



**Michael Kilgariff, ALC Managing Director**  
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Check Against Delivery

**Slide 1**

Good morning ladies and gentlemen.

It is a pleasure to be here in South Australia at the Major Projects Conference.

Today I'd like to talk to you about "*Getting the Supply Chain Right.*"

The efficiency of Australia's supply chains is critical to Australia's future economic prospects, whether it be getting our exports to our ports, consumer goods to our supermarkets or delivering products to our doors.

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Economic modelling by ALC and ACIL Allen found a 1% increase in supply chain efficiency can deliver a \$2 billion benefit to Australia's economy.

This is particularly important to South Australia.

Research<sup>1</sup> shows that whilst Adelaide's GDP was up 2.1 percent in 2014-2015, the economy is still lagging behind the rest of the nation.

South Australia's share of national GDP is only 4.6 percent, while at 7.2 percent it has the nation's worst unemployment rate<sup>2</sup>.

Adelaide also faces the twin challenges of an on-going decline of manufacturing and a population which is ageing more rapidly than other cities.

It goes without saying that governments must prioritise infrastructure investment to address these worrying trends.

Governments must focus on putting in place the foundations to ensure the state's supply chains are operating as efficiently and safely as possible to maximise their benefits to the local economy.

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[https://www.sgsep.com.au/application/files/4014/5542/5761/Media\\_Release\\_Australian\\_Cities\\_Accounts\\_2014-15.pdf](https://www.sgsep.com.au/application/files/4014/5542/5761/Media_Release_Australian_Cities_Accounts_2014-15.pdf)

<sup>2</sup> <http://www.abc.net.au/news/2016-03-17/sa-s-unemployment-rate-worst-in-australia/7254020>

But to achieve this economic and social dividend, we need to 'get the supply chain right' at the national level.

Indeed, 'Getting the Supply Chain Right' was the name of our election priorities document, which ALC took to both parties prior to the July 2 Election.

Today I will focus on the practical steps that State and Federal Governments need to take to achieve this.

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By way of background, ALC represents the major Australian logistics customers, providers, infrastructure owners and suppliers.

We lead the national debate on the steps needed to boost supply chain efficiency and safety.

To give you an example of this leadership, ALC was vocal throughout the recent election campaign to encourage both sides of politics to prioritise supply chain investment and reform.

Nowhere is this more important than in South Australia.

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According to the South Australian Integrated Transport and Land Use Plan, the state's freight task will increase to more than 120 billion tonne kilometres by 2043.

Efficient and safe supply chains are critical if South Australia is to sufficiently handle increased freight volumes over the next thirty years.

On this point, I congratulate Premier Jay Weatherill on his efforts to highlight the need to reform how our major freight routes are funded.

In a speech to the National Press Club earlier last year, Premier Weatherill proposed the establishment of a national heavy-vehicle road-user charging system run by the Commonwealth.

In his speech, he lamented the lack of a market-based funding system for roads, despite similar systems being in place for almost all other forms of infrastructure.

Under his plan, state-based registration and federal-based fuel-excise charges would be replaced by a more transparent pricing mechanism that more closely links road use and investment.

He also offered up South Australia as the test site for different elements for the new heavy vehicle road user charging regime.

From the perspective of Australia's freight and logistics industry – the sector to be most directly impacted by Premier Weatherill's proposal – we believe his plan requires serious consideration by all levels of government.

ALC looks forward to the results of the South Australian road tests and stands ready to assist the state to help inform the next stage of the reform's development.

As a general principle, ALC supports reform in the heavy vehicle investment area when it improves the efficiency and reliability of the network.

This general policy principle formed the basis of our support for the Northern Connector project as a means of improving freight flows through the city.

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Against this backdrop, it is worth reflecting for a few moments on some of the major South Australian projects Infrastructure Australia has identified in its most recent Infrastructure Priority List.<sup>3</sup>

The List provides both industry and government with a clear strategic direction and guidance on the reforms and investments that will underpin Australia's continued prosperity.

From a freight perspective, it highlights a number of major projects that warrant further investigation or action to deliver economic benefits to the state.

These include:

- A project on the Sturt Highway to improve the safety, capacity and efficiency of heavy vehicle movements in the state
- The Melbourne – Adelaide – Perth rail upgrade to accommodate higher axle loads, capacity and speed
- Sealing of the Strzelecki Track to allow High Productivity Vehicles to use the road; and
- Potential development of bulk commodity port capacity in the Spencer Gulf region.

ALC looks forward to further consideration of these freight projects to ensure they will deliver positive economic benefits for the state and the nation.

The South Australian Government took some positive steps in its recent budget to improve the efficiency of the state's supply chains.<sup>4</sup>

The first of these was confirmation that the Government would deliver funding for the critical Torrens Rail Junction project.

As many of you are probably aware, the Torrens Junction project involves grade separation of the freight and passenger lines.

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<sup>3</sup> <http://infrastructureaustralia.gov.au/policy-publications/publications/Infrastructure-Priority-List-Project-and-Initiative-Summaries.aspx>

<sup>4</sup> [http://servicesa.cdn.on.net/budget201617/pdfs/budget/2016-17\\_agency\\_statement\\_volume\\_3.pdf](http://servicesa.cdn.on.net/budget201617/pdfs/budget/2016-17_agency_statement_volume_3.pdf)

The existing Torrens rail junction represents a productivity constraint on the Adelaide to Melbourne rail freight line and the Government's steps to address this issue are welcomed.

This is a nationally significant freight route and needs to be operating at peak efficiency to support Australia manufacturers, exporters and primary producers.

