



# AUSTRALIAN LOGISTICS COUNCIL

## Linfox Customer Conference

*“Working Smarter with Regulation”*

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### Introduction

Good morning. It's a great pleasure and privilege to be here at the Linfox Customer Conference.

### SLIDE 2

By way of background, the Australian Logistics Council is the peak national body representing the major and national companies, such as Linfox, participating in the Australian freight transport and logistics supply chain.

Linfox is a foundation and anchor member of ALC.

Today I will discuss the benefits of working smarter with regulation, and will share with you some reforms of interest, and importance, to Linfox and its customers.

These reforms are progressing against the backdrop of a rising freight task estimated to reach 1000 billion tonne kilometres by 2030 and 1400 billion tonne kilometres by 2050.

I also want to outline the role the Australian Logistics Council is playing to achieve positive outcomes for the industry, including Linfox.

There is no better place to discuss these issues than here in Sydney...a city which relies so heavily on efficient infrastructure, appropriate transport laws, and an integrated transport network.

All are needed in equal doses to ensure goods and people can move around the city efficiently, safely and smoothly.

I was interested therefore to read that today actually marks the anniversary of the opening of one of Sydney's most significant pieces of transport infrastructure, Sydney's Central Station.

One hundred and five years ago, on the 4<sup>th</sup> of August 1906 to be exact, NSW Premier Joseph Carruthers officially opened the new building.

Who knows, in one hundred years' time it could be a major hub for a high speed rail network.

Reading through the records from the event in 1906, one could be mistaken for thinking they were reading the front page of the Sydney Morning Herald in 2011.

...a city afflicted by growing congestion as passenger traffic and freight (pulled by horses I might add) battled for space on the city's roads...

... disagreements over where the new station should be built, with residents objecting to the loss of parkland from the new building...

...a lengthy Royal Commission into the station's location, which took a not-uncommon approach and recommended two sites instead of one...

...and finally, a depression in the 1890s, which delayed the project until enough money could be found for its construction...

It all sounds eerily familiar.

### **SLIDE 3**

#### **The big picture...**

But, I'd like to begin today by looking first at the big picture.

Economically, we're currently in the midst of what some have called a two-speed economy, others a patchwork economy.

Some commentators have described Australia as being in a "Clayton's Recession" – a recession you have when you're not really in a recession.

I note with interest Michael Byrne's comments a few weeks ago regarding Linfox's change of strategic focus to align the business with new opportunities opening up in Western Australia.

Another factor impacting on the transport logistics industry is fragile consumer confidence, with recent retail figures pointing to falling demand.

Outgoing Woolworths CEO, Michael Luscombe, recently warned the company faces a tough year ahead because of the reluctance of consumers to spend in the current economic environment.

It was a view reiterated by Glenn Stevens last week.

The Reserve Bank Governor said we are in a period of the 'cautious consumer' with people's spending habits influenced by such things as the recent natural disasters and the prospect of rising interest rates.

He believes, however, we will soon see a reverse in this trend and Australians will start opening up their wallets which is important of course for the T&L industry.

In his speech, Glenn Stevens also called for a renewed emphasis on achieving higher rates of productivity growth while the terms of trade are high.

I am not here to talk down the economy, but I am here to outline some major regulatory reforms in the freight transport and logistics industry that will help to increase efficiency and in turn improve productivity.

#### **SLIDE 4**

The Australian Logistics Council 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 T&L sector and encourage private sector investment in transport infrastructure.

For this reason ALC has been a big supporter and advocate for the Council of Australian Governments (or COAG) Seamless National Economy agenda.

Seamless, in so far as legislative inconsistencies across borders are eliminated and red tape is cut.

These reforms will help support productivity growth and improve living standards.

One of these important reforms is the national transport regulatory reform agenda to establish a truly national transport system that will reduce transport costs and help lift national productivity without compromising safety.

And of course when industry enjoys reduced business costs, consumers also benefit in the form of lower prices for goods.

As part of this, all Governments have agreed to establish a National Heavy Vehicle Regulator, as well as national rail and marine safety regulators.

Separate legislation establishing the national rail and heavy vehicle regulators are now available for comment.

In addition to these initiatives, COAG is considering alternative modes of road pricing and funding which I will talk about shortly.

Another related initiative is the report into Australia's Future Tax System, commonly known as the Henry Review which recommended a range of measures relating to road pricing and congestion.

A Forum Discussion Paper has been released, which lists road pricing and congestion as key issues. However in recent days, both the Prime Minister and Treasurer have declared congestion pricing is not on the agenda.

