



Speech for Michael Kilgariff

Queensland Transport Infrastructure Conference

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Check Against Delivery

Good afternoon ladies and gentlemen, it is a pleasure to be here with you today.

Today I look forward to discussing with you:

- why infrastructure investment and reform need to feature prominently in the policies of both major parties before and after the upcoming federal election
- some critical projects and reforms critical to boosting supply chain efficiency.
- the steps needed to improve safety on our roads which is an issue that affects all of us.

But first: an overview of the Australian Logistics Council.

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.

This debate extends to Queensland where ALC is an active participant.

This is because the efficiency of Queensland's supply chains is critical to the national freight effort.

Freight volumes in Queensland continue to grow.

The Queensland State Infrastructure Plan predicts freight movement across the state will increase from 871 million tonnes in 2010–11 to more than one and a half billion tonnes by 2026.

Furthermore, data from the Australian Bureau of Statistics shows that when it comes to the total tonne-kilometres travelled on roads by heavy vehicles in Australia, the second highest, or around 23 percent, originated in Queensland.

A number of recent economic indicators demonstrate why infrastructure investment and reform must be a central issue for both political parties.

There is inconsistent growth in the number of containers going through our three major ports in Sydney, Brisbane and Melbourne.

Australian retail sales continue to grow just below trend.

According to the AFGC CHEP Retail Index, retail sales grew only at a moderate 3.8 per cent in the March quarter of 2016, with easing to 3.3 per cent predicted in the June quarter.

And the latest CPI figures show Australia in a deflationary trend, demonstrating continuing economic uncertainty.

In many ways, ours is an industry which very much still in the tail winds of the Global Financial Crisis.

In light of these economic indicators, it is more important than ever for government to invest in productive infrastructure to drive productivity and economic growth.

Research by ALC demonstrates the economic imperative of doing just that.

A report by ALC and ACIL shows a 1% improvement in productivity in the logistics industry would yield a \$2 billion a year benefit to the national economy.

This productivity improvement can be achieved off the back of investments in supply chain related infrastructure.

One such example is the inland rail project.

The business case for inland rail found:

- a positive cost benefit analysis of a factor of 2.62
- the project would boost the Australian economy by \$16 billion

- it would create 16,000 direct jobs during the 10-year construction period with a further 700 jobs created upon operation.

I am pleased to say in the last few days, Infrastructure Australia announced it had positively assessed the business case for the inland rail project.

The project has now been added to the Priority Project List.

I won't go over the project's specifics, as Simon Thomas did a good job looking at this earlier today.

I would however like to reinforce why this project is so important for Australia's freight future.

ALC is one of inland rail's most vocal and active advocates.

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

Our strong support is acknowledgement that rail simply has to make a greater contribution to meet Australia's future freight task.

Only around 26 percent of freight moving between Melbourne and Brisbane travels by rail.

With studies showing the national freight task will increase 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.

Last week the Government did just that, committing \$594 million dollars to inland rail.

I commend the Australian Government's significant funding commitment to the project.

This half a billion dollar boost will enable ARTC to progress land acquisitions, pre-construction works and due diligence activities.

ARTC has achieved some significant milestones in relation to inland rail.

A number of planning and environmental plans have been lodged with the relevant jurisdictions and a series of technical tenders have been awarded.

A number of major details need to be confirmed, but the momentum is starting to build.

One such issue is ensuring there is 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.

When it comes to boosting supply chain productivity, improving land-side port efficiency is an absolute must.

Nowhere is this more evident than in Brisbane.

The Port of Brisbane is one of Australia's fastest growing container ports, and Queensland's largest multi-cargo port.

It is worth spending a few moments looking at some of the Port's metrics to get a sense of its economic importance to the state.

- In 2015, more than \$50 billion worth of trade was handled through the Port, comprising more than 50% of Queensland's international trade.
- There was an almost 4% increase in the number of TEUs at the port, which are twenty-foot equivalent containers. This exceeded 1.1 million containers.
- The Port also forecasts more than half a billion dollars' worth of infrastructure improvements at the port over the next five years.

This growth underscores the need for a dedicated freight rail connection to the Port of Brisbane.

