



Speech for Michael Kilgariff
To the Australian Regional Development Conference
Monday 5 September 2016

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Thank you for the invitation to speak at the Australian Regional Development Conference.

Can I begin by congratulating the organisers of the Conference on their timing...

Last week, the 45th Parliament sat for the first time here in Canberra, and it will sit again next week.

This Conference is critical to identify, and advocate for, measures that will strengthen Australia's regional communities.

The Coalition, have, of course, a razor thin majority and its success will hinge on its ability to deliver on its reform agenda, including its reform priorities for regional Australia.

The Prime Minister's key message last week to his party room, the Parliament, and the Australian people was that this is the term of delivery.

From the perspective of the Australian Logistics Council, it is imperative that the Government delivers on this pledge.

ALC was vocal throughout the recent election campaign to encourage both sides of politics to prioritise supply chain investment and reform.

Now that the election result has been determined, we will be working with the new Government and its Infrastructure Minister on a number of practical steps to 'Get the Supply Chain Right'.

In this respect, the Australian Logistics Council and Australia's rural and regional communities share a strong, common bond.

Both of our constituencies need safe and efficient supply chains to support economic growth and sustainable regional communities.

Today what I would like to do is focus on some of the practical measures that need to be progressed to achieve this important policy objective.

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First, I'd like to begin by explaining who ALC is and what we do.

We are the peak industry body for the freight logistics industry.

We represent the major Australian logistics customers, providers, infrastructure owners and suppliers.

Our focus is very much on how we create more efficient, safe and internationally competitive supply chains.

This, of course, is of enormous benefit to rural and regional Australia.

Before I talk about some specific measures, I'd like to reflect in a historical sense on the strong link between transport and the growth of our regional towns¹.

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The development of transport infrastructure such as railways and roads has played a significant role in the location of and expansion of activity.

For example, the advent of railways from the mid-1800s dramatically changed the transport patterns and location of economic activity in Australia.

They represented a major technological advancement, replacing inefficient and expensive transport systems based on bullocks and horses.

Rail created opportunities for the export of ores and rural produce, commerce and travel.

This activity enabled industry to bloom in new areas and create new wealth.

¹ http://regional.gov.au/regional/publications/sora/files/SORA_Chapter-5-Infrastructure.pdf

The original rail routes also had a significant impact on the development of other transport networks with many major highways forming adjacent to rail lines.

This cemented the role of towns as hubs, long after their importance had been largely been overtaken by the road network.

Fast forward to today, and Australia's regions continue to contribute substantially to the nation's growth and prosperity.

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Regional Australia is a driver of our economic strength, and home to key industries such as minerals, energy, agriculture and tourism.

Regional Australia is also home to around a quarter of our population.

It goes without saying, Australia's supply chains are principally regional, they are very long haul and they cover extremely long distances.

Our road, rail, sea and air infrastructure is critical in linking the dispersed populations and remote businesses around Australia.

Key enabling infrastructure creates green-field supply chains across a range of critical industries, including agriculture, energy and minerals resources.

A poorly regulated or underfunded supply chains have huge ramifications for regional Australia.

According to Infrastructure Australia's 15-Year Infrastructure Plan², the quality of infrastructure in regional Australia is generally good, but in some areas lag behind.

A significant challenge facing the industry is appropriate investment in the last mile.

Inefficiencies in the last mile, either through inappropriate or poorly planned infrastructure, adds to costs and adds to the time taken to transport freight.

Infrastructure Australia also says the cost of investing in and maintaining infrastructure is higher than in urban areas.

² http://infrastructureaustralia.gov.au/policy-publications/publications/files/Australian_Infrastructure_Plan.pdf

Much of regional Australia has a sparse population and dispersed industry, making it more difficult to deliver good-quality infrastructure services.

IA concluded that in fast-growing regions where economic and population growth is increasing pressure on existing infrastructure, the Government needs to deliver targeted investments to ensure our regions remain strong.

ALC agrees.

Investing in our fast growing regional hubs and service centres will lift national productivity

This issue of national productivity is one worth focussing on for a few moments.

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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.

It also found the logistics industry contributes \$131 billion annually to the Australian economy, or around 8.6 percent of GDP.

