



Speech by Michael Kilgariff, ALC Managing Director

Online Retail Logistics Conference

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Good morning ladies and gentlemen.

It is a pleasure to be here today at the Online Retail Logistics Conference.

And I'm grateful to be provided the opportunity to be the opening speaker.

To that end, what I plan to do today is to provide a broad overview of the environment that we're currently operating in.

And, just as importantly, the operating environment we aspire to.

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I will focus on three key issues.

First, how industry is leveraging new and emerging technologies to meet increased freight flows in our CBDs.

Secondly, understanding the critical role improved planning plays in meeting increased demands on our transport networks.

And third, some major infrastructure projects ALC is advocating for to improve supply chain efficiency.

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But first, an overview of ALC and its members.

ALC represents the major Australian logistics customers, providers, infrastructure owners and suppliers.

We are a multi-modal organisation that represents all parts of the supply chain, including those who move, own or receive freight.

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

Harnessing the power of new technologies to boost productivity is one of ALC's key policy priorities.

Technology touches all parts of the supply chain, and it continues to advance at an extraordinary rate.

Autonomous vehicles, new safety technologies and GPS advances are just some of the developments we are progressing as an industry.

In particular, the technologies used in our members' fleets, including mobile technologies, real-time route planning and intelligent handling solutions, enable them to deliver services in a safe and efficient manner.

No doubt we will hear more today about how Australia's leading businesses are using these and other technologies to improve customer service and increase market share.

The growth of online shopping is one of the great drivers of increased freight flows.

The National Transport Commission recently released a new report showing Australia's freight task will increase by 26 per cent over the next decade.

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Online retailing will drive much of this, following on from its significant growth over the past five years.

This has been facilitated by rapid growth in internet penetration, as well as greater consumer acceptance of e-commerce in terms of it being a secure way to shop.

One of the 80s most memorable advertising slogans was for the Yellow Pages, who told us to let our fingers do the walking.

Today we are doing this on our smart phones, tablets and home PCs.

Data from [IBIS](#) underlines the growth in the sector.

It predicts online shopping market has grown by more than 16 percent in the last five years, with revenue of around \$18 billion.

[Roy Morgan](#) research estimates all of the top 10 online retail categories continue to increase in popularity.

According to their research, the ten most popular online shopping product categories in 2014 were, in order:

- Entertainment and leisure
- Reading materials
- Fashion
- Food and beverages
- Electronics
- Travel products
- Health and beauty
- Home and garden
- Fashion accessories
- Automotive

According to [e-marketer](#), Australia falls in the middle of the pack in both absolute terms and percentage of total retail ecommerce sales when compared with the other Asia-Pacific countries, behind China, Japan and South Korea and ahead of India and Indonesia.

However, it is interesting to note that digital buyer penetration among internet users in Australia is the second highest in Asia-Pacific.

It is estimated that around 80 percent of internet users make purchases via a digital channel each year, behind only Japan which has 82% penetration.

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The growth of e-commerce and the impact this is having on our supply chains, particularly in our CBDs, led us to include this topic in our latest Forum we held in Sydney earlier this year

In the session '*Future of CBD Freight Delivery*' we discussed, for example, how the Barangaroo development will handle freight in the future.

Over time, 23,000 people will live and work in the precinct, with 33,000 people expected to visit Barangaroo each day. That is 12 million a year.

It's virtually a mini-city, and with that will come significant growth in deliveries on a 24hour a day basis.

This will put added stress on the already straining road network so we need to ensure there are well thought-through provisions for the movement of deliveries, particularly urgent deliveries.

More broadly, the NSW Government estimates that in the next 10 years, an extra 1 million people will call Sydney home.

To cope with this growth, the Government is investing in the transport network particularly in the CBD, including light rail from Circular Quay to Kingsford and Randwick.

This is a worthy project but it will have significant impact on the movement of freight in the short term which the NSW Government must continue to keep at the top of mind.

In particular, there must be appropriate access for deliveries to CBD stores and unit blocks.

Another speaker at the Forum noted a changing freight paradigm, which is seeing the gradual demise of the document exchange business, and the growth of ecommerce, which is having ramifications for CBD freight movements.

He also said companies like Toll are learning important lessons from other cities with high population densities; for example, Copenhagen is turning increasingly to bikes, including electric bikes.

In addition, cities with higher densities are well suited to new and innovative ways of delivering urban freight, including mini CBD freight hubs in and around the city.

The growth of e-commerce, coupled by significant development in our cities, has significant ramifications for the logistics industry which is relied upon to deliver goods safely, efficiently and reliably.