This would deliver significant benefits to agriculture and industry by driving competitiveness, productivity and cost efficiency along the supply chain.

Without dedicated freight rail access to the Port, future growth, productivity and competitiveness will be severely constrained.

Currently, 95% of container freight coming through the Port of Brisbane is handled by road, with approximately 80% of export freight travelling more than 100km to reach the Port.

Infrastructure Australia identified a dedicated freight rail connection to the Port of Brisbane as a High Priority Initiative in its 15 Year Infrastructure Plan.

In recognising the need for a dedicated port connection, IA also recommended a dedicated corridor be preserved within five years to ultimately support the delivery of this project.

We can only create a truly national freight rail network by ensuring a dedicated freight rail connection to the Port of Brisbane continues to progress with both levels of Government either as part of Inland Rail, or as a standalone project.

We look forward to this critical element being progressed by governments.

The Government also confirmed in the Budget that it will retain the ARTC in Australian Government ownership.

ALC obviously wants to see inland rail progress as efficiently as possible, and having the ARTC stay in government hands will help achieve this.

It will help to provide certainty to industry stakeholders and allows greater focus to be on project delivery.

That being said, now that significant funds have been allocated to ARTC to progress this project, it would potentially make ARTC a more attractive proposition for potential buyers if the Government decided to reconsider the Corporation's ownership arrangements.

As I said earlier, the Inland Rail business case has recently been positively assessed by Infrastructure Australia.

IA's recent 15-year Infrastructure Strategy highlighted the economic benefits of inland rail.

IA, to its credit, has laid the groundwork for improved supply chain efficiency with a well-considered blueprint.

ALC liaised with Infrastructure Australia throughout the course of its deliberations.

I am pleased it has embraced a number of recommendations ALC made in its submission on the Infrastructure Audit to boost productivity in the freight logistics sector.

IA's plan paves the way for improved freight efficiency.

The challenge before all governments is to work in the national interest and implement its recommendations in a timely and coordinated fashion.

We encourage all political parties in this election year to commit to these common sense reforms.

In particular, we applaud IA's recommendation for a National Freight and Supply Chain Strategy.

The mapping of nationally significant supply chains and their access to supporting infrastructure and gateways is sensible long-term thinking.

So too are their recommendations to strengthen freight corridor protection, integrating land use planning and transport planning and progressing road funding reforms which I'll talk more about shortly.

I am confident that we will continue to see good progress across a number of these and other areas, which is cause for optimism.

In the lead up to the July federal election, ALC will continue to encourage both major parties to ensure they recognise the economic benefits of more efficient supply chains, and to make their post-election priorities accordingly.

And, we will continue to encourage both sides of political to ensure any new approach to moving people should not be at the expense of supporting supply chain projects to move freight.

A burgeoning freight task demands nothing less.

Infrastructure Australia's 15 year plan also highlighted the important role asset recycling can play in raising funds for projects.

This is where governments divest suitable public infrastructure assets and use the released capital and balance sheet capacity to invest in new productive infrastructure.

IA acknowledges the scale of the funding required will be beyond one tier of government and beyond the revenue-generating capacity of existing user charging structures.

Accordingly, IA says Australia must diversify the pool of funding available for public infrastructure investment.

It recommends the Australian Government should continue to provide incentives to state and territory governments to recycle appropriate assets to fund investments in productive infrastructure.

It also recommends the Commonwealth should consider broader applications of incentive payments to advance reform.

ALC agrees.

The budget confirmed the allocation of \$3.3 billion to NSW, Victoria, Northern Territory and the ACT from the Asset Recycling scheme

The Queensland Government's reluctance to privatise assets has effectively meant that it has not shared in the monies that have flowed to the southern states for major public transport projects.

More than \$2 billion has been allocated to NSW, which includes \$1.7 billion for the Sydney Metro.

And more than \$800 million has been allocated to Victoria, which will go towards the Melbourne Metro and Murray Basin Rail.

From a logistics standpoint, this last project – Murray Basin Rail – is of critical importance.

Whilst I respect the Queensland Government's election commitment not to proceed down the privatisation path, these figures show that from an economic perspective it has been a missed opportunity for the state.

