



**Transport Australia Summit and Expo "Developing a Seamless Supply Chain
for a Seamless Economy"**

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Introduction –Slide 2

Good afternoon. It's a great pleasure and privilege to be here today to talk about developing a seamless supply chain for a seamless economy.

As mentioned, I am the Managing Director of the Australian Logistics Council, which is the national body representing the major and national companies participating in the Australian freight transport and logistics supply chain.

ALC is a big supporter of the Seamless national Economy Agenda – reinforced by the fact ALC uses a tag line "Driving a Seamless Supply Chain".

It's about making our transport system more efficient and more effective by having a more seamless transition from one state to another.

It's about improving the efficiency of the transport system by eliminating annoying and cumbersome inconsistencies between states.

And it's about reducing the costs of compliance which is a drag on achieving greater levels of productivity. These reforms are progressing against the backdrop of a rising freight task, which underscores why these efficiency reforms are so critical.

The national freight task in 2010 was 500 billion tonne kilometres, is estimated to reach 1000 billion tonne kilometres by 2030 and 1400 billion tonne kilometres by 2050.

And according to Treasury, Australia's population is expected to increase to around 35 million by 2050, which will increase the need for a smooth and efficient logistics supply chain.

Today I will outline some of the major pieces of work being undertaken by industry and government to put our industry in the best possible position to prepare for and meet ever increasing levels of demand.

Slide 3

I'll begin by expanding on this concept of the seamless economy

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.

The slow in productivity can be linked to a number of factors, including infrastructure shortfalls which cause delays along the supply chain, and an inconsistent regulatory framework which stifles efficiency.

Now, more than ever, microeconomic reform is needed in the Australian economy to kick start sagging levels of productivity. COAG's seamless economy agenda, which includes the national transport reforms, has been earmarked by industry as one way to address this worrying trend.

Slide 4

Central to this reform is the establishment of a National Heavy Vehicle Regulator, as well as national rail and marine safety regulators.

COAG agreed to the establishment of these regulators at its last meeting in August, which was an important milestone welcomed by ALC.

We do, however, continue to hold some concerns in relation to some aspects of the reform process.

These concerns are spelt out in ALC's Policy on National Transport Legislation which we released last month.

It reinforces our view that the national transport regulators must be national in both practice and name.

National regulators are critical to boosting productivity, increasing efficiency and improving safety in the freight transport and logistics

The policy states the National Heavy Vehicle Regulator, the Maritime Safety Regulator and the Rail Safety Regulator must:

- Replace the 23-state based regulators with current responsibility for administering transport laws.
- Have full responsibility for policy and legislation development.
- Receive adequate funding in the form of transferred funds from the state jurisdictions, with powers to use these funds to administer all elements of the national laws.

In our view, these three criteria must be met to maximise the potential gains to the Australian economy, which are estimated to be as high as \$30 billion.

We simply cannot let this historic opportunity slip and allow a quasi-national system to be established that fails to significantly reduce the regulatory burden currently faced by industry.

ALC's position is influenced by what has worked in other sectors of the economy.

For example, under the health professionals regulatory model, a national law is administered and has services delivered by a single agency that administers the scheme created by the relevant national law.

ALC continues to make these points with the various government bodies responsible for establishing these three new entities, which are due to come into effect in January 2013.

Slide 5

I would like to make some remarks in particular about the National Heavy Vehicle Regulator.

A Forward Work Program has developed by the NHVR Project Office setting out the necessary legislative milestones that need to be achieved prior to the establishment of the regulator and national law on 1 January 2013.

ALC welcomes the fact that the Forward Work Program commits to meaningful consultation and participation with industry, which will help to ensure we achieve the best possible regulatory outcome possible.

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

The National Law also endorses the concept of the registration of industry safety codes of practice, which will allow freight logistics 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.

ALC was recently successful in having its Retail Logistics Supply Chain Code of Practice registered as a Code of Practice in Victoria – the next step will involve registering the NLSC.

