



AUSTRALIAN LOGISTICS COUNCIL

Speech – Michael Kilgariff, Managing Director, Australian Logistics Council

Progress and Future of Trade Logistics Connectivity in ASEAN+6

4 September 2015

Check Against Delivery

Ladies and gentlemen, it is a privilege to be with you today to discuss the future of trade logistics in the ASEAN region.

I need not remind delegates that Australia has a strong, proud and prosperous bond with our south-east Asian neighbours.

These bonds are reinforced through commerce, education, two-way tourist traffic and migration.

As a combined economy, ASEAN represents almost 15 per cent of Australia's total trade, with two-way trade valued at almost \$100 billion in 2013-14.

This is more than a 100-fold increase in goods trade since 1973-74.

The latest goods and services figures are more than double those of just ten years ago.

On a bureaucratic level, Australia has a resident ambassador accredited to the ASEAN Secretariat in Jakarta since 2013.

And according to the 2011 Australian census, over 650,000 people claimed Southeast Asian heritage.

Our links are strong and enduring, and I am pleased to be building upon them today.

What I would like to do is to take you through a few domestic and international developments in regards to infrastructure and logistics in Australia, and discuss their possible implications for the ASEAN region.

First, a quick snapshot of the Australian Logistics Council.

ALC is the peak body national body for the freight logistics industry in Australia.

We are the key advocacy organisation on behalf of the Australian freight logistics sector.

You may be familiar the names of some of our member companies, as a number have a presence across the region.

Our members span the entire supply chain, incorporating, road, rail, sea, air, sea ports and intermodal ports.

Our whole of supply chain approach is unique and sets us apart from many other transport bodies.

All ALC members are committed to creating more efficient supply chains, both domestically and internationally.

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.

Australia's land mass is nearly 8 million square kilometres.

It's nearly 15 times the size of Thailand.

Australia's transport needs are unique, with vast distances between major population centres and a number of large, sprawling urban cities.

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.

Freight has to be moved over long distances, using a combination of freight modes, including road, rail, sea and air.

This is illustrated by the national land freight map of Australia you can see behind me.

As you can see from this next slide, the national freight task has grown considerably since the 1970s.

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.

To add a few more figures into the equation, Treasury modelling shows Australia's population will hit 35 million by 2050.

This increases the need for:

- Smooth and efficient supply chains that connect our sources of wealth with our domestic markets and international gateways; and
- Appropriate financial mechanisms to facilitate investment in infrastructure

Today I will focus on these two issues.

Infrastructure Australia

When Tony Abbott was elected as Prime Minister in 2013, he said he wanted to become the Infrastructure Prime Minister.

ALC welcomes the Government's commitment, particularly when projects enhance freight efficiency.

Research by ALC has found a 1% increase in logistics efficiency would boost GDP by \$2 billion.

Soon after taking office the Government restructured Infrastructure Australia, which is an independent statutory body with a mandate to prioritise and progress nationally significant infrastructure.

ALC strongly supports Infrastructure Australia.

We need an independent body to ensure the right projects are being identified, prioritised and funded to improve productivity and efficiency in the freight logistics industry.

With limited funds available for infrastructure, there is a role for a body like Infrastructure Australia to make sure funding is targeted at the right projects.

One of Infrastructure Australia's first tasks has been to undertake a National Infrastructure Audit.

The Australian Infrastructure Audit has found that without action Australia's productivity and quality of life will be tested, with population and economic growth set to cause increasing congestion and bottlenecks.

The report includes 81 findings, including some important ones for the logistics industry.

The audit said Australia must strengthen its institutional arrangements in the transport sector to ensure sufficient funding is allocated to addressing current gaps.

It called for greater integration between infrastructure and land-use planning, across all levels of government.

The audit also encouraged improvements in long term infrastructure planning, project appraisal and project selection, including the consistent use and transparent reporting of cost benefit analyses.

ALC will be picking up on these three themes when it makes its response to the National Infrastructure Audit.

Asset Recycling

An issue ALC will also raise in its submission is the role of asset recycling.

Australia is currently going through a phase of privatisations or long term leases of infrastructure assets, such as ports, electricity poles and wires, as well as national institutions.

