



AUSTRALIAN LOGISTICS COUNCIL

NSW Major Projects Conference

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Check Against Delivery

Ladies and gentlemen, it is a pleasure to be here today at the NSW Major Projects Conference.

For those of you unfamiliar with the Australian Logistics Council, 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.

We are also holding our inaugural Diversity and Inclusion Summit tomorrow which aims to identify strategies to boost the number of women in the industry.

The Summit will also recognise White Ribbon Day which reflects our zero tolerance approach to violence against women

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.

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.

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?

Today I will discuss three critical steps needed to address this issue.

- **Supporting major logistics infrastructure projects to improve supply chain efficiency**
- **Improving decision making at the local level in regards to freight access**
- **Improving planning at the local level to give freight a voice in urban development**

Our discussions today take place against the backdrop of the Federal Government becoming more involved in a policy sense in the development of our cities.

This renewed focus is welcome.

Infrastructure Australia predicts growing congestion will cost Australians \$53 billion by 2031 as the population increases to 30 million.

Sydney, our biggest city, will see the most gridlock, with congestion costing \$6 billion this year, rising to \$12.5 billion by 2030 – more than double.

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

IA modelling also predicts the economic contribution of our major cities will increase by 90 percent to an input of \$1.6 trillion in 2031.

From the perspective of the logistics industry, greater Federal Government focus on the workability of our cities is a positive step.

It has the financial muscle that many state and territory governments simply don't have to invest in projects to improve the economic efficiency and liveability of our capitals.

Similarly, they have a role to play in developing policies that pave the way for greater private sector investment in infrastructure projects.

But the debate, to date, has focussed on federal government investment in in trams, buses and rail links in our cities.

Unfortunately, the need to invest wisely in key logistics projects to improve supply chain efficiency has been somewhat overlooked.

It is essential that the Government gives equal consideration to the movement of freight as it does to the movement of people.

It's a message that bears repeating.

The Government needs to give equal consideration to the movement of freight as it does to the movement of people.

In short, any new federal approach to moving people should not be at expense of supporting supply chain projects to move freight.

The economic windfall from improving the efficiency of our national supply chains is significant.

A report by ACIL Allen and ALC found a one per cent improvement in efficiency of our national supply chains will yield a \$2 billion-a-year benefit.

It provides the evidence, if it were ever needed, that inefficiencies in the industry will cost Australia dearly unless all governments continue to focus on improving the efficiency of our supply chains.

This includes investment in, and supporting the development of, short haul rail and intermodal terminals.

In its Metropolitan Freight Strategy, the Australian Rail Track Corporation identified the efficient use of short haul rail as the biggest challenge facing Sydney.

I'm pleased to say a number of exciting projects are currently on the drawing board in Sydney that will boost freight volumes.

For example, Asciano recently announced its new Sydney Intermodal Strategy.

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.

A common factor between each of these projects is an efficiently operated and well connected Port Botany.

NSW Freight Minister Duncan Gay recently announced the establishment of a high-level **Port Botany Rail Optimisation Group** to help drive improved rail network utilisation and efficiency.

ALC welcomes the Group's establishment and looks forward to it identify steps to improve the efficiency of the port supply chain.

It is timely therefore that NSW Ports recently released its 30-Year Master Plan and Sustainability Plan for Port Botany and Port Kembla.

The documents outline a strategic vision for the growth of NSW's ports and intermodal terminals, and detail expected trade growth over the next 30 years.

Importantly, it also outlines the actions needed to address this growth.

The Master Plan sets out a number of clear objectives to drive a sustainable future for NSW's port supply chains:

- to provide efficient road and rail connections to the ports and intermodal terminals
- to grow rail transport of containers
- to use land infrastructure efficiently
- to grow port capacity and to protect the ports and intermodal terminals from urban encroachment.

Kembla and Botany are not the only ports in NSW experiencing significant freight growth.

The Port of Newcastle is the world's largest coal export port and is one of Australia's largest ports by throughput tonnage.

