a commitment to short haul rail.

Moving more freight to short haul rail in our cities, where it makes sense commercially, has the potential to improve urban amenity; reduce road congestion and decrease queuing times at ports.

Short haul rail basically involves transporting freight from the port to an inland intermodal terminal for sorting, consolidation and on-forwarding.

Intermodal terminals are key components of the logistics chain.

They underpin the safe and efficient interchange between road, rail and other transport modes.

A number of our members are investing in intermodal terminals both here in Melbourne as and also in Sydney.

A good example is the Moorebank Intermodal Terminal which is to be constructed in Sydney's south west.

The Moorebank intermodal freight precinct will include facilities for transferring interstate freight between rail and road.

The Moorebank intermodal freight precinct will enable containers moving between Port Botany, Sydney's largest container port, and south-west Sydney to undertake much of their journey by rail.

In time, both Moorebank and Sydney's other intermodal terminals will link up with the inland rail line, delivering more efficient freight movements on both the interstate and intrastate freight networks.

Inland rail was one of the projects ALC highlighted in its recent submission to Infrastructure Australia on its Infrastructure Audit.

Infrastructure Australia is the government's independent advisory body on infrastructure.

It recently produced the Australian Infrastructure Audit, which sets out a number of challenges for Australia's national supply chains requiring action

The Audit will inform a 15 year *Australian Infrastructure Plan* which IA is currently developing.

In addition to inland rail, ALC's submission to IA identified seven areas for areas for action which I'd like to briefly touch on.

The first of these was to audit the National Freight Strategy.

Australia has a national land freight strategy but the appetite for reform has stalled.

ALC has therefore called for the National Freight Strategy to be audited to see what actions are needed to boost supply chain efficiency.

Our second recommendation was to accelerate road reforms.

Currently, charges paid by heavy vehicles are untied to road funding.

In other words, the money paid through fuel excise and registration gets lost to consolidated revenue, with only some of it going back to infrastructure.

ALC believes there needs to be reform of the system, so funds that are directly levied on heavy vehicles to use the nation's roads are then reinvested in that same infrastructure to improve the efficiency of the system.

Our third recommendation was to prioritise the efficient use of High Productivity Vehicles travelling to and from Australia's major ports.

ALC is encouraging Infrastructure Australia to champion the use of High Productivity Vehicles which are bigger, safer and more efficient than conventional heavy vehicles.

Our submission also argues that ports will not achieve optimum capacity if road connections to the port precincts and intermodal terminals are limited.

We also advocate for the Infrastructure Australia to analyse where technological improvements can deliver the greatest economic return.

Finally, we have called on IA to encourage and prioritise private sector investment in logistics infrastructure.

A greater focus on freight is particularly important given Australia has recently concluded a number of important trade deals in recent months, including the TPP.

Maintaining and enhancing efficient national and international supply chains is a fundamental component of any international trade deal, such as the TPP, and will help to ensure Australian businesses receive the full benefits of this and other important international agreements.

Ladies and gentlemen, it has been my pleasure share with you today the role ALC plays advocating for measures to improve supply chain efficiency in Australia.

While it obviously takes some time to implement national reforms and new investment frameworks, the ends certainly justify the means.

These and other measures I've outlined today reflect industry's commitment to working with government to improve productivity, efficiency and safety across the entire supply chain.

We do this because freight efficiency matters for all Australians.

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.

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

Finally, if you would like to continue the conversation I encourage you to attend the ALC Forum which will be held in Sydney next year at Royal Randwick from 1-3 March.

Thank you.