Given the number of transport related topics to be discussed at the gathering, ALC will be pushing for a seat at the table to speak on behalf of the freight transport and logistics industry.

This issue of taxation is the first I'd like to explore today.

## **SLIDE 5**

### **Carbon Pricing**

As you know, on 10 July the Government announced a carbon tax starting price of \$23 a tonne commencing on 1 July 2012, to be imposed on Australia's 500 largest polluters.

For the T&L industry, the important thing is not so much the headline carbon price.

The Government proposes to make changes to regulations that will reduce fuel tax credit entitlements and reductions currently available to industry.

The Government will impose an effective carbon price on businesses by reducing the existing fuel tax credit by an amount equal to the carbon price.

The credit will be adjusted each year to align with a rising carbon price.

Industry's exposure to the carbon tax is not direct, but indirect through changes to the fuel excise and fuel tax credit arrangements.

One industry analyst has predicted a cost of \$24.15 per tonne of carbon would equate to a \$500 million increase in fuel costs for trucking companies in 2014.<sup>1</sup>

ALC will carefully scrutinise changes to regulations to ensure the price charged is 'in step' with the carbon price generally applicable to the bigger polluters.

Dominating the headlines for our sector has been the fact that heavy vehicles will not face an effective carbon price until 1 July 2014, two years after the other modes.

It should be noted that not all members of the Multi-Party Climate Change Committee – the group that negotiated the carbon tax policy – agreed with heavy vehicles being subjected to a carbon price.

The Greens wanted heavy vehicles to face a proxy carbon price immediately, whilst the country independents – Rob Oakeshott and Tony Windsor – didn't want the sector taxed at all.

ALC believes this disparity across the modes is unfortunate.

In keeping with our national, cross modal focus, ALC advocates a policy that the tax burden placed on different modes of transport should be equal so as not to distort the mode by which consumers despatch freight.

Moreover, the introduction of a carbon price with inconsistent start up dates across the industry may have the perverse outcome whereby the forms of transport that could

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<sup>1</sup> IBIS World, The Clean Energy Plan and Australia's economy  
<http://www.ibisworld.com.au/images/marketing/CleanEnergyPlanandtheEconomy.pdf> (page 7)

potentially offer the greatest savings in terms of greenhouse gas emissions are disadvantaged.

This is an undesirable environmental outcome and, in effect, contrary to the carbon price's primary objective to reduce Australia's overall carbon emission.

I will be meeting with Greg Combet's office to encourage consistent taxation treatments for the transport modes.

## **SLIDE 6**

Another issue I want to push them on is support for industry projects designed to improve the energy efficiency of the transport industry.

One such project is Linfox's proposal to construct the Australian Commercial Vehicle Environmental Test Centre at Anglesea in Victoria.

This facility would assist in the testing and roll out of more energy efficient vehicles that meet the necessary regulatory requirements, and importantly, are suited to Australia's unique road conditions.

Just on this point of practical industry involvement, can I take this opportunity to make mention of Linfox's participation in the government's advertising campaign on the carbon tax.

The positive message contained in that television ad has helped to draw attention to industry's commitment to increase its energy efficiency and reduce emissions from the sector.

I congratulate you for leading the way, and hope it inspires others in the industry, big and small, to also look at ways to develop a more environmentally-friendly fleet.

Another part of the carbon price package is a Productivity Commission review on the merits of a regime based on the carbon and energy content of fuels.

The final point I'd like to make on the carbon price is that the Government has attempted to price the effect of carbon on the Australian economy on a 'whole of economy basis'.

The Government must now ensure the same externality, in this case carbon, is not priced into any other different taxation mechanisms, giving rise to double taxation.

This is because ALC believes externalities flowing from the movement of freight should only be priced once.

ALC remains concerned that 'silo thinking' within government could mean that the carbon price mechanism, changes to road pricing flowing from the COAG Road Reform Plan and any new road pricing initiatives stemming from the Henry Review process could all lead to carbon to be priced in a number of different tax instruments.

I mention these issue to emphasise the number of related issues bubbling away behind the scenes which have the potential to add conflicting price signals to the industry.

ALC will continue to argue against the double taxation of externalities, most notably carbon, in the run up to the October Tax Forum.

## **SLIDE 7**

### **Heavy Vehicle National Law**

The second issue I'd like to discuss today relates to Heavy Vehicle National Law.

Draft legislation for a single National Heavy Vehicle Law to be administered by the National Heavy Vehicle Regulator has been circulated for comment so a national scheme regulating heavy vehicle standards and movements can commence on 1 January 2013.

