



AUSTRALIAN LOGISTICS COUNCIL

Speech for Michael Kilgariff

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Unlocking the west, supply chain efficiencies and their importance to the Queensland and Australian Story

Good afternoon ladies and gentlemen.

I'd like to begin by showing you a short video on the logistics industry's support for inland rail – Queensland's most important infrastructure project.

As the video said, ALC is the peak industry body for the Australian logistics industry.

This includes major Australian logistics customers, providers, infrastructure owners and suppliers.

We are the leader in the national debate on the steps needed to boost supply chain efficiency.

And speaking of leaders, there is no better place than in Toowoomba to have this conversation about making smart investments in our infrastructure to support economic development.

Toowoomba is strategically placed to play a lead role in Australia's freight future.

I'm not exaggerating when I say decisions taking here at the local level in Toowoomba have national ramifications.

With Inland Rail gaining momentum, and facilities such as the Toowoomba Enterprise Hub encompassing Interlink SQ in the region, Toowoomba's has legitimate grounds to call itself the inland port of Australia.

You have some competition from other councils around Australia, but from ALC's perspective, this is healthy competition.

I noted with interest some research Toowoomba Council undertook recently with KPMG on the advantages of investing in the Toowoomba region.

The research demonstrated the potential economic benefits of commercial operators looking to invest and operate in south-east Queensland.

As we all know, successful commercial developments need efficient supply chains to prosper.

This is because high performing supply chains, underpinned by appropriate national infrastructure, ensure the smooth flow of goods from production to consumption.

And that is what ALC is all about.

We are committed to improving the efficiency of our national supply chains.

Of particular interest is the north-south corridor along our eastern seaboard.

Improving the flow of goods on this corridor is vital to enhancing Australia's economic prosperity.

This includes the movement of containerised freight, raw commodities and processed goods.

One of the key infrastructure projects to achieve improved efficiency is inland rail.

Building the inland rail line is a huge opportunity for Australia.

ALC identified the project as one of four key priority areas for action in the lead up to the last federal election.

And with a recent report from ACIL Allen and ALC showing an increase in logistics productivity of 1% would increase GDP by \$2 billion, ALC believes inland rail is critical to boosting national economy activity.

Rail is the dominant mode of transport on the east west corridor.

But rail can, and should, have a higher share on the north south corridor between Melbourne and Brisbane.

With Australia's freight task expected to increase dramatically over the decades to come, rail simply has to make a greater contribution.

The Queensland Moving Freight Strategy identified the expanded use of rail freight as its number one priority area.

Getting more freight on to rail will reduce pressure on our road infrastructure and improve the global competitiveness of our exporters.

It's good for business, farmers and miners.

And most importantly, it's good for consumers.

Inland rail will also create new jobs, and transform our supply chains for generations to come.

The obvious benefit of inland rail is that we can effectively bypass Sydney on the north south route, where passenger trains are afforded priority.

Notwithstanding the significant investments ARTC has made in the Sydney network over the past few years, congestion still afflicts our biggest city.

In its most recent report, Infrastructure Australia highlighted urban congestion as one of most significant inhibitors to future economic growth.

BITRE estimates the cost of congestion in Australia in terms of productivity loss is \$14 billion, and will be \$21 billion by 2020.

The cost of congestion to Sydney alone will be \$8 billion by 2020.

And 80% of businesses in Sydney say congestion has worsened in the past 12 months.¹

This is a multi-faceted problem that affects all levels of government.

Inland rail is not the panacea to fix Sydney's congestion woes.

But, combined with other smart infrastructure investments, it certainly has the potential to make a real positive difference.

The project will also deliver additional critical freight capacity to the Southeast Queensland region which is good for the local economy.

And, it would also assist in integrating the southeast into the national network more broadly.

Longer, more efficient and more powerful trains are travelling across the network today, carrying bigger tonnages than ever before.

And new rail infrastructure has improved axle loads and increased the amount of freight that can be shifted by rail which can deliver significant advantages to businesses.

On another level, inland rail provides an alternative rail option when tracks need to close, which occurred only a few months ago in the Hunter Valley when major storms battered NSW.

Industry strongly backs this project, and it is looking forward to the finalisation of the business case to enable work to begin.

This proposal comes at a time when the ARTC is working hard to improve rail reliability, which is a critical factor when businesses weigh-up the composition of their national supply chains.

