



AUSTRALIAN LOGISTICS COUNCIL

Michael Kilgariff Speech to the Queensland Infrastructure Summit Tuesday 8 December 2015

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Thank you for the invitation to speak with you at the Queensland Infrastructure Summit.

Today, it will be my pleasure to discuss with you four key themes:

- ✓ Delivering on Inland Rail Line to improve north-south freight efficiency
- ✓ Integrating cost benefit analyses in major infrastructure projects
- ✓ Prioritising freight in all national and state long term planning
- ✓ Infrastructure Australia's long term infrastructure plan

First, an overview of ALC.

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ALC is the key advocacy organisation on behalf of the Australian freight logistics sector.

You will be familiar with many of our member companies.

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

Our whole of supply chain approach is unique and sets us apart from many other transport bodies.

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

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As you can see from this graph, the national freight task has grown considerably since the 1970s.

More importantly from ALC's perspective, this trend is expected to continue at a growing rate over the next 40 years.

The national freight task is approximately 500 billion tonne kilometres today, and it is estimated to reach 1000 billion tonne kilometres by 2030 and 1400 billion tonne kilometres by 2050.

To add a few more figures into the equation, Treasury modelling shows Australia's population will hit 35 million by 2050.

This increases the need for smooth and efficient supply chains that connect our sources of wealth with our domestic markets and international gateways.

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Here in Queensland, growth in the freight task is equally large.

Queensland's freight task is forecast to increase by 89% between 2010-2011 and 2026.

In raw numbers, it is expected to climb from 871 million tonnes to around 1,700 million tonnes in just over 20 years.

These numbers underscore the need for a more focussed approach by policy makers and industry to ensure we have the right infrastructure in place, at the right time, underpinned by national regulations.

Now more than ever, the state requires efficient, safe and reliable supply chains to facilitate the smooth flow of goods from production to consumption to boost economic performance.

The Queensland Government recently announced it would be establishing a Queensland Freight Advisory Council.

This is a welcome development and we look forward to the Council having a strong level of representation from all parts of the supply chain.

Our discussions today take place against the backdrop of the Federal Government becoming more involved in a policy sense in the development of our cities.

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This renewed focus is also welcome.

Infrastructure Australia predicts growing congestion will cost Australians \$53 billion by 2031 as the population increases to 30 million.

Here in Queensland, the population is forecast to reach 6.45 million in 2031 – an increase of almost two million people, or 44 per cent, from 2011.

Both population and economic growth in Queensland are projected to be higher than the national average over the 20 years

IA modelling also predicts the economic contribution of our major cities will increase by 90 percent to an input of \$1.6 trillion in 2031.

From the perspective of the logistics industry, greater Federal Government focus on the workability of our cities is a positive step.

It has the financial muscle that many state and territory governments simply don't have to invest in projects to improve the economic efficiency and liveability of our capitals.

Similarly, they have a role to play in developing policies that pave the way for greater private sector investment in infrastructure projects.

But the debate, to date, has focussed on federal government investment in in trams, buses and rail links in our cities.

Unfortunately, the need to invest wisely in key logistics projects to improve supply chain efficiency has been somewhat overlooked.

It is essential that the Government gives equal consideration to the movement of freight as it does to the movement of people.

It's a message that bears repeating.

The Government needs to give equal consideration to the movement of freight as it does to the movement of people.

In short, any new federal approach to moving people should not be at expense of supporting supply chain projects to move freight.

The economic windfall from improving the efficiency of our national supply chains is significant.

A report by ACIL Allen and ALC found a one per cent improvement in efficiency of our national supply chains will yield a \$2 billion-a-year benefit.

It provides the evidence, if it were ever needed, that inefficiencies in the industry will cost Australia dearly unless all governments continue to focus on improving the efficiency of our supply chains.

The report also demonstrates that with focus and attention on reform, greater efficiencies can be achieved across the supply chain and all Australians will benefit as a result.

