



AUSTRALIAN LOGISTICS COUNCIL

Speech for Kerry Corke GS1 Supply Chain Week

Ladies and gentlemen, Bonnie, thank you for the invitation to speak here today at GS1 Australia's Supply Chain Week.

ALC's Managing Director, Michael Kilgariff, could not be here today due to prior commitments.

It is a pleasure to present on his behalf.

The event this week provides a valuable opportunity for industries come together to share the latest insights, shape future supply chain solutions and work together to achieve more

From ALC's perspective, GS1 is a valued stakeholder and I'm pleased for the opportunity to discuss with you some critical issues facing the logistics sector.

For those of you unfamiliar with the Australian Logistics Council, allow me to provide you a quick overview.

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

It spans the whole of the supply chain, with our members including road, rail, sea, intermodal and air companies.

Many of you would be familiar with our members that you can see on the slide above

ALC advocates for measures that will improve productivity, efficiency and safety in the industry and, through that, create more efficient supply chains.

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.

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

More importantly from ALC's perspective, this trend is expected to continue at a growing rate over the next 40 years.

In 2011–12 BITRE estimates that the domestic freight task totalled almost 600 billion tonne kilometres

That's equivalent to about 26,000 tonne kilometres of freight moved for every person in Australia.

Furthermore, Australia's freight task is projected to increase by 80 per cent between 2010 and 2030, with this rate of growth seeing freight triple 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.

As a state whose economic performance relies heavily on its logistics sector, the efficiency of Victoria's supply chains is paramount.

The State's freight strategy estimates the freight and logistics sector contributed between \$19 and \$23 billion, or about 8% of total economic activity to Victoria's economy in 2011.

Containerised imports and exports are expected to more than quadruple over the next 40 years.

These growth rates are consistent to those predicted for other parts of the country.

When one looks around the country, many of Australia's supply chains are just not up to scratch due to neglect, inefficient regulatory frameworks and short-termism.

We run the risk of falling behind our international competitors.

We need to do better – both in terms of regulation and infrastructure investment.

The pay-off is not just a more efficient logistics sector – it benefits all sectors of the economy.

A report by ACIL Allen and ALC found the Australian logistics industry adds \$131.6 billion a year or 8.6 per cent to GDP.

Importantly, a one per cent improvement in efficiency will yield a \$2 billion-a-year benefit.

It provides hard evidence that inefficiencies in the industry will cost Australia dearly unless all governments continue to focus on reform of regulation and investment in infrastructure.

Investment linking road and rail infrastructure to ports, that facilitates the smooth flow of goods from production to consumption, is at the top of this list.

This over-riding principle was one of the main points highlighted in our submission on the sale of the Port of Melbourne, which will no doubt be talked about at length today.

Can I say at the outset that ALC supports the long term lease of the Port of Melbourne.

Asset recycling offers a capacity of governments with constrained balance sheets, like Victoria's, to unlock capital captured in mature assets.

Done right, the recycling of assets such as Port of Melbourne can realise desperately needed funds for new logistics infrastructure projects.

Let me spend a few moments defining what I mean by 'done right'.

Governments proposing any form of lease or sale of an asset must firstly explain to the community the financial reason for the asset disposal and then clearly identify the public benefits that will accrue as a result the disposal.

To help build public confidence, this should be in the form of published business case or cost benefit analysis.

Any proposal to sell, or offer a long-term lease for any piece of infrastructure must possess a net positive benefit.

It is also important that funds raised as a result of the lease or sale of infrastructure is in turn invested in the productivity enhancing infrastructure.

ALC also believes that any asset that is sold must be sold for the right price and not at any price

Finally, ALC believes the sale or long-term lease of an asset should not be pursued to the detriment of competition and freight efficiency – a point we have focussed on in our submission on the Port Lease Bill which I'll talk about shortly.

Any analysis conducted to support either the sale or long-term lease of an infrastructure asset should consider:

- whether the proposed sale will promote competition and efficiency;
and

- the need as to whether the subsequent operation of the asset should be the subject of economic regulation, so as to permit the efficient use of the asset to the benefit of the Australian community as a whole.

Of particular concern are vertical integration and monopoly pricing.

Vertical integration will provide the any recycled monopoly asset or entity with the ability to leverage its power in monopoly markets into vertically related competitive markets, thus distorting efficient market outcomes.

Furthermore, any recycled monopoly asset or entity should have its pricing subject to government oversight, typically by the ACCC or state based economic regulators, as appropriate.

These two issues must be addressed in any asset recycling program.

With these issues in mind, ALC generally supports the passage of the bill enabling the port to be leased.

We do however, believe that the legislation can be strengthened in a number of areas.

Broadly speaking, these cover two mains areas - how the port is regulated and how the funds raised from the lease are spent.

The economic regulation of the Port needs to be sufficiently rigorous to ensure that access and pricing considerations are dealt with in a manner that permits the efficient use of the asset.

ALC notes the Government's recent announcement that the Essential Services Commission will have the power to conduct reviews into whether the Port's new owners have misused their monopoly power.

We welcome this step, as ALC has been publicly advocating that the ESC should have the power to scrutinise competition issues arising from leases offered by the port operator to stevedores.

It is critical, therefore, that the Commission has the technical capacity to discharge the functions that are proposed or may be imposed on it.

Our second requested amendment related to the use of the Victorian Transport Fund, which would receive the proceeds from long term lease of the asset.

The proceeds from the port's long term lease, outside of funds earmarked for level crossings, should be prioritised to productivity-enhancing infrastructure projects.

This needs to include road and rail infrastructure linking to the Port of Melbourne.