It is worth comparing this to the cornerstone of regional Australia's economy – agriculture.

According to the National Farmers Federation³ agriculture's contribution to the GDP averages out at around 12 percent (or \$155 billion).

Combined, our industries contribute one fifth of our economic wealth, or around \$280 billion dollars annually.

Therefore, both sectors rely heavily on improving the efficiency and safety of our national supply chains to get products to market safely and efficiently.

And there is much to be done in this space.

In this respect, I note recent comments from the NFF Vice President and Chair of its Infrastructure Taskforce, Fiona Simson.

Fiona recently said supply chain costs routinely comprise 30 per cent of the cost of production and, in some individual cases, amount to as much as 48.5 per cent.⁴

³ <http://www.nff.org.au/farm-facts.html>

⁴ <http://www.nff.org.au/read/5327/inadequate-infrastructure-putting-brakes-on-agricultures.html>

Improving the efficiency of our supply chains is an effective way to drive down, and potentially eliminate, supply chain costs.

This underscores why ALC is active in working with other regionally based peak bodies to advocate together for shared priorities.

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For example, ALC and the Australian Local Government Association were joint signatories to an infrastructure statement issued before the last election.

The statement called for a greater commitment by major parties to maintain long-term infrastructure spending to address the growing infrastructure shortfall and to improve national productivity, particularly in regional Australia.

We, along with other national industry bodies, set out a 9-point plan to generate economic growth.

For example, it highlighted the need to enhance connectivity with strategic investment in roads and rail, including their linkages with aviation and ports.

This point in particular is critical to regional Australia, and an example of how governments need to work more closely with industry to 'get the supply chain right'.

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Indeed, 'Getting the Supply Chain Right' was the name of ALC's election priorities document, and this is what I would like to focus on today.

In it, we encouraged the next Government to focus on six critical areas:

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

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's future freight growth underlines the need for delivery on a number of major projects and reforms across all modes of transport.

Fundamentally, our report called for 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.

The first of these areas – getting the structure right – is a fundamental precursor to any future reform.

We would like to see a dedicated freight division established in the Department of Infrastructure.

It is critical that our sector gets the voice we deserve within government.

It is appropriate that infrastructure and regional development are within the one federal department here in Canberra, but to complement this, a freight division is necessary to deliver on key reforms.

One of the freight division's primary tasks, we believe, would be to manage the delivery of the National Freight and Supply Chain Strategy.

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The National Freight and Supply Chain Strategy was a high level recommendation of Infrastructure Australia in its 15-Year Infrastructure Plan.

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.

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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.

Preserving a long term freight corridor is very much at the heart of the next issue I would like to discuss today, and that is Australia's inland rail line.

Inland rail is of vital importance to regional Australia.

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

We recognise the enormous benefits of this transformational infrastructure project.

The inland rail business case 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.

Many of these, of course, would be in rural and regional Australia.

Inland rail will make it easier for freight to move from farms, mines and ports to national and overseas markets.

The Department of Infrastructure and Regional Development predicts⁵ two million tonnes of agricultural freight will switch from road to rail, with a total of 8.9 million tonnes of agricultural freight more efficiently diverted to Inland Rail.

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

⁵ <http://inlandrail.artc.com.au/benefits>

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

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 significant growth in the national freight task by 2030, all projects that improve the long term efficiency of the freight logistics network need strong and unequivocal government support.

In this year's budget the Federal 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.

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Ladies and gentlemen, to conclude I would like to leave you with a quote from one of ALC's members, and a strong advocate for improved freight links in regional Australia.

It is from Maurice James, the Managing Director of Qube, one of Australia's largest logistics businesses.

Next week, ALC will launch a new video at Parliament House, which will highlight the importance of the logistics industry to Australia.

In the video, Maurice says, I quote, the following:

A national framework for further development of our freight hubs, our rail networks to and from those rail freight hubs and also our road networks feeding our freight hubs is critical.

It is particularly critical in regional Australia, where we are moving exports to ports.

Governments need to work together to prioritise which networks need further funding, which networks don't, and really coordinate the investment and planning of those future networks.

It is a strong message that ALC continues to take to government, and it is a message that I've been pleased to share with you today.

Thank you.