What I'd like to do today is look at some of these issues.

The first is getting more freight on to rail.

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Inland Rail is Queensland's Priority Rail Project.

The momentum gathering behind this project is exciting now that the business case is completed, providing us with robust information on how the iconic inland rail project can be delivered.

The business case confirmed economy-wide modelling that indicates the Inland Rail Programme will increase gross domestic product by \$16 billion over the 10 year construction period and 50 years of operation.

I'd like to play a short video about inland rail, and what ALC believes this iconic project will help to achieve.

Play video

From ALC's perspective, a key element of this project is the importance of connecting the Port of Melbourne and Port of Brisbane.

Another is ensuring there are appropriate links with the mines of South East Queensland to enhance the quality, efficiency and reliability of freight movement between these key terminals.

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

On another level, it provides an alternative rail option when tracks need to close.

The logistics industry is keen for the Queensland Government to continue its support for this nation building project.

The Queensland Government proposes adding Inland Rail to the Infrastructure Australia Priority List, which is welcomed.

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This addition was spelt out in its Draft State Infrastructure Plan, which I'd like to turn to now.

The draft Queensland Infrastructure Plan is the first step in providing a solid blueprint to guide the state's long term infrastructure investments to improve supply chain efficiency and productivity.

We congratulate the Government on developing the foundations for a long-term strategy aimed at creating a more efficient freight system that supports the state's continued economic development.

The draft plan identifies a number of opportunities to enhance freight efficiency through the removal of restrictions on key highways, including the Bruce and Warrego highways.

It also acknowledges the need for a more coordinated and streamlined investment approach in key economic areas, such as Gladstone and Townsville, to provide industry with greater certainty which is welcomed.

ALC made four key points in our submission on the draft Plan.

Firstly, we highlighted the need to ensure Building Queensland and Infrastructure Australia use the same methodologies when conducting cost benefit analyses.

ALC strongly believes that all major projects should undergo rigorous cost-benefit analysis before receiving public funding to test whether they are in Australia's long-term economic interest

This is critical to building public and business confidence in major infrastructure projects.

ALC believes all projects should undergo rigorous cost benefit analysis.

These details should be made publicly available when there are no market sensitivity issues that could restrict the disclosure.

Why are CBAs important?

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 Productivity Commission takes this one step further.

It argues that rigorous analysis is particularly important for large infrastructure projects.

This is because the benefit-cost ratio is generally lower for large projects due to their large construction costs and rising utilisation rates over time.

Rigorous analysis of large projects is also important as there is likely to be a large number of small unfunded projects with high benefit to cost ratios that could be completed instead.

It's an important point worth emphasising.

While major projects are obviously critical to improving freight efficiency, the economic benefits of smaller projects enhancing the efficiency of our supply chains must also be recognised.

To illustrate, you will often hear our industry talking about the challenges associated with the first and last mile.

This last leg of the supply chain is often less efficient, particularly in congested urban areas.

First and last mile issues add to costs, add to congestion and undermine efforts to enhance productivity.

These are often smaller projects, but equally important to the industry as major roads and railways.

They enable high productivity vehicles to make it right to the farm gate or intermodal facility.

They reduce urban congestion as freight movements are often more direct.

And these projects have trickle down effects across the economy as other industries benefit from more efficient freight movements.

This is an area ALC hopes will get attention in IA's infrastructure plan.

Secondly, ALC wants to see consistency across planning documents.

To that end, it needs to be clear how projects in the Queensland infrastructure pipeline document advance the plans and strategies contained in the State's Moving Freight Strategy and Ports Strategy, as well as the National Ports Strategy.

Thirdly, we have called for transparency and accountability around the funds allocated for corridor acquisition.

ALC has long argued the need to preserve corridors to allow the infrastructure of the future.

