



# AUSTRALIAN LOGISTICS COUNCIL

**Speech by Michael Kilgariff**

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Today I would like to discuss the positive steps required to get Australia's supply chain right, in the context of the upcoming July 2<sup>nd</sup> election.

As you would be aware, some of the key themes in this campaign are innovation, economic growth, competitiveness and jobs.

ALC has a strong, positive message that aligns with this current political debate.

ALC has developed an action plan for safety, innovation and efficiency in the supply chain which I would like to share with you today.

These six areas are:

- Getting the Structure Right
- Getting Planning Right
- Getting Rail Right
- Getting Road Pricing Right
- Getting Road Safety Right
- Getting Technology Right

ALC is encouraging governments to act on these six key areas, to ensure Australia has appropriate national regulation and infrastructure in place to meet Australia's future freight challenges.

There has been positive progress in recent years by all governments to improve logistics planning and to progress a number of logistics reforms.

The development of Infrastructure Australia's 15-Year Infrastructure Plan has provided a solid blueprint for improved infrastructure investment and reform outcomes.

However, there are still a range of areas where greater government focus is required to ensure we have our supply chains operating as efficiently as possible.

Action on these areas is critical to maximising their benefits to the Australian economy.

A more efficient and safe supply chain does not just make good business sense.

Research undertaken by ALC found that for every 1% increase in efficiency in the sector, GDP will be boosted by \$2 billion.

Sectors to benefit most from this 1% increase in logistics productivity would be forestry, manufacturing, processed food, wholesale and retail trade and construction.

The need to improve the efficiency and safety of Australia's supply chains is underscored by figures showing enormous freight growth over the next 20 to 30 years.

Data from the Bureau of Infrastructure, Transport and Regional Economics shows 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.

The time to act is *now* to prepare for this freight growth.

## Getting the Structure Right

The first thing to do is to ensure that the administrative structure is right, so that any strategies developed by government are delivered properly.

ALC would like to see the creation of a dedicated Freight Policy Division within the Australian Government to progress much needed reforms.

It is often said that the movement of freight doesn't receive the attention it should because freight doesn't vote.

This needs to change.

Showing national leadership on this issue from a bureaucratic sense would send a powerful message that the Government takes freight seriously.

This division would be responsible for working with the logistics industry to drive positive economic reforms and progress a number of recommendations from the IA 15-year plan.

In particular, the division would work hand in hand with Infrastructure Australia to deliver on IA's recommendation to develop a National Freight and Supply Chain Strategy.

ALC has long called for the development of such a strategy and I am pleased IA identified this as an area for action.

As part of this Strategy, IA would:

- map nationally significant supply chains and their access to supporting infrastructure and gateways;

- evaluate the adequacy of the institutional framework supporting freight networks and recommend reforms and investments that will move the efficient movement of freight;
- facilitate the mapping of nationally significant supply chains and their connections across ports, airports, roads, rail and coastal shipping;
- identify the key bodies overseeing their efficient operation; and
- recommend a series of reforms and investments to enable the more efficient movement of freight<sup>1</sup>.

ALC stands ready to work with the bureaucracy to progress this important piece of work.

### **Getting the Planning Right**

One of the greatest inhibitors to improved supply chain efficiency is poor planning.

Urban encroachment around key freight facilities undermines their efficient operation.

A lack of buffer zones also impact on the ability of infrastructure to operate at peak efficiency.

Freight-related activities inevitably generate traffic, noise and air quality impacts on nearby areas and communities, and they are likely to increase as trade volumes grow.

Co-locating sensitive uses and freight infrastructure is poor long term thinking.

These failings restrict industry's ability to operate 24 hours, 7 days a week, which is needed to manage the freight growth that I

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<sup>1</sup> Infrastructure Plan Recommendation 3.4

mentioned earlier.

A potential example is Badgerys Creek Airport.

There is some talk about placing restrictions on the yet to be built airport, despite the land at Badgerys being zoned as aviation for many decades.

From a freight and logistics perspective, Badgerys Creek airport simply has to be a curfew-free airport.