Importantly, we believe investments in infrastructure should also be made on the advice of Infrastructure Victoria, similar to the approach adopted in NSW where Infrastructure NSW provides advice on payments out of the Restart NSW Fund.

This will provide industry with the confidence that the funds locked up in mature assets will be used in the most economically efficient manner.

Over and above these amendments to the bill, ALC is also pushing for a long term review of Australia's port needs.

Much has been said about if, and when, Melbourne needs a new container port.

Given the residual capacity of the Port of Melbourne, there appears no immediate need to develop a second Victorian port.

This obviously will change in the future, as demand increases at the Port of Melbourne and the facility nears its capacity.

Ultimately, ALC would like to see Infrastructure Australia conduct a review to establish Australia's port needs over the next 30 years, so long term planning over the period can be more robust and evidence-based.

In the meantime however, there is scope for the newly established Infrastructure Victoria to analyse the issue of a second container port for Victoria.

This review should not only consider whether a second port is necessary, but also issues such as land preservation to underpin the efficient use of the asset in the future.

A national review of Australia's port needs was one of number of points ALC recommended in our submission on Infrastructure Australia's Infrastructure Audit, which I'd like to spend a few moments discussing.

The Audit sets out a number of challenges for Australia's national supply chains requiring action.

It will inform a 15 year *Australian Infrastructure Plan* which IA is currently developing and will be released later this year.

ALC's response to the audit urges action on a number of critical infrastructure reforms.

We want to see IA to audit the National Land Freight Strategy to identify areas for action, including road reform.

The current way of funding our roads as a free public good is unsustainable, and needs comprehensive reform.

ALC has been an active participant in this debate, as we acknowledge the potential benefits that could flow from the way we price and invest in logistics infrastructure, particularly when the dollars follow the freight.

There is growing consensus that the current system of vehicle charging and investment needs to be put under the microscope.

One of the primary reasons why the current system is not working is that funds are arbitrarily applied over the network and are not being

sufficiently returned to those key freight routes that carry high levels of traffic.

Growing pressure on state and federal budgets also necessitates serious consideration of where we go from here.

In short, it is becoming increasingly clear the current system will not support maximum efficiency and productivity in the long term.

ALC supports reform, but on the proviso that funds collected need to be invested in the infrastructure used by the vehicle (that is, the revenue 'follows the freight').

They cannot be diverted into consolidated revenue for use for other purposes, and that any payments made to a road owner in the form of a CSO payment are transparent.

Inland Rail is another issue ALC is pushing for action on.

Inland rail is critical to Australia's freight future given the expectations of the growth in the freight task

The business case was recently finalised, and has been handed to Government.

It found an investment in inland rail has positive net economic benefits.

It confirms the Inland Rail Programme will increase gross domestic product by \$16 billion over the 10 year construction period and 50 years of operation.

Our submission to IA also encourages governments to prioritise the efficient use of High Productivity Vehicles travelling to and from Australia's major ports, as well as ensuring there are efficient rail linkages between intermodal terminals and ports.

This is a pertinent issue for Victoria.

ALC strongly supports a funding commitment by the previous government to establish a Port Rail Shuttle service linking the Port of Melbourne to suburban rail hubs.

Moving more freight to rail, where it makes sense commercially, has the potential to improve urban amenity; reduce road congestion and decrease queuing times at ports.

Short haul rail is an area where NSW is making significant gains.

ALC encourages the Victorian Government to follow the lead of their northern neighbours and provide financial support to short haul rail here in Melbourne.

On this topic of intermodal terminals, ALC is encouraging the Victorian Government to provide planning and investment support for the Western Intermodal Freight Terminal, or WIFT.

Down the track, the WIFT will play an important role in allowing freight to move more efficiently from Melbourne's logistics heartland.

And, it will also play a role in reducing congestion around the Dynon precinct.

ALC is keen that the Government ensures that land is preserved and that the appropriate planning instruments have been amended to support the needs of the Terminal.

And finally, ALC would like to see IA identify the current technology projects being conducted by state and territory governments, and analyse how well these projects are enhancing supply chain productivity.

I think this is a particularly important point for people here today.

In order to deliver excellent service, logistics businesses need to build strong relationships with their clients, manage complex execution processes, and manage their own assets and people effectively.

This relies on impartial, industry-wide ICT solutions for collaborative information sharing.

This will enhance the logistics industry's ability to deliver predictable and reliable transactions efficiently and safely.

The most efficient supply chains worldwide leverage real-time information and ensure real collaboration between partners, whether this is within a closed-loop, across the industry, or indeed across the entire economy.

Australia can do better.

The work ALC is doing with GS1 Australia and other supply chain partners is a good case in point that is meeting this need.

ALC's Technology Committee is currently working on an intermodal visibility project to improve the efficiency of supply chains in the transport and logistics industry.

The seamless transfer of accurate information along the supply chain is just as critical as the physical and tangible infrastructure that supports Australia's freight industry.

In the same way that traffic congestion and delays affect the transportation of goods, so too does inconsistent data between suppliers, retailers, distributors and transport providers

The project is focussing on the flow of information in the transport sector, particularly in the hand-over of freight between operators from point of origin to final destination.

Comprised of industry experts, the project involves strengthening product visibility, interoperability and traceability across the transport sector through the implementation of GS1 standards.

If you wish to know more about the project, I'm sure Bonnie Ryan from GS1 would be more than pleased to provide further information.

Ladies and gentlemen, I trust I've demonstrated that there is much happening in the freight logistics sector at both the federal and state levels.

While it obviously takes some time to implement national reforms and new investment frameworks, the ends certainly justify the means.

These and other measures I've outlined today reflect industry's commitment to working with government to improve productivity, efficiency and safety across the entire supply chain.

We do this 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.

And without a long term plan for 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.

Thank you.