



AUSTRALIAN LOGISTICS COUNCIL

CILT International Conference - Sydney Harbour Marriott

Investment and Policy Forum

'The Road Towards a Seamless Economy'

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CEO**

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Good afternoon.

It is a pleasure to be at the CILT International Conference.

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

Along with these we also have 27 associate members, which consist of associations, government agencies, NGO's, and companies within the industry.

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The mission of ALC is to influence Australian policy on transport and infrastructure to ensure Australia has safe, secure, efficient, sustainable and internationally competitive supply chains.

ALC is the only industry funded body in Australia focussed specifically on the national freight task.

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Our objectives are to:

1. Be the nationally recognised voice of Australia's freight transport and logistics supply chain.
2. Be the leading advocate of appropriate national regulation and infrastructure to ensure Australia enjoys the full benefits of freight transport and logistics policy development and reform.
3. Promote and encourage greater recognition by Government and the community of the importance of the freight transport and logistics industry's contribution to Australia's economy.

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First I would like to outline some facts to reinforce the uniqueness of the Australian freight task.

{click to begin fact sequence}

Australia comprises a land area of almost 7.7 million square kilometres, measuring about 3,680 km by 4,000 km.

It is the lowest, flattest and, apart from Antarctica, the driest of the continents. Most of Australia's resource wealth is far from where the majority of Australia's population resides.

The land area of Australia is almost as great as that of the continental United States of America, about twice the size of the European Union, and 32 times greater than that of the United Kingdom.

Despite the vast land mass, Australia's population is only around 22 million people. Australia's population density is about 2.8 people per square kilometre, and most of the population is concentrated in the south east of the country.

The value of Australian production, or gross domestic product, is a little over US\$1.2 billion, a GDP per person of over \$51,000. According to the International Monetary Fund this ranks Australia as the world's 13th largest economy.

From a Governance perspective, we have one national Government, 6 state governments, 2 territory governments, and over 500 local or shire governments.

The Australian, state and territory governments, as well as a delegate of Australian local government, all meet regularly under the banner of the Council of Australian Governments, also known as COAG.

The distances, the low population and governance structure of Australia all pose particular issues for the national productivity reform agenda.

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Work undertaken by ALC on the contribution of freight logistics to the Australian economy suggests it generates 14.5% of Australia's GDP and provides more than 1 million jobs across 165,000 companies.

The role for ALC in advocating greater efficiencies in the T&L supply chain is critically imperative given recent estimates that Australia's population could increase to between 35 - 40 million by 2050.

To add to this, Australia's freight task has more than doubled over the last 20 years and is expected to almost double again by 2020 and triple by 2050.

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This slide clearly shows the increase in the freight effort over the past 40 years.

- Road
- Rail
- Coastal shipping

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ALC members have 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 create an environment that will permit the efficient functioning of the Australian transport and logistics sector, which will in turn encourage private sector investment in transport infrastructure.

For this reason ALC has been a big supporter and advocate for what is known as the COAG *Seamless National Economy* agenda, which is essentially a series of comprehensive microeconomic reforms to reduce costs to businesses and consumers and contribute to productivity growth and improved 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.

As part of this, all Governments have agreed to establish national rail and marine safety regulators, as well as a national heavy vehicle regulator.

In addition to these initiatives, a COAG Road Reform Plan considering alternative models of road pricing and funding, including specific consideration of mass-distance location pricing is underway.

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

It all sounds logical and given the USA and Europe have already achieved significant reforms in this area, it should be simple. However, practice is always more difficult than principle.

Today, I will comment on two recent developments that should, if properly implemented, assist in the development of the seamless economy. These developments are the National Heavy Vehicle Law and the National Land Freight Strategy.

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National Heavy Vehicle Law

The first development relates to a National Heavy Vehicle 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.

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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 National Heavy Vehicle 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.

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

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

ALC has the expectation the National Heavy Vehicle Regulator will be the regulator with the 'teeth' to ensure that the national law will operate in a uniform fashion.

However, 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.

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ALC is concerned that notwithstanding the clearest of guidelines, individual government entities will:

- develop their own cultures;
- interpret the provisions of the national law in perhaps novel ways (and may perhaps develop internal guidelines that will effectively become the law as those guidelines are utilised in practice by junior officers) particularly as it relates to the interpretation of chain of responsibility issues; and
- develop their own enforcement priorities

The net effect would be that that the national law will not be enforced uniformly – the efficiency benefits of a single national law could be lost.

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Development of national regulators in Australia has some successful history in the energy industry, which represented the first of the major competition policy reforms in Australia.

When developing a national energy market for Australia, COAG commissioned what was known as the Parer Committee. It produced a report in 2002 called *Towards a Truly National and Efficient Energy Market*.

One of its major findings was that there were too many regulators and that co-operative approaches do not achieve satisfactory outcomes.

The report said:

There is little evidence that work on the harmonisation of regulatory requirements would progress as expeditiously as if under the leadership of one agency. Differences, or perceived differences in the actual application of any 'template' arrangements would remain and there would be no clear way forward for rectifying that concern.

This must not be allowed to happen with the National Heavy Vehicle Law.