We cannot afford restrictions to be placed on the airport that inhibit the efficient movement of freight.

Curfew-free airports have a significant economic advantage over airports which have a curfew imposed on them.

In Australia, this can be seen at Melbourne and Brisbane, which both do not have a curfew.

If a curfew was to be imposed, it would put Sydney behind the eight ball even before it commenced operations.

Positive steps, like having the airport totally curfew free, is vital to achieving the potential economic benefits of this important project.

Another important measure is ensuring there is appropriate corridor protection.

ALC would like to see all governments to establish effective corridor protection mechanisms to ensure the timely preservation of all freight corridors and strategic freight sites.

This is an area of work we would like to see Infrastructure Australia take a leadership role on.

## Getting Rail Right

ALC's third area of focus is getting rail right.

To meet Australia's rising freight task I mentioned earlier, it is imperative that we shift more freight to rail.

This includes more freight on to rail along the important north south route between Melbourne and Brisbane.

This, we hope, will be underpinned by 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.

Infrastructure Australia recently announced it had positively assessed the business case for the inland rail project.

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

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

In the lead up to the last election we identified inland rail as our top logistics infrastructure project, and I am pleased the government has allocated serious funds to progress it.

In this year's budget, the Commonwealth allocated \$594 million dollars to inland rail.

This funding represents a significant commitment by Government to

the Inland Rail project, which 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.

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

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.

So too is ongoing government support for short haul rail.

An incoming government should continue to identify, support and promote opportunities where short haul rail services may offer freight chain efficiencies.

Last week we saw the Labor Party commit \$175 million to duplicate the single-track line between Mascot and Port Botany and to construct a crossing loop at Warwick Farm in Sydney's west.

An efficient rail freight connection to Botany is needed to underpin improved efficiencies in the supply chain which a number of planned intermodal facilities in Sydney will help to deliver.

There has been considerable progress over past 12 months to develop a number of intermodal projects in Sydney, which will transform how freight is moved to and from Port Botany.

These include:

- the Qube/Aurizon Moorebank Intermodal Terminal project
- Asciano's proposed 'constellation hub' strategy for Sydney
- a proposal by DP World and Toll to connect a container staging zone at Port Botany to an intermodal freight terminal at Villawood and
- the commencement of operations at NSW Ports' Enfield Intermodal Logistics Centre by Aurizon .

Ensuring there is appropriate capacity on the Port Botany rail freight line is critical to maximising the economic potential of these major logistics projects.

What's happening in Sydney serves as a positive template for the other states and we encourage all governments to continue to support short haul rail around the country.

### **Getting Road Pricing Right**

The fourth area ALC has highlighted for urgent reform is heavy vehicle charging and investment.

The budget which was handed down earlier this month 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.

Funds raised cannot go to consolidated revenue.

### **Getting Safety Right**

Getting safety, particularly heavy vehicle safety, was the next issue

ALC identified as requiring greater government action.

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.

### **Getting Technology Right**

The sixth and final area ALC has challenged government on is getting technology right.

Technology has an important role to play in improving safety, enhancing efficiency and boosting productivity.

For example, ALC would like to see all heavy vehicles carry telematics devices which record and track how fast trucks are travelling, and to make sure that drivers take their breaks when required.

Over time, as this technology has improved and data has become easier to capture, the cost of units has reduced.

So there is no excuse not to progress this reform on cost grounds.

Technology also has an important role to play in supporting a more efficient rail freight sector.

One such innovation is the Advanced Train Management Systems, or ATMS.

This new system involves replacing trackside signalling with in-locomotive displays.

It also provides the exact location of trains and involves new digital network control centres, which are capable of controlling all traffic on the ARTC national network.

Telematics and ATMS demonstrate the enormous efficiencies that can be generated by supporting and deploying new and emerging technologies across the supply chain.

## **Conclusion**

Ladies and gentlemen, I trust I've demonstrated the significant activity occurring in the logistics advocacy space.

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

We do this because freight efficiency matters for all Australians.

Without an efficient and safe 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.