Slide 6

Whilst we're generally pleased with the heavy vehicle package, we believe more needs to be done to ensure the National Heavy Vehicle Regulator has the teeth it needs to do its job properly.

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.

The Heavy Vehicle National Law will be introduced into the Queensland Parliament later this year. ALC will be closely examining it to ensure the productivity gains promised by government will be delivered in practice.

Slide 7

Another reform gaining momentum is the introduction of a National Rail Safety Regulator.

Like our position on the heavy vehicle regulator, ALC has been pushing hard to ensure that there is the upmost consistency across state borders when it comes to how the rail safety national law is interpreted and enforced.

In our submission to the draft bill, ALC argued against jurisdictional regulators being able to develop their own guidelines in respect to the national law, which would ultimately lead to inconsistencies emerging between the states.

On this point, I'm pleased that the Service Level Agreements to be developed between the Office of the National Rail Safety Regulator and the state jurisdictions will specify that there will be only **one** set of guidelines – that being the guidelines produced by the Office of the National Rail Safety Regulator.

Slide 8 - Carbon Pricing

Another issue on which ALC has been on the front foot about has been carbon pricing.

Dominating the headlines for the transport 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.

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 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.

They are points ALC made on the draft legislation, and continue to make in our conversations with the Government, Opposition, Greens and the cross benchers.

Slide 9

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.

ALC will continue to argue against the double taxation of externalities, most notably carbon, at the October Tax Forum which I am pleased to say ALC has been invited to.

Slide 10 - 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 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.

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.

Slide 11

So what is the ALC position on this?

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.

Slide 12 - National port and freight strategies

I'd like to briefly touch on two other government initiatives – the national port and freight strategies.

Both the port and freight 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 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.

Slide 13

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.

Slide 14

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.

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 transport operator 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 15 - PC inquiry into Airport

This phenomenon is also a challenge for many of our major airports.

The Productivity Commission is currently undertaking an inquiry into the economic regulation of airport services, which includes an examination of land transport facilities providing access to airports.

Efficient and effective transport links around our airports are vital to ensure the smooth passage of freight to domestic and overseas markets.

In 2008, Australia's international freight task included over \$100 billion worth of air freight which is more than 20 per cent of the total value of Australia's international cargo trade.

However, many of our nation's airports suffer from the same infrastructure problems as our ports do.

These include overcrowded or poorly designed transport links, a lack of public transport options and urban encroachment.

These challenges underscore why ALC has been arguing for a national partnership to be signed between all governments in Australia that:

- establishes the concept of what constitutes nationally significant infrastructure
- requires that land use decisions should prioritise the efficient operation of the nationally significant infrastructure; and
- creates a fund for state and local governments which incur expense as a result of making land-use decisions that favour the operation of nationally significant infrastructure over other land uses.

It's a point ALC made in its submission to the PC, and we await with interest the Commission's final report to Government.

Slide 16 - Shipping reforms

Turning finally to the shipping reforms announced recently by Minister Albanese.

The maritime sector sometimes gets overlooked in the freight debate, with road and rail generally dominating public discussion.

With Australia's freight task growing at levels I mentioned earlier, there's a clear need to ensure all modes of transport are operating at peak efficiency to ensure we're able to meet the task ahead.

We're pleased that the Federal Government has focussed its attention on shipping, and welcome the release of its policy. ALC supports the Government's aim to achieve a balance between supporting Australia's domestic shipping industry, while also ensuring

we are not shutting ourselves off from the rest of the world by making ourselves an unattractive option for foreign flagged vessels.

ALC looks forward to studying the proposals in more detail when the legislation is publicly available.

Slide 17 - 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.

ALC is focussed on working with industry and government to create more efficient supply chains and a stronger economy.

And today's event is very much in keeping with this focus.

There are significant challenges confronting Australia's transport industry on a range of levels, particularly when it comes to regulatory reform and infrastructure provision.

But events like this one demonstrate the enormous efforts being made by both industry and government to get on with the job, and to collaborate on issues of shared importance.

Thank you.