ALC has a policy for a single set of laws to regulate heavy vehicles, rail safety and maritime transport throughout Australia, and is generally satisfied with the contents of the Heavy Vehicle National Law.

ALC is particularly pleased the Law endorses the Chain of Responsibility concept, which is designed to drive greater accountability along the freight T&L supply chain by imposing duties on all elements of the T&L chain.

As you know, Chain of Responsibility means all parties in the supply chain are required to take positive steps to prevent breaches of such things as road transport mass, dimension and loading and driving hours laws.

The National Law also endorses the concept of the registration of industry safety codes of practice, which will allow T&L participants to use code adherence as evidence that they took all reasonable steps to prevent any contravention.

On this point, ALC intends to apply to have the National Logistics Safety Code registered as a Code of Practice to provide industry with a low cost path to compliance and a prima facie 'reasonable steps' defence.

Both these measures will ensure that supply chain participants develop a commitment towards safety up and down the supply chain.

I take this opportunity to acknowledge Linfox's strong support for the National Logistics Safety Code.

Linfox was an original signatory to the Retail Logistics Safety Code which is a licence to the NLSC.

ALC appreciates your ongoing support of the Code, which reflects your strong commitment to improving workplace safety.

## **SLIDE 8**

ALC has been calling for the National Heavy Vehicle Regulator to be given the teeth it needs to do its job properly.

This is critical to ensuring the national law operates in a uniform fashion – a point also made by the Expert Panel which was established to resolve policy issues where different states have different policy and legislative approaches.

ALC is generally happy with the legislative package, but not entirely. As always, the devil is in the detail.

The regulatory model agreed to by COAG back in 2009 made clear that while the National Heavy Vehicle Regulator will 'administer' the overall scheme, state based regulators would still have a role in delivering services through agreements in areas such as compliance and enforcement, pursuant to 'guidelines' published by the National Heavy Vehicle Regulator.

Guidelines will also be heavily used in deciding whether particular vehicles will be able to access some infrastructure.

ALC is concerned that notwithstanding the clearest of guidelines, individual government entities will create their own cultures; develop their own operating guidelines and establish their own enforcement priorities.

The net effect would be that the national law will not be enforced uniformly, which would mean the efficiency benefits of a single national law would be seriously diluted.

ALC is remaining in the conversation to ensure that a genuine national regulator will be in charge of a genuinely national scheme.

## **SLIDE 9**

### **COAG Road Reform Plan**

Turning now to road reforms, you may be aware COAG has committed itself to the COAG Road Reform Plan, otherwise known as CRRP.

The proposed reform is designed to create a more direct heavy vehicle road use charges regime, which attempts to capture the 'real' cost of maintaining roads used by heavy vehicles.

The CRRP Project team has published a preliminary findings consultation paper that sets out what is to be proposed to COAG in early 2012.

It would appear that the CRRP process will recommend the introduction of more direct heavy vehicle road use charges, based on a measure of:

- (a) the 'static mass' of the vehicle,
- (b) the actual distance travelled; and
- (c) its location on the road network.

This translates into the "Mass, Distance, Location" option, or MDL.

The theory behind MDL is that it sends a 'price signal' to operators to let them know the 'true cost' of using a road so as to encourage them to choose either a more cost effective route or a more efficient rig configuration.

If and when realised, it would replace the current Pay As You Go (PAYGO) system, which recoups from the fuel price an estimated cost of heavy vehicle road use.

It also looks as if the CRRP team will recommend that the roll out of more direct heavy vehicle road use charges should be staged.

The initial focus will be on charging for multi-combination heavy vehicles and heavy truck trailers, not rigid trucks.

The preliminary findings paper suggests that the road costs incurred by a heavy vehicle using a local road are likely to be many times that of using a freeway.

The paper also says that when faced with these cost differences, heavy vehicle users are likely to want to switch to an alternative route.

As you would be well aware however, the opportunities for route switching are limited, and so changing overall behaviour might be limited in practice.

Charging a different amount for each and every road is not practically feasible but road authorities could charge different rates for arterial and local roads.

So what is the ALC position on this?

## **SLIDE 10**

We believe all infrastructure projects must be assessed against a long term plan driven by volumes to ensure an effective framework for decisions making by financiers and private/public sector players.

In particular ALC is of the view infrastructure decisions should:

- Not distort the mode by which consumers dispatch freight – that is, there is competitive neutrality between road and rail transport; and
- Be made only after the most rigorous costs benefit analysis.

