



Address by Michael Kilgariff

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Introduction

Good morning, and thank you for the opportunity to say a few words this morning at the beginning of MEGATRANS2018 – an event that has generated a lot of interest and excitement in the transport sector, and indeed more broadly.

I'm going to take a few moments this morning to provide a bit of an overview as to where the challenges and opportunities are in our freight networks.

I should say from the outset that ALC is a mode-agnostic industry association when it comes to freight transport. We have members in the road, rail, port and air freight sectors.

But, as the speakers who will follow me will be looking at roads and ports in particular, today I will emphasise rail issues more in my contribution, just to ensure each mode gets fair coverage at today's event.

Before I do that, though, I'll briefly give you some background on ALC, for those of you who may not be familiar with our activities and policy advocacy.

About ALC

The Australian Logistics Council is the peak industry body for Australia's logistics industry.

Many of the organisations that comprise our membership are household names, and all are significant players in Australia's freight transport network.

We represent those at all stages of the supply chain; suppliers, the owners of transport infrastructure, service providers and logistics customers.

We are a leading voice in the national conversation about the need for a more efficient supply chain in Australia, for the benefit not only of our members, but also of all consumers.

Freight issues affect all of us, even if the vast majority of Australians don't stop to think about them in their day-to-day activities.

Why Freight Matters

However the fact is that without the freight and logistics industry, most Australians would find it difficult to obtain those items that make modern life not just comfortable, but possible – food, clothes, electrical appliances, furniture, household products, manufactured goods – the list goes on.

Accordingly, ensuring an efficiency and safe supply chain isn't merely a business goal – but a national economic imperative.

ACIL Allen research commissioned by ALC found the Australian logistics industry adds \$131.6 billion a year, or 8.6 per cent, to the nation's GDP.

Importantly, a one per cent improvement in efficiency will yield a \$2 billion-a-year benefit.

The flip side of that, of course, is the continuing inefficiencies in our supply chains will cost Australia dearly unless all governments continue reforming regulation, investing in freight transport infrastructure and using the power of technology to deliver improvements to the efficiency of freight movement.

Australia's Growing Freight Task

The urgency of this task is underscored when you look at the way Australia's freight task is growing.

There were some very interesting figures contained in a report released by Infrastructure Partnerships Australia just two weeks ago, and they bear out what research commissioned by both ALC and the National Transport Commission has said over recent years.

Australia's freight task has more than doubled in the last two decades, growing by an average of 4% per annum.

In the 12 years remaining to 2030, the national freight task is predicted to increase by a further 26%.

This will be driven partly by Australia's continually strong population growth, with our population projected to hit 30 million by 2030.

However, an equally important factor will be increasing trade volumes, as we seek to take advantage of free trade agreements with key Asian nations where a growing middle class is fuelling demand for Australian goods.

In terms of how we met that freight task when it comes to domestic bulk freight, the division in 2015/16 was 29% of freight travelled by road, 56% went by rail, 15% was via shipping and less than 0.01% went via air.

In terms of domestic non-bulk freight, the position of the top two modes alters drastically, with 77% going via road, 19% via rail, 4% via shipping and, again, air accounting for less than 0.01%.

Getting More Freight On Rail

The upshot of the growth scenario I have just outlined means that by 2030, it will be necessary to move more than 32 million tonnes of freight along Australia's east coast.

We must find ways to do that which are safe, and which don't add to road congestion and other existing bottlenecks in the freight network.

Those of you that reside in, work in or regularly travel to any of Australia's major cities will be intimately familiar with the challenges and frustrations of road congestion. You will understand just what a significant issue it already is.

So, I invite you to imagine just how much worse it might become if we were to add 1.2 million B-double trucks to our roads each year. Because if we were going to accommodate the expected growth in our freight task via road transport, that's what we would need to do.

It's very obvious that our existing road transport networks are not capable of sustaining such an increase, and accordingly, we have to 'think big'.

Bear in mind that when it comes to modal share, it does not have to be an 'either/or' question. Rather, it's a question of determining the right mode for the right load.

But the inescapable conclusion is that we will need to get more freight onto rail, where it makes commercial sense to do so.

And that in turn means we need to be acting now to make the infrastructure investments which will allow us to achieve that.

Investing in Freight Rail

In that respect, it is pleasing that over the past 12 months, we have witnessed a number of significant infrastructure investments that will help to facilitate this outcome.

The largest of these remains the \$8.4 billion commitment in the 2017 Federal Budget to finally get the long-debated Inland Rail project off the ground.