For example, a number of Australia ports have been, or are about to be leased to the private sector.

The poles and wires in New South Wales will also be offered to the private sector, while Australia Post is also expected to be privatised.

ALC has been a strong supporter of asset recycling where funds are then used in greenfields logistics assets development.

ALC has been advocating to governments for some time to identify appropriate infrastructure assets that can be recycled.

Instead of raising new capital from either the public or the private sector, capital can be raised by selling or leasing long-term government assets, which can then be “recycled” for new infrastructure projects

This support is conditional, however, on some key points.

Firstly, it must not be accompanied by undue price increases which unfairly gouge infrastructure users.

And secondly, the funds raised from privatised assets should be re-invested in productive freight logistics.

Looking more broadly at the issue of infrastructure investment, I'd like to take a few minutes to discuss Australia's approach at the G20 in regards to infrastructure.

Global Infrastructure Hub

The Australian Government and Australian business leaders proactively encouraged the development of the Global Infrastructure Hub.

The proposal for the Global Infrastructure Hub was taken to the world during our G20 Presidency at the Brisbane G20 Leaders Summit, where leaders announced the Hub's establishment as a key mechanism for delivering the Global Infrastructure Initiative.

As you may be aware, at the whole-of-government level, the Hub's efforts will be complemented by the Asia Region Funds Passport being developed under the auspices of APEC.

The Hub has been tasked with five key work themes.

First, to develop a knowledge-sharing network by jointly working with governments, international organisations, development banks, national infrastructure institutions, the private sector and infrastructure researchers.

Second, the Hub will address the key data gaps that matter to investors.

Third, the Hub will give substance to the leading practices on prioritising, planning, approving and delivery of infrastructure projects, developed by the G20 and the OECD.

Fourth, the Hub will build the capacity of government officials to improve institutional arrangements.

And fifth, the Hub will develop a consolidated database of infrastructure projects to help match potential investors with suitable projects.

Australia is honored that the hub will be based in Sydney, and both industry and government are committed to ensuring its effective implementation.

Asian Infrastructure Bank

Another important development I wish to discuss with you today is Australia's involvement in the Asian Infrastructure Bank.

The Asian Infrastructure Investment Bank is a proposed international financial institution focused on supporting infrastructure construction in the Asia-Pacific region.

The Australian Government has announced it will become a founding member of the Bank, reflecting our recognition that Australia's prosperity and economic growth are tied closely to the region.

The Bank aims to bring best practice for the delivery of much-needed infrastructure to the entire region.

It will act as the catalyst for private sector investment and it will co-finance projects with other development banks and private sector financiers.

Legislation has been introduced to our federal parliament facilitating Australia's membership of the Bank, including implementing our obligations under the bank's articles of agreement.

From a freight and logistics perspective, the Asian Infrastructure Bank has its advantages.

Asia's infrastructure financing gap has been estimated to be worth \$8 trillion over the next decade.

Establishing a regional mechanism to improve the delivery and financing of critical infrastructure is not only good for the logistics industry, it will also provide valuable trade and economic opportunities for our country.

And, Australian businesses will benefit from improved infrastructure throughout the region, which will also help our commodity exporters.

Ladies and gentlemen, it has been my pleasure to share with you today some of my thoughts on progressing the future of trade logistics connectivity in our region.

I am confident we have made good progress, and are starting to see some real improvements emerge.

Once realised, these measures will encourage greater investment in Australian transport infrastructure, and enable Australia's growing freight needs to be served.

To conclude, let me once again reinforce the importance of ASEAN as a forum through which we as an industry can come together to discuss issues of shared importance.

If ASEAN were a single country, it would already be the seventh-largest economy in the world, with a combined GDP of \$2.4 trillion in 2013.

It is projected to rank as the fourth-largest economy by 2050 ¹

Against this economic backdrop, the need for seamless, integrated and efficient supply chains is paramount.

I'm confident that the work of this group will help us to develop even stronger ties among our nations in the future.

Thank you.

¹ http://www.mckinsey.com/insights/public_sector/understanding_asean_seven_things_you_need_to_know