Nevertheless, when developing a funding model to replace PAYGO, there must be:

- assurance that the technology to adequately support the preferred model exists;
- proper costing of roll out costs for the technology;
- a clear identification of the compliance costs imposed on industry by the model;
- robust and reliable information so correct decisions can be made on issues such as how to correctly classify different types of roads; and



- assurance that all cross subsidies that can distort consumer choices as to how freight is conveyed have been, as far as possible, removed.

ALC will be looking at all these issues as we go forward.

The deadline for submissions on the CRRP paper close on the 22<sup>nd</sup> of August, so if you are interested, I encourage you to get involved.

## **SLIDE 11**

### **National port and freight strategies**

Before I close, I'd like to touch on two other government initiatives – the development of the national port and freight strategies.

Both strategies have the support of ALC, as they reinforce our fundamental belief that we need to take a national approach to the freight task.

Both the freight and port strategies recognise the key to unlocking greater efficiencies IS through better coordination of planning by taking a long term view of our infrastructure requirements.

Nowhere is this more evident than in our cities and especially the city we are in (Sydney)

Planning issues need to be appropriately dealt with, and land space preserved to allow suitable infrastructure to be identified and funded.

Greater attention needs to be given to the needs of freight in Australia, which underscores why we have called for the establishment of a national body called Freight Australia to provide the level of focus within government that freight deserves.

In our eyes, Freight Australia would oversee the national land freight strategy.

Ideally, the body would play a key role ensuring national infrastructure needed for the freight task is identified and protected, and have responsibility for developing a long term plan to improve performance of whole corridors on the network.

In regards to ports, ALC supports the concept of requiring port operators to develop long term planning documents that will help guide infrastructure provision now, and into the future.

ALC is also pleased that COAG now requires the state's planning documents to provide for nationally significant economic infrastructure.

This includes transport corridors, international gateways, intermodal connections, major communications and utilities infrastructure and the reservation of appropriate land to support future expansion.

These requirements take on added importance when you take into account a growing population, low vacancy rates, and increased dwelling investment.

## **SLIDE 12**

For our industry, a growing population and more urban development is inevitably going to put greater pressure on transport infrastructure.

It will put greater demand on greenfield sites that would otherwise be suitable for intermodal facilities.

And perhaps of greatest concern, it increases the risk of residential intrusion near key logistics infrastructure, and of course, the associated congestion issues that arise.

For this reason, ALC supports Infrastructure Australia's request to the Bureau of Infrastructure, Transport and Regional Economics to undertake an investigation into the appropriateness of 'freight only' infrastructure.

Any Linfox driver operating in our cities would appreciate the flow on effects from an over emphasis on urban infill in our cities, and not enough attention given to ensuring appropriate buffer zones around key freight routes.

This led the Draft National Land Freight Strategy to describe freight as 'a 'poor cousin' in terms of planning which can lead to freight being locked-out in some locations.

ALC couldn't agree more.

ALC believes planners need to take into account strategies to prevent urban encroachment around our key road and rail corridors and ports.

Governments need to ensure the last mile issues that affect so many of our key transport links are given due attention now, and not repeated in new infrastructure developments in the future.

On this point, the Government's National Urban Strategy proposes to tie Commonwealth payments to the States to encourage compliance with COAG planning requirements.

This includes the identification of space for infrastructure corridors and for space to develop intermodal facilities.

ALC would nevertheless prefer a more formalised structure be put in place to:

- Firstly, ensure the position of freight is protected in the planning process; and
- Secondly, recognise the need that in some cases, funding is available to ensure community amenity is protected when a land use decision is made to ensure the Australian freight effort is advanced.

This is needed because most Australian ports are in or near the centre of Australian cities, and as we have seen on numerous occasions that what is in the best interests of the port and what is in the best interests of residents do not always coincide.

**SLIDE 13**

**Conclusion**

To conclude, I'm pleased to have had the opportunity to share with you the various reforms currently underway in the transport sector, and to explain ALC's role in the process.

It's both a busy and exciting time to be involved in the regulatory reform agenda, and to be working on behalf of companies such as Linfox

If one was to package these and other transport reforms together under one heading, it would be very similar to the theme of this week's conference.

They are all about working smarter.

To meet Australia's growing freight task, which is expected to double by 2030 and triple by 2050, we need to be working smarter with regulation.

We need to ensure we have the right regulatory settings and infrastructure in place to meet ever growing levels of demand.

Linfox has, is, and will continue to be critical player in this reform process.

I look forward to working with you to create the foundations for a more efficient supply chains and a stronger economy.

Thank you.