The Port of Newcastle's operations are underpinned by the Hunter Valley Rail Network, which has benefited from \$1.4 billion in investment over the last 8 years.

Thanks to this investment, and continued growth of the network, longer heavier trains are now capable of operating across more of the network.

Major operators like Aurizon, Qube and Asciano are able to haul bulk and containerised commodities to market more efficiently and productively.

Grain has been a particularly strong commodity movement.

At the Port of Newcastle end, there is the capacity and capability to cycle trains efficiently.

There is also enough storage for agricultural product, greater capacity for shipping lines to enhance services and the opportunity to grow landside if the need permits.

Getting more freight on to rail is the driving force behind Australia's longest and largest rail infrastructure 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.

The Inland Rail Implementation Group has 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.

Inland rail is a significant project for New South Wales, particularly the Hunter Valley.

The project will prove beneficial for all major export ports and supply chains beyond Melbourne and Brisbane, including the Port of Newcastle, as well as Port Kembla and Port Botany.

Inland Rail's interoperable design will also support nationally significant supply chains, such as those serving the agricultural sector.

For example, there is a connection between ARTC's 30 tonne axle load Hunter Valley Network and Inland Rail at Narrabri and further integration with the network at Dubbo.

Assessing these inland rail 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 released 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 role to play in providing advice to the Federal Government on high priority infrastructure projects that will deliver economic benefits to all Australians.

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.

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.

The need to amalgamate councils was one of IA's recommendations in its National Infrastructure Audit.

The report argued that amalgamating councils will be necessary if local councils are to have the scale and financial capacity to meet their local infrastructure responsibilities.

ALC couldn't agree more.

A recently released report by the Independent Pricing and Regulatory Tribunal provides hard evidence of the need to amalgamate a number of councils to improve the efficiency of the state's freight supply chains.

The logistics industry agrees with the report's recommendation to merge councils that are deemed 'not fit'.

Merging councils would improve the delivery of major infrastructure, achieve more efficient service delivery and better integrate strategic planning and policy.

There is a growing need to enhance the scale and capacity of

local councils to improve how they deliver services to both local communities and industry, and the logistics industry is a good case in point.

All too often, and to the frustration of industry, councils take different approaches to requests from the logistics industry which adds to costs and undermines efficiency.

These include, for example, 'last mile' road access applications, restrictions on how goods are loaded and unloaded and delivery curfews.

Their conservative approach, where asset protection invariably overrides productivity considerations, is driven by a lack of size, a lack of skills and a lack of resources.

IPART's previous reports have found improving road access for heavy vehicles could reduce red tape by \$59 million per year, and that heavy vehicle access restrictions cost \$366 million per year in NSW.

In light of these figures, the logistics industry supports any steps, such as amalgamations, to enhance councils' ability to make better decisions in regards to heavy vehicle access.

With an expected doubling of NSW's freight task I mentioned earlier, it is imperative local access decisions support and not hinder supply chain efficiency.

The creation of the Greater Sydney Commission also has the potential to improve decision making at the local level, particularly when it comes to freight planning.

ALC welcomes the creation of the Commission, with bill to establish the new body having recently passed both houses of parliament.

I also want to acknowledge the bi-partisan support the new body has received.

This reflects a positive step that ALC would like to see mirrored in other jurisdictions around the country.

I'd like to spend a few moments going through the Commission's roles and responsibilities.

It will:

- Lead metropolitan planning for the Greater Sydney Region
- Encourage development that is resilient and takes into account natural hazards
- Promote orderly development in the Greater Sydney Region having regard to the economic, social and environmental principles of ecologically sustainable development
- Promote the supply of housing, including affordable housing
- Support ongoing improvement in productivity, liveability and environmental quality.
- Promote the alignment of infrastructure decision-making with land use planning

The importance of this last point – greater alignment of infrastructure decision making with land use planning – cannot be overstated.

The commission will work closely with Infrastructure NSW providing expertise and advice on the preparation of plans, policies and statements under part 4 of the Infrastructure NSW Act 2011.

We look forward to the next phase of the Commission's development, including the employment of its Commissioners.

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.