A dedicated freight rail line linking the Port of Melbourne to the Port of Brisbane has long been singled out as a missing link in Australia's national freight network.

Here in Victoria, of course, the Inland Rail project will be enormously important in allowing the state's agricultural and manufacturing producers to get their goods to market, as well as opening up new export opportunities.

I'll say more about what needs to be done in Victoria to ensure seamless links with existing parts of the freight network that will allow us to lock-in those benefits shortly.

But it is a mistake to think that the benefits of Inland Rail begin and end with Melbourne and Brisbane. This is a nationally-significant project, with truly national benefits.

One of the biggest, but less discussed benefits of Inland Rail is that it will finally establish an efficient rail link for freight along the eastern seaboard that can bypass the Sydney rail network.

This will not only benefit freight efficiency, but will also pay off for Sydney commuters, who know only too well the current frustrations of being delayed by congestion on the city's passenger rail network.

Given Sydney's growth trajectory and the need to add additional passenger rail services and routes in the coming decade, alleviating network congestion is an urgent priority.

Equally important is the way Inland Rail will finally allow us to overcome operational limitations that exist on Australia's current north-south freight rail infrastructure.

One of the key benefits of the existing freight rail line that links Australia's eastern states to Western Australia is the ability to double-stack containers on trains.

Unfortunately, the state of the existing freight rail infrastructure on Australia's eastern seaboard means this option is not currently available between Melbourne and Brisbane. Inland Rail will overcome this impediment, permitting double-stacking right along the route.

The completed Inland Rail line will permit trains to travel at speeds reaching 115km/h, using double-stacked trains with a length of almost two kilometres.

This will allow a travel time between Melbourne and Brisbane of less than 24 hours, helping to reduce freight transport costs for operators and in turn, placing downward pressure on consumer prices.

Complementary Investments

Inland Rail is obviously the signature item when it comes to freight rail investment in Australia at present, but it's by no means the only one.

There are two in particular that I think are worth noting here today.

Here in Victoria, the State and Federal Governments are supporting the \$440 Murray Basin Rail Project, which will standardise and upgrade over 1,000km of rail track servicing the Murray Basin.

This will make it safer and easier for agricultural producers to deliver their goods for export at Victoria's major ports in Melbourne, Geelong and Portland. Once completed, it is expected that the project will permit an additional 500,000 tonnes of grain to be transported each year.

Heading a little further north, just last week the NSW Government and the Federal Government signed an intergovernmental agreement pertaining to the construction of Inland Rail in NSW.

One of the most significant elements of that agreement was that it means the Federal Government will invest \$400 million to duplicate the existing freight rail line at Port Botany. That money was included in the Federal Budget announced on Tuesday.

This is a project which ALC has advocated for several years now, and it was a core feature of the pre-Budget submission we made to the Federal Government this year.

I realise there is an inherent danger in 'talking up' a NSW project when speaking to an audience in Victoria, but it's important to understand that this is an initiative with national benefits and national implications, including here in Victoria.

Short Haul Rail at Ports

One of ALC's continuing priorities is to encourage far greater use of short-haul rail at Australia's ports.

International experience has clearly demonstrated that using rail to transport freight from ports to a network of intermodal terminals has manifold benefits in terms of efficiency, safety, environmental and urban amenity outcomes.

Short-haul, or shuttle, rail lines connecting ports to hinterland terminals are particularly effective in reducing road congestion around ports, which is vitally important as inner-urban populations continue to grow in areas with close proximity to port infrastructure, such as the planned residential development of Fisherman's Bend here in Melbourne.

Last year, the Federal and Victorian governments came together to announce \$58 million in funding to support delivery of the Port Rail Shuttle project – which will help connect the Port of Melbourne via rail to freight hubs and intermodal terminals.

Hopefully, this sort of initial investment will be the impetus needed for Victoria to emulate some of what has occurred in NSW over recent years in relation to intermodal freight facilities.

My intention in making this observation is not to add to any simmering Sydney-Melbourne rivalry, but the fact is that at present, NSW is probably leading the nation in the development and effective use of intermodal terminals in its urban freight network.

Construction of Qube's Moorebank Intermodal Terminal is now well underway, which will complement other key intermodal facilities including the DP World Intermodal Terminal at Port Botany, LINX Cargo Care Group's Enfield Intermodal Terminal and Pacific National's facility at Chullora.

