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***“Boosting productivity through supply chain efficiency. How the COAG seamless economy agenda is critical to advancing the national productivity agenda”***

Good morning ladies and gentlemen, it is a pleasure to be here today at the Institute of Transport and Logistics Studies to discuss the COAG seamless economy agenda.

I thank the Institute for extending me an invitation to take part in this important event.

It is important that we as an industry generate discussion and debate about the critical issues facing our sector in this important election year.

Your leadership and policy series is a perfect platform to have this dialogue, and from industry’s perspective, we welcome the opportunity to take part.

Today I will talk to you about the COAG Seamless Economy Agenda and how it is critical to improving productivity.

I will also discuss some key issues ALC will be concentrating on this year as we count down to the months to the federal election.

But first, some background on the Australian Logistics Council.

The ALC is the national body representing the major and national companies participating in the freight transport and logistics supply chain industry.

ALC is unique when it comes to industry associations as we are not mode specific, rather, we have a whole of supply chain focus with members spanning the road, rail, sea and air sectors.

We are committed to improving productivity, efficiency and safety in the industry and, through that, creating more efficient supply chains.

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.

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 400 billion tonne kilometres today, and it is estimated to reach 1000 billion tonne kilometres by 2030 and 1400 billion tonne kilometres by 2050.

You would all be aware of these significant figures.

One element of the freight task you may not be aware of, and the government graph on the screen overlooks, is the rising air freight task.

It won't surprise you to learn that air freight volumes are expected to double by 2025.

The NSW Long Term Transport Masterplan predicted that by 2035, Sydney Airport will be handling more than 1.5 million tonnes of cargo a year, up from 650,000 tonnes today.

This significant growth in Sydney's air freight levels underscores why ALC has added its voice to the growing chorus of groups calling for action on a second Sydney airport, which we believe should be located at Badgery's Creek.

It would also add price competition to the Sydney freight market and ease congestion around Sydney Airport.

Congestion is one of the by-products of not only poor urban planning, but of course, a growing and mobile population.

Treasury modelling showing Australia's population will hit 35 million by 2050 increases the need for smooth and efficient supply chains that connect our sources of wealth with our domestic markets and international gateways.

This population growth will continue to be concentrated along Australia's vast coast line, which again presents challenges for the freight logistics industry.

We all know Australia is big, flat and relatively sparsely populated.

For the freight logistics industry, this means long distances need to be traversed across a multitude of state boundaries and through a range of local government jurisdictions.

This isn't a challenge for you or me when we pack up the car at the end of the year with the family and travel a few hundred kilometres on our annual holiday.

But for the freight logistics industry, it has the potential to significantly add to costs which need to be passed on to consumers.

Imagine a scenario where every time you crossed a jurisdictional boundary on your holiday journey, a different set of rules and regulations applied.

For instance, if you were driving in Queensland you could have five passengers in your car, but in NSW it was only four.

In one state you could legally carry 10 pieces of luggage, but when you crossed a state border this reduced to eight.

Sounds ludicrous, but it's a reality for the heavy vehicle industry.

Different rules relating to load limits, the number of hours you can drive and the actual specification of your vehicle are just some of the challenges facing transport operators.

Eliminating these inconsistencies is what we are working to achieve under the transport reforms as part of the COAG Seamless Economy Agenda.

ALC has long argued for a seamless Australian economy – where one set of laws regulates each mode, carrying the Australian freight effort under a single administrative body.

This should facilitate greater efficiencies in the freight logistics sector and encourage private sector investment in transport infrastructure.

These efficiencies will be borne out by the removal or minimisation of legislative inconsistencies across borders, and the cutting of red tape.

These reforms will help support productivity growth and improve living standards without compromising safety

This is an important reform because productivity in the transport industry has effectively stalled.

According to figures from the Australian Bureau of Statistics, productivity growth for the transport sector increased by only 0.6 percent per annum in the five years leading up to June 2011.

Similarly, a recent Reserve Bank of Australia report found productivity in the transport sector had gone backwards by 2 percent over the past two decades.

The slow in productivity can be linked to a number of factors, including infrastructure shortfalls which cause delays along the supply chain, and this inconsistent regulatory framework that I've just mentioned.

This microeconomic reform is one of the ways we can kick-start sagging levels of productivity.

But there is a long way to go.

The National Rail Safety Regulator has commenced, so too has the National Heavy Vehicle Regulator.

The Australian Maritime Safety Authority will take carriage of national maritime safety in a few months.

It is encouraging that we've reached this point in the journey where the regulators have opened their doors for business, but in reality, the journey has just begun.

Particularly in the heavy vehicle sector.