It underscores why technology is one of ALC's five policy pillars as we recognise the role it plays in a modern, efficient and safe logistics industry.

Research undertaken by ALC has found a 1% improvement in the efficiency of the sector would generate \$2 billion of gains to the economy each year

Enhanced technologies, including those driving the efficiency of our fleets, will play a key role in achieving this economic dividend.

The vehicles which transport freight around Australia are but one part of Australia's supply chains.

The supply chain comprises vendors, producers, warehouses, distribution centres and retailers.

In that sense, ALC's whole of supply chain focus is one which facilitates more efficient freight movements across the supply chain

We act as a facilitator to allow different parts of the chain to work together on shared initiatives.

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For example, the ALC Technology Committee is spearheading the development of a common labelling framework for packages travelling down the supply chain.

Within the industry, it is well recognised that there is a lack of harmony when it comes to logistics and transport labels.

This inconsistency significantly hinders systems interoperability and visibility across multi-modal or multi-carrier supply chains

This leads to unnecessary and additional costs and time delays.

To address this, GS1 and ALC have developed a common framework for freight labelling.

GS1 Australia is the only authorised source for GS1 barcode numbers and standards.

A common labelling framework enables consignors and consignees to speak the same language when packages come into, or leave, their possession.

From a consumer's perspective, this may mean the difference between receiving a package a day after it was ordered online, or, waiting a week for it to be located in a warehouse because its label could not be read properly.

Another technology ALC is pushing for to increase the efficient movement of freight is the use of information data capturing systems in heavy vehicles.

Otherwise known as telematics, this technology monitors, tracks and records the vehicle's movements.

Businesses which currently deploy data recording equipment have greater visibility across their fleets.

Data recording equipment capturing safety information such as speed, fatigue and engine on/off data is becoming more advanced and easy to use.

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For example, MTData's new product Talon comes in the form of a tablet, which integrates with its web-based software to enable fleet managers to access and review all fleet data in one place.

Talon supports fatigue management, where drivers are visually and audibly prompted to take a break and the duration required displayed on the screen.

Businesses which use telematics also have a better understanding of where Chain of Responsibility breaches are occurring.

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Chain of Responsibility effectively means everyone in the supply chain being legally responsible for breaches of the Heavy Vehicle National Law.

Under Chain of Responsibility, if you control or influence the movement of freight, you are part of the supply chain and therefore have a responsibility to ensure the *Heavy Vehicle National Law* is complied with.

Online deliveries must comply with the Chain of Responsibility provisions in the *Heavy Vehicle National Law*.

A number of significant changes to CoR are currently underway, and they will affect all parts of the supply chain.

One of the most important changes will be to impose a duty of 'due diligence' on people such as directors.

These changes are designed to have that law closely reflect Workplace Health and Safety legislation

It will require them to ensure that all reasonably practicable steps have been taken to ensure that CoR obligations have not been breached.

Executive officers of consignors or consignees need to ensure they are aware of their current responsibilities under the HVNL, and start preparing for these new laws that are expected to commence in 2018.

At the same time, there is a developing view that heavy vehicle operators should develop something like a properly documented safety management system.

This is so all commonly known risks can be managed by the operator.

This effectively means that road transport operators will have the same sort of safety practices and obligations that currently apply in the rail environment.

These changes, in effect, will bring about a greater alignment between CoR and WHS laws.

Technologies, such as telematics enable companies to take positive actions to protect their staff, their fleets and the travelling public.

The data captured by these devices relating to speed and fatigue offences can also be used by both businesses and enforcement agencies.

The use of technologies such as this is growing but far from universal. To maximise its benefits, it needs to be mandatory, it needs to be nationally consistent and it needs to be utilised properly.

ALC is lobbying for telematics to be mandatory to meet their legal obligations in the monitoring of speed, fatigue and other Chain of Responsibility requirements.

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The second topic I'd like to address today is planning.

We have a saying the industry – freight doesn't vote – and nowhere is this seen more in planning.

Freight is often crowded out, particularly by urban development, and this often leads to infrastructure not being able to be used to its maximum capacity.

ALC is strongly of the view that a National Freight and Supply Chain Strategy is needed to improve outcomes for freight in the planning process.

A long term strategy is needed to get the supply chain right, and to achieve the 1% dividend I spoke of earlier.

'Getting the Supply Chain Right' was the name of our election priorities document, and the title of a short video I'd like to play for you now.

It features eight senior executives* of Australia's leading logistics companies talking about the steps needed to get the Supply Chain Right.

[Play video](#)

As you heard in the video, now is the time to get the supply chain right, and central to this is the development of a national freight and supply chain strategy.