As a number of national legislative schemes established under the COAG 'Seamless Economy' agenda start to bed down, there is a need to continually monitor performance by regulators to ensure

- consistency in the interpretation of legislation; and
- consistency in enforcement priorities.

Without this consistency there will still be, in effect, eight separate administrations.

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The other major issue of concern to ALC is whether the National Heavy Vehicle Regulator will receive the funds to properly administer all elements of the national law.

ALC believes the entire concept of the national regulation of heavy vehicles is at risk if the proposed National Regulator has insufficient funds to perform the job of rolling out a new national scheme and then play its part in administering a modern nationally consistent heavy vehicle law.

The Australian Government must ensure that the National Heavy Vehicle Regulator has the funds so that a truly national scheme of heavy vehicle regulation can operate.

Otherwise, it will fail.

ALC will continue to pursue these concerns with the National Heavy Vehicle Law, as it will with the National Rail Safety Law when that is published in the second half of this year.

Slide 14**National Land Freight Strategy**

The second recent development of note is the development of a discussion paper for a national land freight strategy by the Government.

The intention is to develop one national, integrated freight system for Australia.

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Issues raised include the need for effective local planning and infrastructure funding and regulation.

It is important that planning issues are appropriately dealt with.

Land space must be preserved so as to allow suitable infrastructure to be identified and funded.

Governments have increasingly noted that the efficiency of Australian cities as economic systems is diminished by poor planning, coordination and/or implementation.

ALC is pleased that COAG now requires planning document to provide for nationally significant economic infrastructure including transport corridors, international gateways, intermodal connections, major communications and utilities infrastructure and reservation of appropriate land to support future expansion.

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However, dwelling investment in Australia is forecast to grow by 7.5% in 2010 – 11, with a significant pipeline of construction work to be completed. Strong population growth and low vacancy rates will support activity in the sector.

This will mean greater pressure on:

- transport infrastructure;
- greenfield sites that would permit the development of intermodal facilities located away from port facilities (a concept supported by ALC and by the National Ports Strategy) and
- increased risk of residential intrusion near, or too much congestion around, logistics infrastructure.

ALC has always been concerned there has been an emphasis on planning bodies to 'identify infill and redevelopment opportunities' and to ensure that 'outcomes for cities must improve sustainability and liveability', but not provide the same level of priority for transport infrastructure.

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.'

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When dealing with the real issues relating to encroachment and the preservation of infrastructure corridors, the real 'last mile issues' and land-use mix choices faced by governments and communities need consideration **now**.

A more formalised structure must be put in place to:

- ensure the position of freight is recognised in the planning process; whilst
- recognising 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.

It is important to acknowledge that as most Australian ports are in or near the centre of Australian cities, the interests of ensuring the efficient operation of Australian ports and the interests of residents may not always coincide.

ALC believes state, territory and local governments must make land-use decisions prioritising the efficient use of the infrastructure over other possible land uses.

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The issue is how this can be delivered.

ALC remains of the view that that the national interest would be served if Australian governments would agree to the establishment of a national partnership that:

- launches 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.

Slide 19**Infrastructure funding**

Another issue raised in the national land freight strategy discussion paper was infrastructure funding.

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

In particular, ALC is of the view infrastructure decisions should be made in a way:

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

This will necessarily mean that the full costs of externalities are factored into government road and rail investment decisions.

ALC believes that the role of Infrastructure Australia in assessing the viability of national infrastructure should continue in the short term.

As ALC has recently said - Infrastructure Australia must be given appropriate resources to discharge any enhanced role in infrastructure assessment.

Properly funded, Infrastructure Australia could play the same role in infrastructure development as the Productivity Commission in relation to advice on economic policy.

Poorly funded, it will only act as a roadblock to efficient decision making and States will put off their own expenditure in the hope of getting federal funds.

One final improvement would be for one regulator to administer all elements of the land freight strategy.

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The development of Freight Australia

COAG has agreed to a national rail safety regulator and a national heavy vehicle regulator, whilst the Henry Review suggests that a single agency should develop transport reforms and monitor their implementation by the States.

ALC believes that to maximise the capture of the benefits from the rationalisation of regulations, a single Land Transport Regulator with seamless regulatory arrangements across all modes administering a coherent set of regulations should be created to oversee the national land freight strategy.

This body would include the responsibility of ensuring the rigorous analysis of proposed infrastructure investments – broadly, the current role played by Infrastructure Australia.

An entity called **Freight Australia** could be created within either Infrastructure Australia or the National Transport Commission with responsibilities including:

- commissioning and analysing data;
- identifying infrastructure of national significance;
- developing intermodal facilities;
- identifying blockages affecting the transport and logistics chain;
- encouraging the transfer of information across the T&L chain;

- acting as a 'champion' for the logistics industry within Government; and
- regulating the modes of land transport carrying freight to port.

This should provide the focus within government that the Australian freight effort deserves.

Conclusion

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Australia is on its way to achieving a seamless national economy through:

- A trend toward national regulation.
- A recognition that the freight task does require a national approach to planning.

There's still a way to go down the road ahead, however ALC believes these measures would encourage investment in Australian transport infrastructure, thereby allowing Australia's growing freight needs to be served.

Thank you.