ALC welcomes the passage of legislation through the Queensland parliament last week to finalise many of the outstanding legislative arrangements under the HVNL.

But there are two critical milestones that still need to be achieved to unlock the estimated \$12 billion in benefits that have been identified under the reforms to heavy vehicle laws.

The first is ensuring the necessary steps are taken to deliver a truly national regime for administering access applications for key transport routes.

State, territory and local governments are responsible for this area, however, under the NHVR we are hoping to see a more reasonable, equitable and efficient approach to access for heavy vehicles.

For this to occur, however, guidelines and regulations dictating when and how the owners of bridges and roads can permit heavy vehicle operators to access routes need to be finalised.

ALC would also like Service Level Agreements between the NHVR and the states finalised and made publically available.

This is required to provide much needed transparency around what services jurisdictions will provide the NHVR and how much they will be paid for providing those services.

ALC believes those funding services – heavy vehicle operators – have a right to access information about the services being provided.

This is to ensure they are receiving value for money and are not being used as a general revenue source to fund non-logistics related services.

Pressuring governments to deliver on the productivity benefits of the heavy vehicle reform will be a key focus of the Australian Logistics Council over the coming 12 months.

On this front, ALC believes the Commonwealth needs to play an enhanced role.

ALC expects the Federal Government to act as an honest broker when it comes to finalising the outstanding issues in relation to heavy vehicles laws.

The Commonwealth needs to ensure that states and territories providing the services to the regulator for a fee under SLAs do not attempt to shift the costs of other areas of responsibility onto operators through excessive charges imposed on the National Heavy Vehicle Regulator.

It would be unconscionable for states and territories to use this scheme as a device to directly tax heavy vehicle operators for revenue.

ALC looks to the Australian Government, as a strong promoter of harmonised transport laws, to ensure this does not happen.

ALC will put its case to state and territory transport ministers – known as the Standing Council on Transport and Infrastructure or SCOTI - to publish regulations that set out types of services industry will be expected to fund.

That is only fair in what is arguably a 'user pays' system – if the user must pay, the user has a right to know what is being provided and how much that costs.

This is one example of an issue ALC will seek to elevate this important election year.

With the election set for September 14, there is a renewed focus by both sides of politics on policy development to support continued economic growth.

In light of figures which show the transport and *logistics* industry represents 14.5 percent of GDP, employs 1 million people and involves 165,000 companies, ALC has been on the front foot advocating policies and programs that ensure the industry continues to flourish.

Four fundamental principles underpin our dialogue with government on policies for the freight logistics industry.

These are:

One – policies that support productivity growth.

Two – policies that enhance infrastructure development.

Three – policies that reduce red tape that adds to compliance costs and hampers innovation.

And four – policies that encourage the continuation of the COAG seamless economy agenda.

I've outlined what the COAG seamless economy agenda aims to achieve, and where ALC believes there needs more work to be done to realise the economic benefits of the reform, including the publication of service level agreements.

Another area where ALC intends keeping up the pressure is infrastructure.

The Government's Asian White Paper, released late in 2012, correctly identified infrastructure as an area requiring greater focus in order to grasp the opportunities before us over the decades to come.

Infrastructure was deemed one of the 'five pillars of success', along with regulatory reform which I've already discussed.

Making the most of our close proximity to Asian is a priority of Australia's freight logistics industry, both now and into the future.

There are enormous opportunities before the industry which Australian businesses are working hard to harness.

But without appropriate national infrastructure to support a rising freight task, we simply won't be able to compete effectively on the world stage.

The Government has displayed an interest in investing in infrastructure where that is in the national interest.

An example of this was the funding in the last budget of funding to complete planning on the Moorebank Intermodal Terminal, which is designed to provide a more efficient movement of freight within the Sydney basin.

On this point, ALC supports the development of Moorebank, but believes the site should be developed 'en-globo' under a single long term strategic master plan which recognises the importance of this valuable site.

ALC accepts the need for budget funding where private funding sources cannot provide the funding necessary to provide nationally significant infrastructure as identified by organisations such as Infrastructure Australia.

ALC also acknowledges the Commonwealth commitment shown in the Nation Building Program and the recommitment to the task as reflected in the announcement of the Nation Building 2 (NB2) program.

However, ALC is somewhat concerned at suggestions that the ratio of Commonwealth funding for NB2 projects will change and that in future the Commonwealth would 'start seeking 50-50 funding on nation building projects.'

Given the reality of vertical fiscal imbalance and budget pressures on the states, this can only lead to a reduction of overall public sector spending on infrastructure.

For the reasons set out in the Asian Century White Paper, now is not the time to reduce vital investment in infrastructure.