The development of an overarching national Freight and Supply Chain Strategy is needed to drive improved decision making across all levels of government, and to provide industry with the confidence it needs to make long term investment decisions.

It is critical to addressing inefficiencies in our national supply chains which adds to costs for consumers and potentially affects the livability of our cities.

** Ian Murray AM, Chairman, Australian Logistics Council*

Maurice James, Managing Director, Qube Holdings Ltd

John West, Managing Director, DGL (Aust) Pty Ltd

Marika Calfas, Chief Executive Officer, NSW Ports

Alison Webster, Executive Manager, Qantas Freight

David Irwin, Chief Executive Officer, Pacific National

Craig Partridge, General Manager, Logistics Operations,

Woolworths

John Fullerton, Chief Executive Officer, Australian Rail Track Corporation (ARTC)

ALC believes the strategy should build on the Port and Land Freight strategies which were developed under former Minister for Infrastructure and Transport, Anthony Albanese, and which established a solid foundation for future work in this area.

The Strategy 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.

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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 tunneling.

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

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Allow me to give you an example of freight precinct protection in practice.

Here in Sydney, trade at Port Botany is expected to increase dramatically over the coming decades.

In 2015, 1,100 vessels called at Port Botany. This is expected to increase to 1,700 vessels by 2045.

As Port Botany continues to grow, a sufficient supply of appropriately zoned employment lands in the vicinity of the port must be maintained or created.

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But there are growing concerns that there is a lack of suitability located and unconstrained employment and industrial lands in proximity to Port Botany.

This land is needed to cater for the forecast trade demands of NSW.

This includes larger parcels of industrial lands which are currently being subdivided into smaller allotments.

Industrially zoned employment lands in the vicinity of the port have already been lost and much of what remains is increasingly at risk of being rezoned.

Furthermore, traditional industrial uses cannot afford to pay the land rents paid by non-traditional industrial uses.

With houses come conflicts in terms of noise and access, which compromises the efficiency of the supply chain.

Port Botany, like all ports around Australia, needs appropriate protection of industrial lands for port uses, including the establishment of buffer zones around remaining industrial lands.

ALC looks forward to the National Freight and Supply Chain Strategy addressing this growing issue.

This brings me to the final topic I would like to discuss today... the role of major infrastructure projects in improving supply chain efficiency.

From a productivity and efficiency perspective, government focus must continue to be on improving access to and from our ports.

In the recent federal election, Labor committed to invest \$175 million to duplicate the single-track line between Mascot and Port Botany.

We are yet to learn whether the re-elected Coalition Government will match Labor's funding commitment.

Improving Port Botany Rail Freight is good for Sydney and good for Australia.

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Getting more freight on to rail in Sydney is critical to addressing Sydney's rising congestion issues.

It will also support the NSW Government's vision to double the amount of freight moving to and from Port Botany by rail, which currently sits at around 16% and NSW Ports' target to move 3 million TEU by rail over the longer term.

Improving rail connections are also fundamental to meeting expected container growth at Port Botany, where volumes are expected to triple over the next 30 years.

An efficient rail freight connection to Botany will also 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:

- Qube's Moorebank Intermodal Terminal project (which was recently added to IA's Infrastructure Priority List)

- A proposal by DP World and Toll to connect a container staging zone at Port Botany to an intermodal freight terminal at Villawood
- Aurizon's operation of NSW Ports' Enfield Intermodal Logistics Centre
- Pacific National's Chullora Facility

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

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Moving to roads, we would all agree that the logistics industry cannot operate without an efficient road system.

Infrastructure investment reform is a hot topic in our industry at the moment and one that I'd like to spend a few minutes discussing.

A number of eminent bodies have recently released reports supporting reforms to how roads are funded.

These include the Productivity Commission, the Harper Competition Review, and most recently, Infrastructure Australia in their National Infrastructure Audit.

They all effectively make the same argument.

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.

There is growing consensus that the current system of vehicle charging and investment needs to be put under the microscope.

One of the primary reasons why the current system is not working is that funds are spent on roads across the network irrespective of usage.

Growing pressure on state and federal budgets also necessitates serious consideration of where we go from here.

In short, it is becoming increasingly clear the current system will not support maximum efficiency and productivity in the long term.

ALC supports reform, but funds collected need to be re-invested in infrastructure that will enhance productivity outcomes on National Key Freight Routes, and not just used to raise general revenue.

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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.

These and other measures I've outlined today reflect industry's commitment 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.

Online retail logistics is a large and growing component of this and so it has been a pleasure to share with you my thoughts on this important issue today.

Thank you.