In particular, it is critical that all governments have in place funding mechanisms to protect corridors to ports, airports, intermodal terminals and key production facilities

Specifically, in relation to the Queensland Infrastructure Plan, we would like to see published:

- how much money has been appropriated for the purposes of the Fund;
- what land was acquired in the previous financial year, and for what project;
- and

- what land is scheduled to be acquired over the forward estimate period, and for which projects.

And finally, ALC would like to see the final plan provide greater certainty on the government's investment intentions in regards to intermodal terminals.

The expected growth in freight volumes I mentioned earlier underscores the need for a long-term strategic approach to the identification and preservation of appropriate parcels of land that could serve as locations for future intermodal sites.

And it is critical that these sites have efficient linkages to the Port of Brisbane.

The Infrastructure Plan, which is due out later this year, will flow from the recently released National Infrastructure Audit.

The Audit sets out a number of challenges for Australia's national supply chains requiring action.

It will be interesting to see the scope and flavour of the Infrastructure Plan, given recent leadership changes.

ALC welcomes a national debate on how to maximise the economic and social benefits of public and private infrastructure funding.

Fundamentally, we believe projects funded by the public purse need to stack up on economic grounds, not political grounds.

Infrastructure Australia has a critical role to play in providing advice to the Federal Government on high priority infrastructure projects that will deliver economic benefits to all Australians.

This is particularly in light of the GDP figures I spoke about earlier.

We look forward to both major parties recognising this important fact as they continue to develop their infrastructure policies over the course of the next 12 months

In terms of ALC's response to the audit, we urged action on a number of critical infrastructure reforms.

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These were:

- Auditing the National Land Freight Strategy to identify areas for action, including road reform; implementation of the National Ports Strategy and establishing a national body to progress freight reforms

- Encouraging the development of Inland Rail
- Implementing practical measures to accelerate necessary road reforms
- Prioritising the efficient use of High Productivity Vehicles travelling to and from Australia's major ports
- Ensuring there is greater focus on achieving efficient rail linkages between intermodal terminals and ports, running in conjunction with a major review of Australia's port needs over the next 30 years
- Establishing a defined and measurable definition of the 'efficient use' of existing and future infrastructure
- Identifying where investments in technology improvements will deliver the greatest economic return
- Encouraging and prioritising private sector investment in logistics infrastructure to improve the efficiency and competitiveness of Australia's supply chains.

Allow me to go into a little more detail for a few of these.

We want to see IA audit the National Land Freight Strategy to identify areas for action, including road reform.

The current way of funding our roads as a free public good is unsustainable, and needs comprehensive reform.

ALC has been an active participant in this debate, as we acknowledge the potential benefits that could flow from the way we price and invest in logistics infrastructure, particularly when the dollars follow the freight.

There is growing consensus that the current system of vehicle charging and investment needs to be put under the microscope.

One of the primary reasons why the current system is not working is that funds are arbitrarily applied over the network and are not being sufficiently returned to those key freight routes that carry high levels of traffic.

Growing pressure on state and federal budgets also necessitates serious consideration of where we go from here.

In short, it is becoming increasingly clear the current system will not support maximum efficiency and productivity in the long term.

ALC supports reform, but on the proviso that funds collected need to be invested in the infrastructure used by the vehicle (that is, the revenue 'follows the freight').

They cannot be diverted into consolidated revenue for use for other purposes, and that any payments made to a road owner in the form of a CSO payment are transparent.

Our submission to IA also encourages governments to prioritise the efficient use of High Productivity Vehicles travelling to and from Australia's major ports, as well as ensuring there are efficient rail linkages between intermodal terminals and ports.

We would like to see a review of Australia's long term port needs to ensure we are well positioned to take advantage of future freight flows and trends.

ALC would also like to see IA identify the current technology projects being conducted by state and territory governments, and analyse how well these projects are enhancing supply chain productivity.

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Ladies and gentlemen, I trust I've demonstrated that there is much happening in the freight logistics sector at both the federal and state levels.

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.