The duplication of the freight rail line at Port Botany I mentioned a few moments ago will have significant flow-on benefits for each of those intermodal sites.

Establishing a similar network of intermodal facilities with efficient rail linkages to the Port of Melbourne must be a priority for the industry and for the state government here in Victoria.

Doing so would complement other congestion-busting initiatives now underway, including the construction of the West Gate Tunnel – a project that ALC strongly supports.

Updating the Victorian Freight Plan

As most people in this room would understand, the one thing businesses crave is certainty and stability, which allows them to plan their future activities and investments with confidence. The freight logistics industry is no different.

Throughout the last quarter of 2017, ALC was pleased to engage positively with the Victorian Government during its consultations with industry on the updated Victorian Freight Plan, which was expected to be released in the early part of 2018.

It is now heading toward mid-May, and with a state election set to be held in Victoria at the end of November, parts of the freight logistics industry are understandably nervous that the updated Freight Plan has not yet been released.

Because the updated plan is expected to incorporate the government's position on a number of key issues, including its response to Infrastructure Victoria's recommendation regarding a second container port and plans for the development of the Western Interstate Freight Terminal (WIFT), there is considerable interest within the freight logistics industry as to its content.

I do acknowledge that the recent Victorian State Budget did commit funding to enhance the efficiency of Victoria's freight network, including developing a business case for the establishment of the WIFT, and to support investigations for an integrated logistics hub at the Melbourne Markets and Dynon Road.

Nonetheless, I would urge the Victorian Government to make the updated Freight Plan available as soon as possible, so that freight logistics operators in this state can plan their future activities and investments with certainty.

The National Freight and Supply Chain Strategy

There are several other jurisdictions currently in the midst of updating or establishing their own freight and logistics plans, including NSW, South Australia and the Northern Territory.

But what has really been missing from the picture has been a truly coordinated, national strategy for enhancing supply chain efficiency and safety.

This is important, because as ALC consistently points out, freight does not stop at state and territory borders – and Australia's freight logistics operators continue to be frustrated by a hodge podge of inconsistent and overlapping regulations that add significantly to freight costs.

In November 2016, after a long period of advocacy by ALC and supported by a recommendation from Infrastructure Australia, the Federal Government agreed to develop the nation's first National Freight and Supply Chain Strategy.

The first step in developing that Strategy was to conduct an Inquiry into National Freight and Supply Chain Priorities, which ran throughout most of 2017. That process involved very significant consultation with industry, with state and territory governments and with other stakeholders.

ALC's major submission to that Inquiry, *Freight Doesn't Vote*, made 41 separate recommendations to the Federal Government that dealt with all modes of freight delivery, putting forward practical solutions for key industry challenges including:

- achieving more consistent regulation in the industry;
- making more effective use of data to monitor and enhance supply chain performance;
- establishing a consistent national approach to land use and corridor preservation that will protect critical freight infrastructure from the impact of urban encroachment, and
- ensuring regulations are modernised to recognise the increasing role technology will play in the future efficiency and safety of our supply chains.

The Inquiry process is now completed, and ALC understands that the Inquiry's Final Report will be released at next week's meeting of the Transport and Infrastructure Council (TIC) in Darwin.

The same TIC meeting will also see Ministers discussing the scope of the Strategy of itself, which we expect will be released later in 2018, around November.

ALC is determined that industry will again play a leading role in shaping the Strategy, so that it really is an effective blueprint that delivers the outcomes industry and the economy need – and does not become just another report that gathers dust on the shelf.

To achieve that, ALC will be working closely with our members and with other industry participants over the months ahead to produce a clear plan for the implementation of the National Freight and Supply Chain Strategy, so that policy makers are not just focussed on what needs to be done, but also on how we can get there.

This will ensure the government and industry can hit the ground running once the Strategy is released.

Conclusion

Ladies and gentleman, thank you for your time and attention this morning.

As you can tell, it is a busy and exciting time for the freight logistics industry – and clearly, the remaining months of 2018 will be crucial ones for bedding down the Strategy that will allow Australia to meet its growing freight task.

I encourage all of you with an interest in promoting greater supply chain efficiency – and really, that is everyone in this room – to actively engage on the continuing development of the National Freight and Supply Chain Strategy.

This will help ensure that what emerges is a dynamic blueprint that will allow all modes of freight transport - rail, road, shipping and air freight – to get on with the job more effectively, and meet the increasingly high expectations of consumers when it comes to rapid delivery at low cost.

Thank you.