The completion of the business case will also provide certainty on the route and industry looks forward to this important matter being finalised.

The wide support for this project among key players in the logistics industry is best summed up by the open letter that was signed by industry a few months ago.

The letter makes a couple of key points that I'd like to highlight.

Firstly, only around 30 percent of freight moving between Melbourne and Brisbane travels by rail.

With studies showing the national freight task will increase by 100 percent between 2010 and 2030, all projects that improve the long term efficiency of the freight logistics network need strong and unequivocal government support.

The letter also stresses the need for appropriate freight terminals in both Melbourne and Brisbane.

¹ <http://www.slideshare.net/informaaz/sydneys-congestion-dilemma-stifling-economic-growth>

This is another important point.

To maximise the efficiency of the inland rail line, there must be efficient end to end connectivity.

Of critical importance to the project will be the dedicated freight line to the Port of Brisbane, linking with the mines of South East Queensland, and ultimately Port of Melbourne.

Port to Port connectivity is an essential component of this project.

The third point I'd like to raise from the letter is that inland rail is critical to boosting national productivity.

A few weeks ago, the Productivity Commission found productivity in the transport, postal and warehousing sector declined by 3%.

This negative productivity growth remains well below what is required to maintain our historical growth in living standards.

Productivity boosting projects like inland rail will help address this worrying trend.

The need for more efficient supply chains in south east Queensland is underscored by the expected growth in Queensland's burgeoning freight task.

It is forecast to increase by 89% between 2010-2011 and 2026.

In raw numbers, it is expected to climb from 871 million tonnes to around 1,700 tonnes in just over 20 years.

Inland rail is, of course, also critical to unlocking the west and supporting the state's resources industry.

Demand for Queensland coal remains strong.

The state's coal exports reached a record new high of approximately 208 million tonnes in 2013-2014, which equals around \$25 billion dollars.

This was supported by coal exploration of \$324 million for the 12 months ending June 2014.

The north and north-west are world-class in terms of their base metals and industrial minerals production.

[Queensland](#) has over half of Australia's demonstrated economic resources of lead, zinc, silver and bauxite.

Improved rail freight connectivity is critical to the future sustainability and growth of Queensland's minerals industry.

The logistics industry is keen for the Queensland Government to provide a strong affirmation of its support for this nation building project.

It is strongly supported by Federal Labor, particularly shadow minister Anthony Albanese, and I trust state Labor is also firmly behind the project.

Further to my point earlier about the need for improved end-to-end connectivity, I'd like to spend a few moments talking about the importance of intermodal terminals.

For those who don't know, an intermodal terminal is a location for the transfer of freight from one transport mode to another.

An example of which is between road and rail.

Intermodal hubs will have a central role to play in easing the burden on the ports and neighbouring areas.

They are also essential if rail is to increase its role in the freight transport and distribution system.

In the last few months we have had a number of exciting announcements on some major intermodal projects.

Earlier this year, an agreement was reached between the public and private sectors for the Sydney Intermodal Terminal Alliance to develop and operate the Moorebank Intermodal Terminal.

Work can now commence on finally delivering the economic, environmental and community benefits that this national freight project has promised for more than 10 years.

Last week, DP World and Toll announced that they are in talks to connect a container staging zone at Port Botany to an intermodal freight terminal at Villawood.

And in Victoria, work is continuing to assess the future of the Western Interstate Freight Terminal.

This project will, if successful, see the construction of an interstate terminal and freight precinct at Truganina in Melbourne's west as well as a rail link to the Interstate Rail Freight Network.

All projects are critical to industry's efforts to get more freight on to rail.

Here in south east Queensland, a number of exciting projects are in the pipelines.

For example, the InterLinkSQ development, 13 kilometres west of Toowoomba, is in a key strategic location.

It offers significant opportunities for transport and logistics services in the region.

Bromelton is also strategically located for industrial uses and logistics operations.

It will have direct access and connections to key road and rail freight lines.

And of course, plans continue for the Toowoomba Second Range Crossing to provide more efficient freight movements on this important part of the National Land Transport Network.

Looking more broadly to Queensland's long term infrastructure needs, it is fair to say the Queensland Government will face an ongoing challenge to ensure it has the

funds to invest in the freight network given its opposition to leasing or privatising state-held assets.

ALC supports asset recycling as a way to raise funds for logistics infrastructure.

It is working to great effect in New South Wales, and we hope also in Victoria when the Government leases the Port of Melbourne.