To quote the White paper: *"Inadequate infrastructure can hamper productivity and the efficient movement of people and goods, including through the impacts of congestion that cost Australia's economy billions of dollars."*

ALC hopes the Government's significant social policy agenda does not come at the expense of its stated commitment to infrastructure.

ALC will expect the next Australian Government to maintain the Commonwealth ratio of funding on infrastructure under NB2 as existed under the original Nation Building program.

I'd like to turn to two other major initiatives that potentially have wide reaching industry for the freight logistics industry.

These are proposed reforms to heavy vehicle pricing and investment, and the start of the Road Safety Remuneration Tribunal.

The Road Safety Remuneration Tribunal was established last year by the Federal Government.

While ALC didn't necessarily support the Tribunal's introduction, now that it has been established we will work with it to ensure it meets its stated objective of improving safety in the heavy vehicle industry.

Our concerns with the Tribunal were based on our strong belief that safety issues are best dealt with by specialist laws.

In the case of heavy vehicles, the Heavy Vehicle National Law administered by specialist regulators, which is the newly established National Heavy Vehicle Regulator.

It is important to note that the Road Safety Remuneration Act will prevail over all other laws.

That would mean that a road operator would have to follow any road safety remuneration order made by the Road Safety Remuneration Tribunal specifically dealing with (for instance) truck loading or fatigue.

They would need to follow this order notwithstanding the obligations of operators under nationally consistent heavy vehicle and WHS/OHS laws.

This is a recipe for inefficiency, derived from duplication of statutory obligations that will impact on productivity without commensurate safety outcomes.

In its recent budget submission, ALC called for a review of the Road Safety Remuneration Act 2012.

Specifically, this should analyse the extent to which the Act duplicates issues dealt with by the Heavy Vehicle National Law and workplace, health and safety legislation.

The review should be undertaken with a view to eliminate from the Act any provisions that could confer a power on the Road Safety Remuneration Tribunal to make statutory instruments covering areas dealt with by the other pieces of legislation.

While I'm on this topic of reviews, ALC has also called for a review of the shipping reforms that came into force last year.

These reforms have brought into effect more restrictive cabotage arrangements, and if you recall the freight figures I referred to earlier, this is a concern to ALC.

We have therefore requested a review of the legislation with the intention of removing those provisions that impede the efficient operation of the coastal trade.

ALC will continue to monitor the progress of the shipping reforms to assess what practical impact they are having on the efficient movement of freight along Australia's coast line.

The final area of reform I'd like to deal with today is what is known as the Heavy Vehicle Charging and Investment Reform, or HVCI.

The HVCI process recognises that governments are increasingly looking at new funding models that directly charge vehicle use as a way to fund the infrastructure necessary to ensure the efficient movement of freight.

Currently, heavy vehicle operators and drivers pay their way through Road User Charges and national registration charges.

This will potentially change under the HVCI reform, with the proposal likely to suggest a move towards a Mass Distance Location Model.

In layman's terms, this means you pay according to how far you drive, where you drive, and how heavy your vehicle is.

There is a significant amount of detail to finalise before we get to this stage however, including extensive industry consultation, but from ALC's perspective it is important that we are having the conversation.

In light of ALC's commitment to improve supply chain efficiency and productivity, ALC is playing a lead advocacy role in encouraging reform models that deliver maximum productivity and efficiency outcomes.

Fundamentally, ALC supports the objective of the HVCI reform.

There is merit in providing revenue to asset owners through reformed funding arrangements to encourage more efficient provision and maintenance of infrastructure and infrastructure services for use by heavy vehicles.

ALC has published on its website an initial response to the HVCI reform.

The paper reflects our commitment to the reform, but also outlines a few key principles against which we will judge reform options.

Fundamentally, ALC would support proposals that improved productivity, efficiency and safety in the industry.

A Regulatory Impact Statement outlining possible funding models is being developed during the year.

ALC has asked the government to ensure the HVCI process is appropriated with sufficient funds to ensure that this valuable reform can be completed so it can adequately address outstanding concerns of industry stakeholders.

## **Conclusion**

Ladies and gentlemen, it has been a pleasure to discuss with you today some of the key issues of importance to the freight logistics industry in this critical election year.

The issues I have outlined today, namely:

- Regulatory reform
- Infrastructure investment
- Enhanced road safety and
- Pricing reforms

...are all geared towards improving productivity, efficiency and safety in the freight logistics industry.

And it is appropriate that we discuss these matters at Australia's leading educational institution for transport and logistics studies.

If you pardon the pun, transport reform is a long journey.

In light of this, it is important we get Australia's next generation of transport specialists to understand the critical issues from industry's perspective.

The leadership and policy series does just this, and I thank you once again for the opportunity to speak with you here today.