



AUSTRALIAN LOGISTICS COUNCIL

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

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 double 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.

Nowhere is this more important than in NSW.

The freight task of NSW is predicted to double to 794 million tonnes by 2030

In 2011, freight and logistics contributed approximately \$58 billion of the NSW Gross State Product, which is nearly 14 percent.¹

Nearly 130,000 people are directly employed in the freight industry in NSW. Tens of thousands more are indirectly employed.

¹ <http://freightandportsstrategy.transport.nsw.gov.au/wp-content/uploads/2012/11/TfNSW%20Freights%20and%20Ports%20Strategy%20-%20web%20version%20-%20main%20doc.pdf>

In light of these figures, the big question confronting industry and government is how do we prepare for the enormous growth in the national freight task?

In ALC's view the response need to be multi-pronged, focussing on both regulatory and infrastructure measures to improve freight efficiency.

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.

This includes investment is in short haul rail and intermodal terminals.

In this respect, it is an exciting time for the logistics industry in Sydney, and in particular short haul rail.

Last week, Asciano's announced its new Sydney Intermodal Strategy.

The event, which was held to coincide with the launch of its automated operations at Port Botany, was the latest in a number of major funding commitments by the

logistics industry to make the movement of freight between Port Botany and Sydney's west more efficient.

Asciano's 'constellation hub' approach involves three components.

- First, the commencement of port shuttles between Chullora and Port Botany.
- Second, the development of St Mary's Intermodal Terminal.
- And third, improved connections to the Inland Rail Line which I'll talk more about shortly.

Asciano's multi intermodal terminal approach to drive more freight onto rail from Port Botany is recognition of the fact that different Sydney freight catchments need different logistics solutions.

Their plans to develop St Mary's will augment existing intermodal capacity in Sydney, including at Enfield and Chullora.

Asciano's announcement comes hot on the heels of three other major developments across the Sydney logistics landscape over the past few months, which I'd like to spend a few minutes discussing.

The Federal Government has approved the Moorebank Intermodal Company entering in an agreement with SIMTA to develop and operate the Moorebank Intermodal Terminal.

SIMTA is a joint venture between Qube and Aurizon.

Following this agreement, work can finally commence on delivering the economic benefits this national freight project has promised for more than 10 years.

The site is 83 hectares in total, and is ideally located adjacent to the M5, M7 and South Sydney Freight Line.

The size of the terminal provides it with the scale to assist an already congested Sydney by relieving road congestion from Port Botany by transferring up to 1 million containers annually to rail.

Moorebank is critical to delivering on the Government's aim to double the proportion of containers carried by rail to and from Port Botany, which currently sits at around 14%, or approximately 278,000 TEUs.

To increase the rail freight share beyond the 28% target, more intermodal capacity will be needed.

Moorebank will help to fill this need.

Another exciting project recently announced by industry is a joint venture plan between DP World and Toll.

It involves connecting a container staging zone at Port Botany to an intermodal freight terminal at Villawood.

This proposed joint venture between two of Australia's largest logistics operators will improve the efficiency of Sydney's freight supply chains by strengthening linkages between the port and Sydney's logistics heartland.

Western Sydney is already Australia's third largest economy and fourth most populous city, so it is essential we have efficient connections between the port and Sydney's west.

The Toll/DP World joint venture will certainly help support this important objective.

Complementing these short haul rail projects is Australia's longest rail project – the inland rail between Melbourne and Brisbane.

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

Last month the Inland Rail Implementation Group finalised its business case and handed it to government.

The business case confirmed economy-wide modelling indicating the Inland Rail Programme will increase gross domestic product by \$16 billion over the 10 year construction period and 50 years of operation.

This project is now developing a high level of industry interest as evidenced by the fact alternative consortia have also sought to have proposals considered.

Assessing these proposals will be one of the jobs of Infrastructure Australia, as it develops its 15-year Infrastructure Plan, which I'd now like to turn to.

The Infrastructure Plan, which is due out later this year, will flow from the recently release National Infrastructure Audit.

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

It will be interesting to see the scope and flavour of the Infrastructure Plan, given recent leadership changes.

ALC welcomes a national debate on how to maximise the economic and social benefits of public and private infrastructure funding.

Fundamentally, we believe projects funded by the public purse need to stack up on economic grounds, not political grounds.

Infrastructure Australia has a critical to role to play in providing advice to the Federal Government on high priority infrastructure projects that will deliver economic benefits to all Australians.

As it weighs up the merits of respective infrastructure projects, our message to government is quite clear.

The movement of freight must receive equal consideration to moving people.

This is particularly in light of the GDP figures I spoke about earlier.

We look forward to both major parties recognising this important fact as they continue to develop their infrastructure policies over the course of the next 12 months

In terms of ALC's response to the audit, we urged action on a number of critical infrastructure reforms.

These were:

- Auditing the National Land Freight Strategy to identify areas for action, including road reform; implementation of the National Ports Strategy and establishing a national body to progress freight reforms
- Encouraging the development of Inland Rail
- Implementing practical measures to accelerate necessary road reforms
- Prioritising the efficient use of High Productivity Vehicles travelling to and from Australia's major ports
- Ensuring there is greater focus on achieving efficient rail linkages between intermodal terminals and ports, running in conjunction with a major review of Australia's port needs over the next 30 years
- Establishing a defined and measurable definition of the 'efficient use' of existing and future infrastructure
- Identifying where investments in technology improvements will deliver the greatest economic return
- Encouraging and prioritising private sector investment in logistics infrastructure to improve the efficiency and competitiveness of Australia's supply chains.

Allow me to go into a little more detail for a few of these.

We want to see IA 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.

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.

We would like to see a review of Australia's long term port needs to ensure we are well positioned to take advantage of future freight flows and trends.

ALC would also 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 excellent 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 to meet 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.

Finally, if you would like to continue the conversation I encourage you to attend the ALC Forum which will be held in Sydney next year at Royal Randwick from 1-3 March.

Thank you.