In that context, we look forward to working with the Queensland Government to better understand how it will finance new logistics infrastructure, and upgrade existing infrastructure.

On this topic of how we pay for infrastructure in the future, I'd like to say a few words on road reform, which is a hot topic of discussion in our industry at the moment.

At the COAG Leaders' retreat a few weeks ago, South Australian Premier Jay Weatherill took to the meeting a bold plan to reform the federation, including long overdue reforms to how our national highways and roads are funded.

Under his plan, state-based registration and federal-based fuel-excise charges would be replaced by a more transparent pricing mechanism.

It would more closely link road use and investment.

He also offered up South Australia as the test site for different elements for the new heavy vehicle road user charging regime.

I believe his plan requires serious consideration by all levels of government.

Premier Weatherill's blueprint echoes similar calls for reform made in recent times by the Productivity Commission, Infrastructure Australia, the Harper Review and the National Commission of Audit.

These and other reports also flagged the concept of extending the heavy vehicle road reform, over time, to all vehicles, to send a more direct price signal and to help address congestion in our cities.

There is a growing consensus that the infrastructure funding system in Australia requires a major overhaul.

The key will be delivering reform that improves long term funding sustainability of key freight routes in a transparent and equitable manner.

Currently, funds raised through registration and fuel excise are smeared across the network, and not returned to the key freight routes carrying high levels of traffic.

A system where funds are arbitrarily applied across the system, with no real linkage to where the freight has come from, or is going to, is one requiring reform.

Nor is it a system that supports improved productivity levels in the industry.

Industry's support for this reform will hinge on the extent to which it supports supply chain efficiency and reliability.

It is critical, however, that funds collected are invested in the infrastructure used by the vehicle.

In other words, the revenue follows the freight, and not lost to consolidated revenue.

ALC has long argued that funds from heavy vehicles should be hypothecated for investment in productivity enhancing infrastructure.

For this initiative to succeed, Treasuries need to drive the process forward. Not only will it be quicker, it will be more effective if part of a broader set of reforms to change the infrastructure revenue stream.

And importantly, having Treasuries take carriage of this initiative will help to ensure a greater level of national coordination.

This is important, because in the long run, road reform needs to be national, it needs to be consistent and it needs to be coherent.

I would also like to take this opportunity to congratulate the Queensland Government on their commitment to establish Infrastructure Queensland.

As you have heard from Minister Trad, Infrastructure Queensland will provide advice to the Government on Queensland's infrastructure priorities.

The body will also create pipeline of priority projects that will be provided to the Queensland Government for consideration.

And perhaps most importantly, it will prepare business cases for infrastructure projects with an estimated cost of \$100 million or above.

ALC is particularly keen to see this initiative progressed.

Governments of all levels need to put in place improved mechanisms to ensure funding is prioritised for infrastructure projects that will deliver maximum productivity benefits.

ALC looks forward to Infrastructure Queensland fulfilling this role, and to ensure funds go to projects that will deliver that much needed 1% improvement in productivity I spoke about earlier.

The issues I've spoken about today underscore the importance of long term freight planning.

ALC seeks long-term policy certainty in Queensland to support business confidence and to facilitate investment in logistics facilities and infrastructure.

Freight planning needs to be both long-term and strategic to provide industry with the surety it needs to make business decisions with confidence.

All too often we see new governments drastically unnecessarily change perfectly good plans and strategies, which erodes business confidence and leads to delays in investment.

The logistics industry encourages the continuation of the state's Moving Freight Strategy by the Queensland Labor Government.

In other words, if it ain't broke, don't fix it.

Ladies and gentlemen, the major infrastructure projects we are talking about over these two days don't come easily.

They take time.

They take government commitment in fiscally constraints circumstances.

They need support from the private sector.

And importantly, they need buy-in from local communities.

But the ends certainly justify the means.

The logistics industry is firmly behind Toowoomba's push to bring these matters to the attention of Queenslanders because freight efficiency matters for all Australians.

Without an efficient and effective supply chain, all those things people take for granted every day will be less available, and when it is, it will be more costly.

Without proper planning and regulations, the amenity of our suburbs, particularly those around intermodal terminals and ports, will suffer.

And without a long term commitment to Australia's freight future, we will miss an opportunity to build a stronger national economy.

It has been a pleasure to share with you my thoughts on this important issue today.