With asset sales firmly off the agenda, other mechanisms to fund logistics infrastructure clearly need to be progressed.

As an alternative, the Queensland Government has identified a market led proposals process which is calling for private sector investment.

But this is a timely process, and is frustrating developers of freight infrastructure, whose projects are being held up by bureaucratic process.

The market led proposals process is extraordinarily long, with the value-for-money and a competitive tender process complicating private investment.

There are key freight arteries in Queensland that are under invested in and neglected, including the Western System and the Mt Isa-Townsville line.

And, there's a lack of progress on the Surat Basin Rail corridor.

There are proponents in Queensland that want to invest in freight bottlenecks, but which are not being progressed quickly.

The Government needs to show the public and private sector investors that the Government is serious about securing private investment into freight infrastructure.

More broadly on the issue of funding and investment, any discussion about the ways Australia raises money for infrastructure needs to incorporate road user charging.

Last week's budget demonstrated that there are growing demands on the public purse, particularly in the areas of health and education.

A number of reports have flagged the concept of embarking on serious heavy vehicle road reform, to, over time, link road use with road investment.

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

ALC supports 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.

With studies showing the national freight task will increase by 100 percent between 2010 and 2030, all policy proposals to improve the long term efficiency of the freight logistics network need to be on the table.

It is important to point out however that when we talk about reforms to current heavy vehicle charging arrangements, this is different to proposed new tolling arrangements applying to privately operated roads.

On this point, I would like to make a few comments on the proposal to upgrade the Logan Motorway.

Improving the capacity and efficiency of the Logan Motorway is critical to coping with increased traffic movements and a growing population.

Logan is a thriving logistics hub with a number of businesses basing themselves there to take advantage of the region's competitive advantages.

The Logan region needs an efficient motorway to unlock the economic potential of the area.

ALC supports greater investment by both the public and private sectors into this important part of the state.

ALC supports market-led projects, notwithstanding the points I made earlier.

Projects need to improve reliability, efficiency and safety, and need to be equitable in terms of their tolling arrangements.

As it stands, we have some reservations in terms of the proposed tolling arrangements, and the impact it would have on the heavy vehicle industry.

The heavy vehicle industry should not be expected to bear a disproportionate share of the tolling burden when it comes to major infrastructure projects.

We will continue to discuss this issue with the project's proponents to ensure there is an equitable outcome for the heavy vehicle industry.

Before I conclude, I'd like to spend a few moments looking at the important issue of road safety.

Statistics from the Bureau of Infrastructure, Transport and Regional Economics show safety in the heavy vehicle industry is generally improving.

BITRE's latest report shows fatal crashes involving articulated trucks decreased by an average of 4.5 per cent per year, over the three years to December 2015.

This figure is promising, but it is abundantly clear that more must be done.

ALC is advocating for a number of practical safety measures to make our roads safer for all users.

These include:

- The mandatory use of technology in all heavy vehicles to record safety measures such as fatigue, speeding, location and dangerous driving.
- Introduction of an 'Operator accreditation' scheme to ensure industry participants are competent to perform required tasks
- The inclusion of heavy vehicle maintenance as part of an industry member's legal obligations; and
- A better alignment between the heavy vehicle national law and national work health and safety laws.

We believe these practical, workable and useful measures are far superior to the scheme the Government recently abolished, which involved an industrial tribunal setting rates of pay for the heavy vehicle industry.

ALC lobbied hard for its abolition of the Road Safety Remuneration Tribunal and for many years we were the lone voice in calling for this.

Our rationale was simple.

The Road Safety Remuneration Tribunal caused significant confusion, inefficiency and costs across the industry.

It resulted in regulatory overlap with other laws such as the Heavy Vehicle National Law and Work Health and Safety laws.

It ignored, and diverted attention away from industry participants' Chain of Responsibility obligations and the important role technology can play in improving heavy vehicle safety

It was established without definitive evidence that linked remuneration and safety outcomes in the heavy vehicle industry

And, as a number of independent reports have demonstrated, it would cost the Australia economy billions of dollars.

We look forward to working with government to ensure the funds transferred from the Tribunal to the National Heavy Vehicle Regulator for road safety programs will actually deliver results.

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.

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.