Two of the keys to improving the efficiency of east-west freight movements are moving more freight per train, and eliminating unnecessary delays along the railway line.

Separating the freight and passenger lines, and enabling 1800-metre freight trains to operate between Adelaide and Melbourne, will go a long way to achieving these important objectives.

Complementing the Torrens Junction project is a number of Freight Access Road Projects, to which the Government is contributing nearly \$20 million.

More broadly, the SA Government has committed \$2 billion in partnership with the Commonwealth on a number of major road projects.

And, from a planning perspective, perhaps the most important measure in the 2016-2017 Budget was confirmation that the South Australian Government would complete the ports strategy and commence the freight strategy.

This is an important piece of work that will help guide long term decision making and ensure investments are targeted to the areas of most need.

It is an opportune time for the State to be developing a comprehensive freight strategy, as it is likely that the Commonwealth will be embarking on a similar piece of work over this term of government.

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Infrastructure Australia recommended to Government the development of a National Freight and Supply Chain Strategy in its 15-year Infrastructure Plan which it released earlier this year.

IA's Plan set out 78 recommendations for reform and was designed to address critical infrastructure gaps.

Now that the election has been decided, it is important that the new Infrastructure Minister responds to the IA report as a matter of priority.

Chief among these is the Freight and Supply Chain Strategy, which should be developed by Infrastructure Australia.

In the eyes of ALC, the Strategy must be both ambitious and achievable.

It needs to set out future reforms and targets that can be benchmarked.

It needs to be focussed on providing industry with policy certainty to give it the confidence it needs to make long term investment decisions.

And, it needs to clearly spell out who is responsible for implementing various parts of the Strategy.

The development of the National Freight and Supply Chain Strategy should be viewed as the next step of the economic reform agenda and in the same way as the white papers that have transformed many other sectors of the economy.

In many ways, the logistics industry is 20 or 30 years behind other sectors, such as the energy sector, which underwent challenging but necessary microeconomic reforms in the 90s.

Specifically, the Strategy should:

- 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.

A fundamental element of the Strategy needs to be concrete steps to improve corridor protection.

We need a more integrated approach to freight and urban planning to guard against inappropriate development around logistics facilities.

All too often we see instances in our major cities where infrastructure cannot operate at peak efficiency because of urban encroachment.

Or, cases where inappropriate development has led to governments needing to take more costly infrastructure decisions, such as tunnelling.

A National Corridor Protection Strategy that protects both existing and future freight corridors would help to help address this significant urban problem.

In addition to getting planning right, ALC's other election priorities were to.

- Get the Structure Right
- Get Rail Right
- Get Road Pricing Right

- Get Road Safety Right
- Get Technology Right

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Practically speaking, this means delivery on a number of major projects and regulatory reforms.

For example,

- Delivering on the inland rail project to link Brisbane and Melbourne.
- Prioritising short haul rail linking ports to intermodal terminals.
- Ensuring our major freight facilities remain curfew-free, for example, at Badgerys Creek Airport; and
- Progressing heavy vehicle investment and reform, to ensure road funds are being spent according to network demand which I touched on before.

These policy priorities need to be seen in light of freight figures from Infrastructure Australia which demonstrate Australia's enormous future freight task.

The volume of freight going through our ports and airports will grow inexorably over the next 30 years, with a predicted 165% increase in containerised trade from 2011 to 2031.

Australia needs an appropriate regulatory and investment framework to ensure we meet our future freight challenges and to maximise our industry's contribution to the Australian economy.

Without doubt, the most prominent 'major project' in the list is the development of the Inland Rail project.

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Inland rail will run from Melbourne to Brisbane via a direct interstate corridor through western NSW.

And whilst the project is confined to Australia's east coast, the economic benefits of Inland Rail will be felt across the nation, including in South Australia.

Most importantly, it will make a decisive step change in the capacity and capability of the national freight rail system.

In dollars terms, the project is expected to increase Australia's GDP by \$16 billion during its construction and first 50 years of operation.

It's expected to deliver 16,000 new jobs at the peak of construction and an average of 700 additional jobs per year over the entire period.

Exporters will be a major beneficiary of the project, with the new line to provide an efficient connection between our farms and export markets which will enhance their global competitiveness.

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Another major logistics project that will be critical for our exporters in the long term is Badgerys Creek Airport.

ALC has lobbied hard for this project to receive full planning approvals because we see it as vital to serve our international freight customers in the future.

Air freight operators transport high-value, time-critical goods around Australia and across the world particularly throughout Asia.

A range of industry sectors, such as the mining and medical industries, rely heavily on air freight for urgent overnight deliveries.

According to the Asian White Paper, air freight volumes in Australia are expected to double by 2025.

In light of this figure, ALC is amazed that there is 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.

As a general policy principle, ALC is of the belief that airports must be able to operate at their maximum potential and not have unrealistic or restrictive curfews imposed on them.

It is worth noting that modern aircraft are becoming increasingly quiet and do not emit the same noise levels as older planes.

In a submission<sup>5</sup> to the federal infrastructure department earlier this year, ALC advocated for a review of the legislation governing the curfews at a number of airports, including Adelaide.

The aim ought to be achieving a sensible balance between the travelling public, the growing national freight task and nearby communities.

A review to ensure there's greater alignment between the Curfew Act and its regulations is the first important step to achieve this important outcome.

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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.

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<sup>5</sup> <http://www.austlogistics.com.au/wp-content/uploads/2016/03/Airport-Curfew-Arrangements.pdf>

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

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.